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See PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

OVERSEAS REPRESENTATION
See PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

P

PARLIAMENT
See also—

LEGISLATION.

NATIONAL LOTTERY.

PARLIAMENTARY AFFAIRS.

PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

Recall of the House of Lords on 22nd January. 3.
Recall of the House of Commons on 16th January: debates on the economic measures on 17th and 18th January; the Second Reading of the Transport Holding Bill to be taken on 16th January. 4 (1).
Recall of Parliament on 26th and 27th August to discuss the situation in Czechoslovakia. 38 (2).
Draft of Parliamentary Statement to be made by the Prime Minister. C 5, C 24, 8.

Specialist and Select Committees:

Select Committee on the Work of the Parliamentary Commissioner. 11 (1).
The Parliamentary Commissioner's Sachenhausen report. C 33, 12 (1).
Select Committee on Agriculture. C 33, 12 (1).
Select Committee Procedure. 26 (2).

Third London Airport: an enquiry into the location of the airport. C 37, 14 (4).
PARLIAMENT (continued)

The Budget: presentation of the Budget proposals. 20 (2); 22 (2).
Rhodesia: a statement to be made by the Commonwealth Secretary. A group of Ministers to be constituted to deal with all aspects of our Rhodesia policy. 20 (2).

House of Lord's Timetable:

- Race Relations, Gaming and Medicines Bills. 25 (2).
- The summer recess: the opening of the 1968-69 session; the prorogation of the current session. 36 (1).
- Motion on the conduct of the Leader of the Opposition. 37 (1).

Devolution to Scotland and Wales:

- The proposed Commission on the Constitution. 43 (1).

Debate on the Address:

- Reduction of voting age to 18. Firm two-line Whip to be issued to Private Members and Ministers. 43 (1); 44 (3).
- Intention to publish a White Paper on the Reorganisation of the Ports. 44 (3).
- Demonstration against the war in Vietnam:
  - Large demonstration planned for the 27th October. 43 (1).
  - Successful handling of demonstration: the Home Secretary to be congratulated; the efficiency of the Metropolitan Police demonstrated. 44 (1).

PARLIAMENTARY AFFAIRS

- Report of the Parliamentary Committee on the recommendations of the Sub-Committee on Electoral Reform. Further consideration of the issues involved was required. 29 (1).
- Business for the week commencing 27th May, 1968: arrangements for the Finance Bill, the Transport Bill and the Prices and Incomes Bill. 29 (1).
- Report of the Parliamentary Committee on the informal proposal by M. Jean Monnet that the Labour Party join the Action Committee for a United Europe. 39 (1).
- Report of the Parliamentary Committee on the problem of establishing satisfactory liaison between the NEC and the Government on the consideration of major questions of policy. 39 (1).
- Parliament expected to be prorogued on 25th October: new session not to open until 30th October in case it should prove necessary to defer prorogation until 28th or 29th October. 39 (1).
- Announcement to be made of merger between Ministries of Health and Social Security and establishment of the Civil Service Department; statement by Foreign Secretary on merger of Foreign and Commonwealth Offices. 40 (2).
- Divorce Law Reform: Bill likely to be introduced in the present session: morning sittings would be likely to facilitate the early passage of the Bill. 46 (2).
- Report of the Parliamentary Committee on the provisions of the Representation of the People Bill. 52 (1).

PARLIAMENTARY COMMITTEE

See also PARLIAMENTARY AFFAIRS.

Meetings to be held at approximately weekly intervals, to prepare the way for the Cabinet's consideration of items of business which were of particular importance or political significance. Its deliberations and conclusions to be reported regularly to the Cabinet. 28 (1).

PASSENGER TRANSPORT GRANTS

See PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

PAY OF MUNICIPAL BUSMEN

See PRICES AND INCOMES.

PEOPLE'S REPUBLIC OF THE SOUTHERN YEMEN

- Death sentence of the Amir Hood commuted to 15 years' imprisonment. Three other Sultans in Government hands. 13 (3).
- Trials of former Federal Ministers: the action to be taken if executions were carried out. 14 (1).
- Dismissal and expulsion of 32 British military personnel: business firms warned of risks. 16 (2).
- Future aid. 21 (2); 28 (6).
- Rejection of further aid: authority of the Southern Yemen Government precarious. 29 (2).

PERSIAN GULF, DATE OF WITHDRAWAL FROM

See PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

PORTS BILL

See LEGISLATIVE PROGRAMME, 1968-69

SECRET
POST OFFICE

Services and charges: proposed increases; the introduction of the two-tier letter scheme. C 59, 20 (5).

Inland Telegram Service: the service to be discontinued by 1973 and replaced by an emergency service and, subject to public demand, by a postagram service; no announcement at present. An announcement of the detailed increases in Post Office charges to be delayed until after the end of March. C 61, 23 (4).

POST OFFICE BILL

See LEGISLATIVE PROGRAMME, 1967-68.

PRESCRIPTION CHARGES

See—

PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

SOCIAL SERVICES.

PRICES AND INCOMES

See also—

PRICES AND INCOMES: SOCIAL SERVICES.

PARLIAMENTARY AFFAIRS.

INDUSTRIAL AFFAIRS.

Consideration to be given to salaries of members of boards of nationalised industries before the Summer Recess; pension provisions to be reviewed. C 3, 10 (4).

Future policy on productivity, prices and incomes: alternative possibilities; proposed statutory powers; restraint of rent increases; consultations with the CBI and TUC, and the National Staff Side; publication of a draft White Paper; settlements for teachers, lower-paid workers. C 45, C 46, C 50, C 54, C 56, C 58, 16 (3); 17 (1); 18 (4); 19 (2); 20 (4); 22 (4).

Low-paid Workers: the incomes policy should not provide for an exception to the ceiling on wage increases in respect of low-paid workers. A study by officials of a national minimum wage to be pressed forward. C 62, 23 (3).

Draft White Paper: approval, subject to amendments; publication on Wednesday, 3rd April. C 64, 24 (4).

Prices and Incomes Bill: consideration to be given to ensuring that the Bill would reach the Statute Book not later than mid-July; the Parliamentary Labour Party and the Trade Union Group to be made fully aware of the great political importance which attached to the enactment of the Bill. 28 (3).

Sub-section (4) of clause 3, providing for the extension of existing standstill orders, to be retained; Ministers with responsibilities for prices to offer the maximum co-operation in preparing announcements of action on prices to be made at the Second Reading. 29 (5).

Pay Claims in the Shipbuilding and Engineering Industries: offers had been made to the Confederation of Shipbuilding and Engineering Unions, and to the Draughtsmen’s and Allied Technicians’ Association; the response to the offers. C 70, 28 (7).

Pay of Municipal Busmen: the extension of the standstill to proceed; accompanying action, briefing material in recent wage settlements to be made available to Ministers and selected Government backbenchers. Future strategy on incomes policy to be considered. 35 (3); 36 (6).

Incomes Policy likely to come under heavy criticism at the Labour Party Conference. Arrangements made for small group of Ministers to consider objectives of incomes policy from latter half of 1969; important that all Ministers make clear their support for existing policy and statements made in Parliament about duration of compulsory powers. 39 (3).


PRICES AND INCOMES: SOCIAL SERVICES

Assistance to low-paid workers: an increase in family allowances of 3s. a week in October 1968, with an associated adjustment of tax allowances for 1968-69 under “give-and-take” arrangements; the abolition of payment of sickness and unemployment benefit for the first three days of absence from work; the restriction of the right of occupational pensioners to receive unemployment benefit. C 50, C 51, 17 (2).

PRIME MINISTER’S VISITS

See—

VISIT OF THE PRIME MINISTER TO THE SOVIET UNION.

VISIT OF THE PRIME MINISTER TO THE UNITED STATES.

PRIVATE MEMBERS’ BILLS

See PARLIAMENT.

PUBLIC BUILDING AND WORKS, MINISTRY OF: REDUCTION OF DIRECT LABOUR FORCE

See PUBLIC SERVICES.
PUBLIC EXPENDITURE, 1968-69
Civil defence; roads and public lighting; transport; technological services; other assistance to employment and industry; research councils; agriculture, fisheries and forestry; housing, local environmental services and Land Commission, law and order; education; health and welfare; common services; Northern Ireland; support of external policy. SEP 62, 33 (4).

PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES
See also PUBLIC EXPENDITURE PROSPECT.
Procedure: the recall of Parliament on 16th January; a debate on 17th and 18th January. Strictest secrecy of Cabinet discussions. C 1, C 2, C 4, C 5, C 6, C 7, C 8, C 9, C 10, C 11. 1 (2).

Defence—
Decision to withdraw our forces from Malaysia, Singapore and the Persian Gulf. Proposed cancellation of the F-111 aircraft order; alternative economies to be considered. C 5, C 6, C 7, 1 (3).

Decision to cancel the F-111 aircraft order. A full reappraisal of our defence programme necessary. Procedure for talks with the Prime Minister of Singapore. C 5, C 15, C 18, 6.

Date of withdrawal from the Far East and the Persian Gulf. F-111 cancellation. Foreign exchange costs of British forces in Germany. Other military defence costs. C 5, C 16, C 23, 7.

Social security; family allowances; rate rebates; school-leaving age; education; health and welfare; housing; Concorde. C 1, C 2, C 4, C 5, 2.

Roads; passenger transport grants; Channel Tunnel; Home Department services; home defence; space policy; investment grants; agriculture; development area expenditure; other environmental services; other expenditure; effects on the construction industry. C 3, C 18, C 20, 7.

Health and welfare; prescription charges; housing; rate rebates; school meals; family allowances; rate support grant. C 5, C 14, 4 (3); 7.

Overseas aid; military aid; overseas representation; space policy (ELDO and Black Arrow); technology; balance of the measures as a whole. C 5, C 17, 5.

Northern Ireland; overseas expenditure; Civil Service manpower; Local Authority manpower; C 5, C 8, C 9, C 18, 7.

Balance of the Measures as a Whole. Draft Parliamentary Statement to be made by the Prime Minister. C 5, C 24, 8.


PUBLIC EXPENDITURE PROSPECT
The Ministerial Steering Committee on Economic Policy to conduct monthly reviews of public expenditure in relation to the development of the economy as a whole and to provide quarterly reports for Cabinet consideration. Consideration to be given to promotion of some form of independent review of manpower in the public service. C 63, 24 (5).

Endorsement of proposals by Chancellor of the Exchequer: consideration to be given to question of need for legislation during the current Session in order to maintain the subsidies to the fishing industry at their current level, or to increase them, after 1st August, 1968. C 72, 29 (4).

PUBLIC SCHOOLS COMMISSION: FIRST REPORT
See EDUCATION.

PUBLIC SERVICES
Reduction of Ministry of Public Building and Works direct labour force: the Mann Report should not be published but should be made available to, and discussed with, the unions; future action to be determined. C 75, C 77, 30 (5).

Q

THE QUEEN'S SPEECH ON THE OPENING OF PARLIAMENT
Draft Speech. C 105, 41 (5).

THE QUEEN'S SPEECH ON THE PROROGATION OF PARLIAMENT

SECRET
RACIAL DISCRIMINATION
See also—
PARLIAMENT.
LEGISLATION.
Race Relations Legislation: the preparation of the Bill to be urgently pursued. C 12, 4 (2).
No reduction at present in the numbers of vouchers issued to Commonwealth immigrants or changes in the main principles on which dependants or voucher holders were admitted. The terms of reference of the proposed Select Committee on Race Relations might be widened. Proposals for additional assistance to areas in which immigrants had concentrated to be submitted to the Parliamentary Committee. 28 (4).
Race Relations and the Police: police disciplinary code not to be amended to make racial discrimination a specific offence. C 122, 46 (6).

RAILWAYS
See INDUSTRIAL AFFAIRS.

RATE REBATES
See PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

RATE SUPPORT GRANT
See PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

REFORMS OF THE LAW AND PRACTICE ON CHILDREN AND YOUNG PERSONS: DRAFT WHITE PAPER
See LEGISLATION.

REMUNERATION OF MINISTERS
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REORGANISATION OF THE PORTS
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REPRESENTATION OF THE PEOPLE BILL
See LEGISLATIVE PROGRAMME, 1968-69.

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See PUBLIC EXPENDITURE, 1968-69.

RESTRICTIVE TRADE PRACTICES BILL
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REUTERS CORRESPONDENT IN PEKING
Statement to be made by the Foreign Secretary about the case of Mr. Anthony Grey. 49 (2).

REVENUE BILL
See LEGISLATIVE PROGRAMME, 1967-68.

RHODESIA
See also PARLIAMENT.
The execution of three Rhodesian Africans for murder: the Cabinet's endorsement of the Commonwealth Secretary's action in advising The Queen to exercise the Royal Prerogative of Mercy. A Motion condemning the executions to be put down that evening. 18 (2).
The recent indications of a break in the solidarity of the Rhodesian Front: a sign of the stresses and strains which might lead to long term changes. Recent guerilla activity not likely to make any significant impression for some time to come. 23 (2).
The debate in the Security Council: the probable tabling of a draft resolution by the Afro-Asian Group; we should probably wish to table our own draft. 24 (3).
Our own draft resolution to be tabled when the Representative at the United Nations, Lord Carradon, thought the moment was right. 26 (3).
Discussion still proceeding in the Security Council on a resolution on Rhodesia. Mr. Smith's present attitude. 28 (6), 29 (2).
Little to report until Mr. J. R. A. Bottomley of the Commonwealth Office returned from Rhodesia. 30 (2).
RHODESIA (continued)

Suggested meeting in two of Her Majesty's ships at Gibraltar; no further opportunity likely to arise for at least another year or two. The necessity of standing firm on the six principles; an agreement consonant with those principles authorised to be initialled if Mr. Smith were prepared to do so. 40 (1).

Our proposals for a Rhodesia Independence Settlement incorporating a statement by the Prime Minister to be published in a White Paper; unlikely that Mr. Smith would accept our proposals. C 107, 41 (1).

Reply awaited to our proposals and to the offer to send the Minister without Portfolio to Salisbury for further discussions. 42 (2).

Text of aid memoire by Mr. Smith not to be published; it would be considered by the Ministerial Group who would report to Cabinet C 118, 43 (2).

The Rhodesian reply to H.M.S. Fearless proposals; the Minister without Portfolio to leave for Salisbury; the House of Commons to be informed on 1st November; line to be taken by the Foreign and Commonwealth Secretary and the Minister of State for Foreign Affairs (Mr. Mulley) in the debate on foreign affairs on the 31st October. 45 (4).

Next stage of negotiations with the regime in Salisbury. The Minister without Portfolio instructed to report back to the Cabinet; before either concluding a settlement on the basis proposed or finally breaking off negotiations. 46 (4).

ROADS
See Public Expenditure: Post-Devaluation Measures.

ROADS AND PUBLIC LIGHTING

S

SALARIES OF BOARDS OF NATIONALISED INDUSTRIES
See Prices and Incomes.

SCHOOL-LEAVING AGE
See Public Expenditure: Post-Devaluation Measures.

SCHOOL MEALS
See Public Expenditure: Post-Devaluation Measures.

SCOTLAND, STORM DAMAGE
The situation to be treated as a special emergency. 9 (3); 10 (6).

SEAMEN, NATIONAL UNION OF
See Industrial Affairs.

SECURITY OF MINISTERIAL DISCUSSIONS
See Cabinet, Parliament.

SEEBOHM REPORT (REPORT OF THE INTERDEPARTMENTAL COMMITTEE ON LOCAL AUTHORITY AND ALLIED PERSONAL SOCIAL SERVICES)
See Social Services.

SEIZURE OF UNITED STATES SHIP BY THE NORTH KOREANS
The seizure of the Pueblo on the high seas. 10 (2).

Hopeful signs that the incident might be on the way to solution. 11 (2).

SELECT COMMITTEE ON PROCEDURE
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SELECT COMMITTEE ON RACE RELATIONS
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SHIPBUILDING AND ENGINEERING INDUSTRIES, PAY CLAIMS
See—
Prices and Incomes.
Industrial Affairs.

SHIPBUILDING INDUSTRY (AMENDMENT) BILL
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SECRET
SICKNESS AND UNEMPLOYMENT BENEFIT: WAITING DAYS
See Social Services.

SOCIAL SECURITY
See Public Expenditure: Post-Devaluation Measures.

SOCIAL SERVICES
See also Prices and Incomes: Social Services.

Prescription Charges—exemptions: the introduction of charges not to be made in advance of arrangements for exemptions; children to be exempt from payment only up to their 15th birthday; National Health Service and National Insurance contributions to be increased from 6th May; the possible issue of medical cards to identify those exempted; negotiations with doctors' and dentists' representatives; consideration whether the arrangements could be extended to recipients of supplementary benefit or those with incomes below supplementary benefit level. C 38, 14 (5).

Sickness and Unemployment Benefit: Waiting Days; a statement to be made by the Minister of Social Security indicating that the Government were reviewing their policy against the background of the growth of employers' sick pay schemes and the introduction of earnings-related short-term benefits; full consultation with the CBI and the TUC; the Committee stage of the Bill to be deferred. 25 (2).

Responsibility for the Early Days of Sickness: Clause 2 of the Family Allowances and National Insurance Bill to be withdrawn; the possibility of achieving savings in expenditure on the social services—to be considered. 73, 29 (6).

Report of the Interdepartmental Committee on Local Authority and Allied Personal Social Services (Seebohm Report): an announcement by the Prime Minister of the publication of the Report; the Lord President to co-ordinate arrangements for consultation with local authorities and other interests concerned and the interdepartmental consideration of the Report in the light of those consultations; and to report to Cabinet in due course. C 88, 36 (3).

Earnings-related Pensions Scheme: the Chancellor of the Exchequer to arrange for economic advisers to consider the economic effects of the proposed scheme; Ministers to comment in writing to the Lord President before discussion was resumed. C 106, C 112, C 110, 42 (6).

Subject to the adoption of biennial pension reviews, approved the proposals for an earnings-related pension scheme; a White Paper to be considered by the Social Services Committee with a view to its submission to the Cabinet before the middle of December for publication in mid-December or later. C 112, C 110, C 117, C 121, C 106, 45 (5). Draft White Paper approved, subject to the redrafting of paragraph 177 to be published on the 21st January, subject to the agreement of the Chancellor of the Exchequer. The Secretary of State for Social Services to consult with the Home Secretary and the Secretary of State for Scotland about the terms of reference and composition of the proposed committee on one-parent families. The Secretary of State for Social Services and the First Secretary of State to arrange for the preparation of legislation to give effect to the proposals in the White Paper. C 128, 52 (3).

SOUTH-EAST ASIA TREATY ORGANISATION
The SEATO Meeting in Wellington: the attitude of the Australian and New Zealand Governments to our withdrawal in 1971; the Commonwealth Secretary's talks with the Prime Minister of Singapore and his visit to Brunei. 26 (3).

SOVIET UNION, PRIME MINISTER'S VISIT TO
See Visit of the Prime Minister to the Soviet Union.

SPACE POLICY
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Black Arrow: the programme to be continued for a further year from 1st April, 1968, on certain conditions; the question of continuing in 1969–70 to be referred to Cabinet in due course. 18 (5).

SPEAKER'S CONFERENCE
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SPECIALIST AND SELECT COMMITTEE
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STATE VISIT OF THE PRESIDENT OF ITALY
Postponement of the visit in view of doubts whether the new Italian Government would receive a vote of confidence from the Italian Parliament. 34 (2).

SUEZ CANAL
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SECRET

SUNDAY ENTERTAINMENTS BILL
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SURINAM
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TANZANIA
Tanzania had agreed to resume diplomatic relations. 34(2).

TANZANIA BILL
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TECHNOLOGICAL COLLABORATION WITH EUROPE
See FOREIGN POLICY.

TECHNOLOGICAL SERVICES
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TECHNOLOGY
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THEFT BILL
See LEGISLATIVE PROGRAMME, 1967–68.

THIRD LONDON AIRPORT
See PARLIAMENT.

TOURISM BILL
See LEGISLATIVE PROGRAMME, 1968–69.

TRANSPORT
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TRANSPORT BILL
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TRANSPORT (LONDON) BILL
See—
LEGISLATIVE PROGRAMME, 1967–68.
LEGISLATIVE PROGRAMME, 1968–69.
TRANSPORT POLICY.

TRANSPORT POLICY
London Transport Reorganisation: Bill to be introduced in 1968–69 session; NBPI to make recommendations on fare increases necessary to make the London Transport Board commercially viable on transfer of responsibility to the GLC. C 103, C 108, 41 (2).

UNITED NATIONS
Opening Meeting of the 23rd Session of the General Assembly: Statement by the Foreign Secretary. 42(2).

VEHICLE AND DRIVERS' LICENSING BILL
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VEHICLE REGISTRATION BILL
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VIETNAM

See also—

VISIT OF THE FOREIGN SECRETARY TO MOSCOW.

VISIT OF THE PRIME MINISTER TO THE SOVIET UNION.

VISIT OF THE PRIME MINISTER TO THE UNITED STATES.

The breaking out of a Communist offensive. 11 (2).

Confidential contacts between the United States and North Vietnam; no positive results; possible future developments; the military situation uncertain; the position in Laos and Cambodia giving grounds for concern. 13 (3).

The initiative taken by President Johnson to end the Vietnam war: our attitude. 25 (1).

The suggestion by the North Vietnamese that talks with the United States should take place: possible meeting places; President Johnson's decision to limit the bombing of North Vietnam; the part of the Soviet Union in bringing pressure to bear on North Vietnam. 26 (3).

Instructions to our Ambassador in Washington regarding our attitude to the argument about the meeting place for peace talks. The Soviet Government at present afraid of taking any initiative which might be unwelcome to North Vietnam. 28 (6).

United States Policy, under President Nixon, on bombing North Vietnam. 40 (1).

Foreign and Commonwealth Secretary's statements on United States-Vietnamese discussions. 49 (2); 52 (2); 43 (3); 46 (4).

VISIT OF THE FOREIGN SECRETARY TO BONN

Discussions on our application to join the European Economic Community, the forthcoming meeting of the North Atlantic Council in Reykjavik, on Malta and Gibraltar. 30 (6).

VISIT OF THE FOREIGN SECRETARY TO MOSCOW

Arrangements made for the visit on 22nd-23rd May: the probable attitude of the Soviet Union. 29 (2).

Discussions on Vietnam, the Middle East, Germany and Mr. Gerald Brooke. 30 (6).

VISIT OF THE PRIME MINISTER TO SINGAPORE

See PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES.

VISIT OF THE PRIME MINISTER TO THE SOVIET UNION

Discussions mostly friendly and co-operative: subjects included Vietnam, the Middle East, Europe, NATO, Anglo-Soviet trade and Mr. Gerald Brooke. 10 (2).

VISIT OF THE PRIME MINISTER TO THE UNITED STATES

An unexpectedly successful visit. The need of the United States for our friendship and support. Discussions on Vietnam, NATO, relations with France and Germany offset. The President's concern about the world economic situation. 13 (3).

WESTERN EUROPEAN UNION (WEU)

See APPROACH TO EUROPE

YEMEN

See PEOPLE'S REPUBLIC OF SOUTHERN YEMEN.

YUGOSLAVIA

The Foreign Secretary's visit to Yugoslavia. 31 (3).

Discussions with Yugoslav and Turkish representatives on the attitude to be adopted towards possible Soviet action against Yugoslavia. 42 (2).

ZAMBIA

The acceptance by President Kaunda of Zambia of an invitation to visit this country from 16th to 20th July. 34 (2).
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CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 4th January, 1968, at 3.00 p.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M P, Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M P, Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. BARBARA CASTLE, M P, Minister of Transport
The Right Hon. RICHARD MARSH, M P, Minister of Power
The Right Hon. GEORGE STEWART, M P, First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M P, Lord President of the Council
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M P, President of the Board of Trade
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. FRED PEARCE, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. CLEDWYN HUGHES, M P, Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology

The following were also present:
The Right Hon. REGINALD PRENTICE, M P, Minister of Overseas Development
The Right Hon. JUDITH HART, M P, Minister of Social Security
The Right Hon. ROBERT MELLISH, M P, Minister of Public Building and Works
The Right Hon. KENNETH ROBINSON, M P, Minister of Health
The Right Hon. EDWARD SHORT, M P, Postmaster-General
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury

The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury
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1. The Foreign Secretary said that he was pursuing the consultations with the five member countries of the European Economic Community (EEC) other than France on the lines approved by the Cabinet following their consideration of his memorandum C (67) 187 on 20th December. He would report further to the Cabinet when the consultations had proceeded sufficiently far to warrant this.

The Cabinet—

Took note, with approval, of the Foreign Secretary's statement.

2. The Prime Minister said that the memoranda on post-devaluation measures to restrain public expenditure (C (68) 1, 2, 4, 5, 6, 7, 8, 9, 10 and 11) which had been circulated to members of the Cabinet and to the other Ministers present were for their personal use only and should not be disclosed more widely, save for the limited number of senior officials who might need to be brought into consultation. It was essential that the strictest security should be observed about the Cabinet discussions on this subject. The Foreign Secretary and the Commonwealth Secretary would shortly be undertaking difficult consultations overseas with a number of countries who would be markedly affected by the measures under consideration, and any premature disclosure of information about the Cabinet's consideration of these measures would make their task the more difficult and perhaps prejudice its success. Moreover, it was essential that the measures to be announced by the Government should be justifiable not only on their individual merits but also collectively as constituting a well balanced policy to take advantage of the opportunity afforded by devaluation to achieve economic recovery; and this objective would be prejudiced if there were leakages of information about individual measures before the group could be announced as a whole.

It was unlikely that it would be possible for the Cabinet to complete their consideration of the measures at a single meeting. He therefore proposed that the Cabinet should meet again on the following day to bring to a conclusion their initial consideration of the broad scope and balance of the proposals. He had also, together with the Foreign Secretary, the Chancellor of the Exchequer and the Leader of the House of Commons, given some consideration to the Parliamentary procedure to be followed in respect of the announcement and discussion of the measures. As matters stood, the first substantive business of the House of Commons on Wednesday, 17th January, after the Recess, would be a two-day debate on foreign affairs; and this would inevitably pre-empt discussion of the overseas aspects of the Government's measures in isolation from their domestic aspects. The best course would, therefore, appear to be to recall Parliament a day early, on Tuesday, 16th January; to announce the Government's measures on that day;
and to arrange for a debate on them on the two following days, postponing the foreign affairs debate until the following week.

In discussion there was general agreement that the Prime Minister's proposals represented the best solution of the procedural problems. Although the Foreign Secretary and the Commonwealth Secretary would not have returned from their consultations overseas until 14th and 15th January and would need to be in a position to tell the Governments whom they would be consulting that their views would be reported to the Cabinet, it would not be practicable or desirable to announce the Government's measures to Parliament any later than was now proposed. If the Cabinet reached broad agreement that day and the following day on the scope and balance of the measures to be announced, it would be possible to keep the Foreign Secretary and the Commonwealth Secretary informed of any significant developments whilst they were overseas and to take account of the views of the Governments whom they would be consulting on the basis of telegraphed reports. It would also be necessary to arrange a meeting of the Cabinet after the Foreign Secretary and the Commonwealth Secretary had returned and before the Government's measures were announced.

The Prime Minister, summing up the Cabinet's discussion on procedure, said that the Cabinet were agreed that they should meet the following day to complete their consideration of the scope and balance of the post-devaluation measures. They were also agreed in principle that Parliament should be recalled a day early, i.e., to meet on Tuesday, 16th January, and that the Government's measures should be announced on that date and should be followed by a debate on Wednesday and Thursday, 17th and 18th January. It would not, however, be necessary to give effect to this decision until the following week, and this would afford an opportunity for further consideration should developments so require.

The Foreign Secretary and the Commonwealth Secretary should expedite so far as possible their consultations with other countries in order to be present at the Cabinet's final meetings before the measures were announced.

The Cabinet—

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

3. The Cabinet had before them a memorandum and a note by the Chancellor of the Exchequer on public expenditure (C 68 5 and 6).

The Chancellor of the Exchequer said that the covering note to his memorandum (C 68 5) demonstrated that, in order to make a success of devaluation by establishing our balance of payments beyond doubt, the Government should now take further action to reduce demand by an annual rate of something of the order of £1,000 million in terms of increases in taxes or reductions in public expenditure and to achieve as much as possible of this shift of resources by means of reductions in public expenditure programmes. Three main reasons for this were as follows.
First, our external financial position made it essential for us to transform a substantial deficit on our external payments in 1967 to a large surplus in 1969. 1967 would be the fifth successive year in which our external payments had been adverse. The accumulated deficit of that period would amount to some £2,000 million and would bring us nearly to the end of the borrowing rights available on tolerable terms. Because the disadvantages of devaluation took effect earlier than the advantages, 1968 would be a neutral year from the point of view of the balance of payments, with a continuing deficit in the first half and a compensating improvement in the second. In 1969, however, the competitive advantages afforded by devaluation should be at their peak. If, therefore, we were to restore our balance of payments position over the next two financial years, it would be necessary to aim at an external surplus of some £500 million in the second year. This was not an excessive target: it amounted to only a quarter of the accumulated deficit of the last five years, and improvement in the balance of payments of the order proposed—from a deficit of £300 million in the current year to a surplus of £500 million in 1969—was not an unreasonable aim either in itself or in the light of the recent success of Federal Germany and of Italy in this respect. But in order to achieve this target it would be necessary to make room for a shift in resources to exports and to import-saving at an annual rate of the order of £1,000 million.

Second, it would clearly be impossible to achieve so large a shift in demand and resources by means of taxation alone. To attempt this would involve such substantial increases in taxation, both direct and indirect, that a consequential and counter-productive spiral effect on wages and prices would be unavoidable. Moreover, with employment increasing, such a course would involve a significant fall in the standard of living in 1968, and no increase in that standard in 1969. It was therefore essential that as much as possible of the necessary shift of resources should be achieved by means of reductions in public expenditure programmes.

Third, the factor of confidence in sterling would be of the utmost importance during the first half of 1968 when, for the reasons which he had stated, our external trade balance was likely to continue to be adverse. There was substantial expectation in countries overseas, on whose confidence we were dependent, that our public expenditure would be restrained, if not indeed reduced; and the rise in public expenditure foreshadowed in the current departmental estimates would, if it were not sharply held back, have a very damaging effect on external confidence.

For these reasons it was imperative that the measures to restrain public expenditure should be, and should be seen to be, both adequate in the aggregate to achieve their purpose and properly balanced in their composition, embodying substantial reductions in our programmes of expenditure both at home and overseas, including defence expenditure. He could not accept the argument that, because public expenditure for civil purposes had greatly increased in the last few years whilst defence expenditure had been held relatively steady,
the later should not also make a substantial contribution to the necessary economies. It had been a major part of the mandate upon which the Government were elected that they would take steps to remedy the disproportion between spending on defence and on civil purposes. It had to be recognised, however, that it would not be possible to make significant defence savings in the financial year 1968–69 and that there were limits to the economies which could be achieved in 1969–70. It was therefore the more important, if defence expenditure was to make a contribution sufficient to give an appropriate balance to the Government’s economy measures as a whole, that the exigencies of our present economic situation, and the public realisation of them, should be made the occasion for firm long-term decisions on defence policy of such a character as to demonstrate clearly that we were now prepared in this respect to cut our coat according to our cloth. He therefore proposed that the Government should now decide and announce to Parliament on 16th January two groups of measures to these ends. First, that the Government had decided that the United Kingdom should now withdraw from its political and defence responsibilities in the area East of Suez by the end of the financial year 1970–71, instead of by the mid-70’s as provided for by previous policy decisions in this field. On this proposal he differed from the Ministers responsible for external policy and defence, who accepted the proposed withdrawal in principle but felt that it should not be completed until the end of the financial year 1971–72. In his view the difference of date was a significant one, since the earlier date would mean that the withdrawal could be completed within the lifetime of the present Parliament, and almost within the present decade, whereas the latter date would for these reasons achieve less impact as a decisive change from present policy. The earlier date would afford some 3½ years in which the Governments affected by our withdrawal could rearrange their affairs; and in his view deferment of our withdrawal for a further year would not significantly assist them in this respect. Second, it was essential that these reductions in our commitments should be seen to be reflected in corresponding reductions in our expenditure on defence equipment and personnel and consequential structural readjustments in our forces. In particular, it was important that there should be a significant reduction in our very substantial purchases of foreign aircraft. The argument that the cost of these was largely neutralised by offset arrangements was not valid, especially in present circumstances when the resources used for production and sales for offset purposes were needed to reinforce the drive for more exports and for import-saving. In our changed national circumstances these proposals were right in themselves and should be given priority among the measures which the Government must take in the present situation.

Only on that basis could adequate reductions be made in the growth of civil expenditure. The scope of the reductions proposed in his memorandum was such that he could now comment only upon those which, for political, economic, or social reasons were of particular importance. In the savings in civil expenditure there should be a balance between those achieved by additional charges
and those achieved by reductions in services. Under the former head, he proposed to re-impose charges for prescriptions made under the National Health Service. Such charges were essential to any realistic set of economies in expenditure and would be less harmful to the National Health Service than any of the alternative means of economy which had been suggested, including an increase in contributions. He proposed that there should also be increases in the charges for dental services and for school meals and that economies should be made in local health and welfare services. As regards education, he proposed a three-year deferment of the raising of the school-leaving age. This would be an unpalatable decision; but its effects would be mitigated by important concessions to avoid undue delay in the implementation of the Government’s policies for the formation of comprehensive schools and for the elimination of the worst school buildings. The improvement in the housing situation justified the savings on the housing programme which he had put forward in his memorandum. Family allowances had presented an important but very difficult problem. The 7s. 0d. increase in allowances planned for April 1968 could not be increased; and he was considering whether it could be made more selective without resort to an individual means test. Administrative difficulties and tax consideration prevented him at this stage from putting forward more definite proposals; but he was considering with great urgency how far it might be possible to introduce the principle of selectivity immediately; and he hoped that before 1969 it would be possible to apply this principle comprehensively on an acceptable basis. He proposed that civil defence should now in effect be put on a “care and maintenance” basis, so as to achieve a saving of some two-thirds of present expenditure by 1969–70. The increase in the numbers of employees of central and local government was giving rise to much public criticism; and he proposed that every effort should be made to avoid any increase in such employment in 1968–69. Expenditure on road construction, improvement and maintenance was growing so quickly that it was essential that economies should be made, the main burden of which should fall upon minor roads, with particular application to road maintenance by local authorities. It was similarly essential that expenditure by local authorities should make an adequate contribution to the economy programme. Much of this expenditure arose in respect of the implementation by local authorities of central government policies, and the main means of control of the remainder was the Exchequer rate support grant. This grant was fixed for two years at a time, i.e., currently until the end of 1968, with provision for interim increases as justified by rising prices. It would therefore be difficult to change the rate of grants before the end of 1968. But he proposed to serve notice as part of the current measures that he would not be able to approve any increases in the grant in respect of 1968 and that for the next two-year period, 1969 and 1970, he would not be prepared to allow any increase in the rate of grant in excess of three per cent in real terms. In so far as his other proposals for economies in local authority expenditure were
acceptable, e.g., in respect of education it would be necessary to make the three per cent restriction more severe.

The Cabinet would understand that, while the proposals in his memorandum represented a formidable and unpalatable programme of economies, it was essential for the economy and for the financial standing of the country that effect should be given to it; when circumstances improved, mitigations could be introduced accordingly. But the Cabinet should be clear that it was his view that the proposals as they stood could not be regarded as too severe but indeed that, having regard to the proportion of the necessary shift in resources still remaining to be made by increases in taxation, a considerable case could be made for restrictions on public expenditure of still greater severity.

The Cabinet then turned to consider a memorandum by the Foreign Secretary and the Commonwealth Secretary (C(68)7) on reductions in defence commitments.

The Prime Minister informed the Cabinet that there had been some preliminary discussion of cuts in the defence programme by a smaller group of Ministers earlier that day. The discussion had centred on two main issues—our future defence commitments and the equipment of the forces. These issues might be considered separately. As regards commitments opinion had been divided on two points: first, whether our final withdrawal from Singapore and Malaysia should be completed by 31st March, 1971 or by 31st March, 1972; and secondly, given that we could not remain in the Persian Gulf after we had withdrawn from the Far East, whether we should aim to withdraw from the Gulf earlier and whether we should announce our decision publicly.

The Foreign Secretary said that it would be wrong to suppose that any new major change of policy was now in question. That change had been made as a result of the last Defence Review in July 1967 when the decision had been taken to withdraw our forces from East of Suez and, although it had not been announced at the time from the Persian Gulf. We had secured the acquiescence of our allies in the decision to withdraw from the Far East by not giving a precise date for our withdrawal but by stating that it would be in the “middle 1970s” and by promising a continued military capability for use in the area after our withdrawal. The issue was now whether our withdrawal should be accelerated. Given the cuts which would be necessary in domestic expenditure, the overseas departments did not oppose an accelerated withdrawal. But it must be recognised that it would entail serious risks for the stability of the area. He and the Commonwealth Secretary were firmly of the view, and it was also the unanimous opinion of their advisers, that the earliest date which would be tolerable for the completion of the rundown would be 31st March, 1972. In Singapore we should be throwing on the labour market about 60,000 people now directly deriving their employment from the British forces. This could provoke widespread labour unrest, possibly leading to the overthrow of Mr. Lee Kuan Yew’s Government and the assumption of power by a Communist régime. These risks would be greatly increased if we had to complete our
withdrawal by 31st March, 1971. One year’s delay could make a very considerable difference. Our withdrawal would in any case lead to a serious diminution of British influence in an area where we should still retain important economic and other interests even after withdrawal. Once our forces had gone we should depend more than ever for the protection of those interests on the good will of the local administrations. If we aroused their distrust they had it in their power to organise against us. Even if we ceased to be a world power, we should continue to retain world interests and to need friends and allies to defend them. We could not afford to flout international opinion in the way the French did.

In the Persian Gulf direct British interests were involved. Forty per cent of our oil supplies (and over 50 per cent of Western Europe’s) came from the Gulf; and the 40 per cent of Gulf oil which was in British ownership made a significant contribution to our foreign exchange earnings. He recognised that our forces could not defend our oil supplies and that the oil producing states needed us as customers for their oil. But there was a real risk of intervention by other Powers; and this risk would increase with the speed of our withdrawal. The Soviet Union was already buying Iraqi oil which she did not need, in order to establish her political influence in the area. If there were disorders in the Gulf States, our oil installations would be in danger. The Middle East crisis in the summer of 1967 had shown that no Arab State could stand out against popular demand not to supply us with oil. For these reasons he would prefer to make no announcement of our plans for withdrawal from the Gulf. Once it was known we were going, we might well be faced with the same situation as we had faced in Aden and be forced to leave sooner than we intended.

The Commonwealth Secretary said that the decision to withdraw from the Far East had already been taken. The issue now was the date of withdrawal. To advance withdrawal to 1970-71 from 1971-72 would produce no savings in 1968-69 and only £5 million in 1969-70. The difference of a year might not be important for us; but it could be vital for our Far Eastern allies and especially for Singapore. Our withdrawal would create widespread unemployment in Singapore; and it would make a very great difference if this were phased over three years instead of four. There was a real danger of this unemployment leading to the overthrow of the régime. The extra year would also be important for our relations with Malaysia, Australia and New Zealand. He was leaving for the Far East on the 5th January and would have to explain to our Commonwealth allies why we had been obliged to change our minds about the rate of our withdrawal only a few months after we had assured them that the Defence Review of July, 1967 would be the last in the life of this Parliament. He needed guidance from his colleagues on what to say. He would like to tell the Governments concerned that we should not withdraw before 1971-72; that this earlier date would involve an increase in mitigatory aid; and that he was ready to listen to their views and to report back to his colleagues.
In the course of discussion on the date of our withdrawal from the Far East it was argued in favour of withdrawal by 1971–72 that, given that the principle of withdrawal had already been decided and that the only issue was its timing, the extra year proposed by the Foreign Secretary and the Commonwealth Secretary was important for the countries concerned, especially Singapore, and would extend by one-third the time available for them to adjust themselves to the impact of our withdrawal. We had to set the minimal savings which would result from bringing forward our withdrawal to 1970–71 against the political and economic risks involved in the area. It was in our own interests to withdraw in circumstances which would enable us to maintain the maximum of good will in the countries concerned, with whom we should still need to trade and do business after our withdrawal. We should also still retain our moral obligations to Australia and New Zealand. Another consideration pointing to a later rather than an earlier withdrawal was the fact that we had 35,000 servicemen and 12,000 dependants in Singapore and Malaysia; and, if there were disorders, their withdrawal might become dangerous and expensive. The later date would also reduce the formidable administrative problems of organising their return to this country.

In favour of the earlier date of 1970–71 it was argued that it would still allow 3½ years for the rundown; and that an extra year was unlikely in practice to make a critical difference or appreciably to reduce the dangers of disorder in the area. We must expect that our decision would be unwelcome to the United States, Australia and New Zealand; but their reaction would not be materially influenced by the margin of a year. Even in Singapore it was far from certain that unemployment would be as massive as was feared or would necessarily lead to disorder. The Prime Minister of Singapore had not appeared to be greatly concerned with the possibility of an accelerated withdrawal when the Prime Minister had met him in Melbourne in December 1967. He had been more preoccupied with the political situation in Malaysia and with the anticipated economic boom in Singapore.

Moreover, the question at issue was more than one of mere timing; our credibility as a nation was involved. So far our reductions in defence expenditure had always been too little and come too late. This was our opportunity to make radical final decisions and to make clear that our future defence role would be concentrated in Europe. Our experience in Aden had proved the advantages of fixing an early date for withdrawal and adhering to it. Our standing in the world depended on the soundness of our economy and not on a world-wide military presence. We must get our commitments and resources into a sensible long-term balance as soon as possible. We should be increasingly on our own in the world for the next few years; and we must therefore concentrate on safeguarding our own interests. Against the background of our present economic situation there was a strong case for a withdrawal by 1970–71.

In discussion of our withdrawal from the Persian Gulf it was pointed out that it would be essential to announce a date for
withdrawal soon. Unless this was done, it would not be possible to announce or plan the phasing out of our aircraft carriers (which would yield substantial savings in expenditure), since the carriers would be needed to cover withdrawal from the Gulf. An early announcement was also necessary to remove uncertainty in the area. Some concern was expressed at the consequences of withdrawal for the security of oil supplies which were vital for our industry and also for Western Europe. On the other hand it was argued that we could not stay in the Gulf after we had withdrawn from the Far East. Indeed, once it was known that we were withdrawing from the Far East earlier than planned, our position in the Gulf was likely to become more and more difficult. The area would become increasingly unstable and we could not expect to maintain stability by the presence of our forces. As regards oil, our primary interest was in the oil installations with their considerable earnings of foreign exchange. But it had been noticeable that during the Nigerian civil war and the Middle East crisis in the summer of 1967 action had been taken by the local administrations concerned to protect foreign oil installations. They might not therefore be in such danger as was feared. The risk to oil supplies might also not be so serious: the Soviet Government could not afford to buy unlimited quantities of oil from the Middle East for purely political reasons.

In subsequent discussion there was general agreement that the proposed statement on defence reductions should contain no reference to Hong Kong; that we should plan to withdraw very soon some of our aircraft from Cyprus; but that it would not be practicable to withdraw from the sovereign base areas in 1968 or 1969. In any case Cyprus would be required as a staging post until the withdrawal from the Far East was complete.

The Prime Minister, summing up this part of the discussion, said that the decision of the Cabinet was that our withdrawal from the Far East should be completed by the end of the financial year 1970–71 and that we should withdraw from the Persian Gulf by the same time. Both decisions should be announced, the reference to the Gulf being so expressed as to imply that withdrawal would certainly not be later, and might be sooner, than withdrawal from the Far East. The Foreign Secretary should inform the United States Secretary of State, Mr. Dean Rusk, of our decision when he met him in San Francisco on 13th January; and the Commonwealth Secretary should inform the Governments of Australia, New Zealand, Malaysia and Singapore during his forthcoming visit to the Far East. If, in their consultations with these Governments, the Foreign Secretary or the Commonwealth Secretary encountered a strong reaction, they would be free to undertake to invite the Cabinet on their return to consider these representations. The possibility of increasing our offer of mitigatory aid to Malaysia and Singapore in the light of the decision to accelerate our withdrawal should be considered separately; and no commitment in this respect should be incurred meanwhile. But there would be no objection to the Commonwealth Secretary’s informing the Malaysian and Singapore
Governments that we should be willing to discuss with them, at a later stage, the aid implications of our accelerated withdrawal. The Cabinet agreed that we should not abrogate unilaterally the Anglo/Malaysian Defence Agreement; but we should need to negotiate with the Malaysian Government a re-interpretation of it, in order to bring it into conformity with our new policy. We should not retain a special capability for use in the Far East after our withdrawal. But the general capability which we retained in Europe would be available to be deployed overseas; and we could assure our Commonwealth partners and allies that in this way we should retain the ability to help them if circumstances in our own judgment demanded it. It must be clearly understood, however, that we could not give any advance undertaking to implement that capability. As regards our membership of the South East Asia Treaty Organisation the view of the Cabinet was that, since our only Treaty commitment was to consult and there was no obligation to provide forces, we need not necessarily withdraw from the Treaty, provided that there was no question of additional military equipment specifically related to this commitment (e.g., transport aircraft). The Foreign Secretary should, if he thought advisable, arrange for a Minister to visit those States whose interests were involved in our withdrawal from the Persian Gulf, in order to give them advance warning of the announcement we proposed to make. It would also be necessary for the forthcoming statement of the Government’s economic measures to include some reference to the offset arrangement for financing the costs of our forces in Germany; and further consideration should be given to this question.

The Cabinet—

(1) Agreed that the process of withdrawing our forces from Malaysia and Singapore should be completed by the end of the financial year 1970–71.

(2) Agreed that we should withdraw our forces from the Persian Gulf not later than the same time.

(3) Agreed that their decisions under Conclusions (1) and (2) above should be announced in due course, subject to any further discussion which might be required in the light of the results of the forthcoming visits by the Foreign Secretary to the United States and the Commonwealth Secretary to the Far East.

(4) Invited the Foreign Secretary, the Chancellor of the Exchequer and the Secretary of State for Defence to consider what reference should be made, in the forthcoming statement on reductions in expenditure, to the arrangements for financing the costs of British troops in Germany.

The Defence Secretary said that public comment had concentrated on cancellation of the order for F-111 aircraft as a prime candidate for inclusion in the Government’s measures to reduce public expenditure. This was perhaps understandable; but
in his view cancellation of this order was the last step which the Government should contemplate if they were to pay proper regard to defence needs. The decision in this matter should turn on whether we needed the capability which the F-111 would provide, since, if we did, there was no doubt that the F-111 was the cheapest, most efficient and most expeditious way of providing it. The requirement for this capability had been accepted by his colleagues on a number of occasions in the past; and they had continued to accept it despite the decision to withdraw from our commitments in the Far East by the mid-1970s. In addition to its strike capability, the aircraft was important for reconnaissance purposes; and there was no other aircraft available which could take its place in this respect. The requirement for an aircraft of this type in the European theatre was now greater than in the past, since NATO had recently revised its strategy in a direction which Her Majesty's Government had advocated consistently over recent years. NATO strategy had previously been based on the concept of response by massive conventional forces to any conventional attack; there had, however, never been a prospect of the NATO partners being able to provide conventional forces on the scale required, so that effectively the previous strategy had implied an immediate nuclear response to any major attack and all available strike aircraft had been accordingly allocated to the nuclear role. A more realistic strategy had now been accepted, based on the concept of providing sufficient conventional forces to hold any attack for at least long enough to allow time for a rational decision to be taken on the employment of nuclear weapons. As a result of this change of strategy, 90 per cent of strike aircraft had now been released for the support of conventional forces. Recent events in the Middle East had confirmed that in modern conditions it was impossible to win battles without air superiority. Large numbers of tactical aircraft were now deployed in Eastern Europe with the role of supporting ground forces; and, in the event of a war, it would be crucial to destroy these aircraft on the ground. To do so, however, would require an attacking aircraft which could penetrate sophisticated air defences and could operate at low level, in all weathers and at night. Only the F-111 could meet these requirements. The Phantom aircraft was too limited in range; and to equip the Buccaneer for this role would take seven years and cost as much on development as would purchase of the F-111.

It might be asked why the United Kingdom should be the only European partner to provide this capability. First, only British airfields were out of range of a surprise attack. Second, without the F-111, our contribution to NATO would be wholly inadequate. Even with the F-111, our defence budget in the early 1970s would still be less than that of France and Germany. We were at present providing only one-fifth of the number of ground troops that Germany provided and only one-quarter of the number of support aircraft and fighters. This disproportion would be made good by provision of F-111s, though we would be providing only 50 of these in place of the present 150 Canberra bombers. An important
advantage of making our NATO contribution in this form was that it did not involve us in overseas stationing costs.

The United States were planning to maintain F-111 aircraft in Europe; but our own contribution of F-111s would constitute a significant increase in the total strike capability. If we were to cancel the F-111, our troops would be entirely dependent for air cover on American or French aircraft. It was not acceptable that these Powers should be the only ones with an advanced air strike capability, bearing in mind that it was always possible that the United States might decide to reduce their capability in Europe, particularly at a time when our own military presence in the Far East was being withdrawn.

While the decision on whether to cancel the order should turn on our need for the capability which the F-111 would provide, the damaging consequences of losing the offset agreement should not be ignored. If we were to lose the prospect of sales under the offset agreement, the whole future of some important firms, notably Handley Page and Fairfields, would be put at risk.

If his colleagues were to take the view that it was imperative to secure further defence savings equivalent to those which would be produced by cancelling the order for F-111s, it would be preferable to look for them elsewhere in the defence field. If we cancelled the F-111 order, we should be putting at risk the lives of British troops in any future conflict; and there should be no question of the Government’s accepting this risk simply in order to meet public pressure for a symbolic gesture.

The Chancellor of the Exchequer said that the total cost of the F-111 aircraft over the period up to April 1976 would be £400 million. If the order were cancelled, we should incur nugatory expenditure of some £54 million, mostly in dollars though part would be covered by the offset agreement. We should, however, secure a total saving over a ten-year period of £350 million. The saving in 1969–70 would be £10 million, and in 1970–71 would be £20 million, with larger savings in later years. Thus, the ratio of cancellation costs to savings was much more favourable in respect of the F-111 than it would be if we were to cancel the order for Phantom aircraft or to withdraw from the Concorde project. We had embarked on a very large programme of purchase of American aircraft, which would cost us £800 million in total. This was more than we could afford; but the F-111 was the only item which it would pay us to cancel. The offset agreement had recently been extended to cover further sales to the value of $100 million, making a total of $825 million. If we cancelled the F-111, we should certainly lose the $100 million additional sales. The credit for the third-party sale to Saudi Arabia of $265 million would not be affected. We had already secured offset sales of $180 million. In all, cancellation would mean that total sales under the offset agreement might be reduced to some $200–260 million. But the advantages of the offset agreement should be kept in perspective. Export earnings under the agreement did not bring any net benefit to the balance of payments; they simply prevented the deterioration which would otherwise result from
purchase of the aircraft. It was also claimed that the offset arrangements were valuable in that they enabled British firms to gain a foothold in the United States market; but this was of limited advantage, since it was certain that, once the target for offset sales had been reached, the barriers to sales in the United States would immediately reappear.

When the Government had originally agreed to the purchase of F-111s, the case for this had been presented primarily in terms of our role in the Far East; but, in the light of the decision which the Cabinet had just taken about the contraction of our commitments in this area the purchase could no longer be justified on that ground. In Europe, the British F-111s would simply be an extension to the main United States force. None of our European partners had thought it necessary to provide such aircraft themselves; and it was unacceptable for us, in a weaker economic position, to do so. While there was no ideal substitute for the F-111, it should be possible to use Phantom aircraft in the same role; they would be less effective but would represent a standard of equipment comparable with that of our European partners. The order should therefore be cancelled.

In discussion there was considerable support for proceeding with the purchase of F-111s. It was urged that, if the order were cancelled, we should then have no means under our own control of ensuring air superiority over the battlefield in any conflict in which British troops might be involved. It would be unwise to rely on the United States for this; we could not safely assume that they would be prepared to maintain a force of F-111s indefinitely in Europe. The nature of the NATO Alliance might change over time; and the United States might not always be ready to use their aircraft to meet our commitments. Our own force of F-111s would in no sense be a duplication of the United States capability; it would represent a significant extension of that capability.

While one of the objects in acquiring the F-111 had been to support our role in the Far East, it had always been intended that the aircraft should also play a vital part in the European theatre; and we had never planned to deploy many of them in the Far East. When the purchase was originally agreed, it had been envisaged that we should buy 150 aircraft; the reduction to 50, reflected the present intention that they should be used primarily in a European role. It was possible, however, that they might also need to be used in the Far East in the period before we withdrew from that area. Even after that time, the Cabinet had agreed on assurances to our allies in the Far East that we would be ready to use our general capability in Europe to assist them if need arose. This would be an empty assurance if we did not retain the means of helping them; and the F-111 was the only aircraft which could be deployed from Europe to the Far East with the necessary speed.

Without the F-111, our contribution to NATO would be regarded as completely inadequate by our partners in the alliance, since we contributed proportionately far less than they did in other types of aircraft and in ground troops. It was to our advantage to
make our contribution in the form of an advanced aircraft: this was a field where we had a natural lead because of our long and continuous experience; and an increase in our contribution in ground troops, which we should probably be pressed to provide if the F-111 were cancelled, would be far more expensive.

The benefits of the offset agreement could not be ignored. They represented actual export earnings, while the earnings which the same resources might secure elsewhere must necessarily be hypothetical. Moreover, the immediate effect of cancellation would be that in the critical year 1968–69 we should have to pay out £38 million in cancellation charges, mostly in the form of dollars.

It could not be argued that the defence budget would be excessive if we proceeded with purchase of the F-111. On this basis, it would still fall to some £1,650 million by 1972. This would represent a level of defence expenditure lower than that of France and Germany, while in terms of manpower we should by that time be only a little stronger than Holland. This was the lowest level of defence spending consistent with our retaining any worthwhile influence in Europe and in the world. If, however, the view were taken that it was imperative in our present economic circumstances to secure savings of the order of those that would result from cancelling the F-111, it would be preferable to seek them in other parts of the defence budget; and in that event cancellation of the Harrier aircraft would be one possibility that should be considered.

On the other hand it was strongly urged that cancellation of the F-111 order was justified. It was inevitable that we should rely on the United States force of F-111s as the main instrument for fulfilling the strike role in Europe: and, if circumstances ever arose where that force were not available, a force of 50 British F-111s would be inadequate. Our NATO partners were content to rely on the United States capability; and we should do likewise. The original justification for purchase of the F-111s was primarily to support our role in the Far East; and it was unlikely that the Government would have agreed to the purchase solely for the European role. If we were to liquidate our commitments in the Far East, it was essential that the implications of this should be followed through, and be seen to be followed through, in the field of weapons and equipment. While we should be giving assurances to our allies in the Far East that we would be prepared, if necessary, to use our general capability to assist them, there could be no question of our maintaining a special capability for this purpose.

In assessing the relative size of our contribution to NATO, it was necessary to bring the Polaris missile into the balance: we could not afford to provide both Polaris and the F-111 for NATO when our partners were providing neither of these. If it was thought desirable that our NATO contribution should primarily take the form of advanced equipment, it should be equipment made in this country and not bought abroad.

The economic case for cancellation was also very strong. The cancellation charges would be inconsiderable in relation to future savings. There was a good prospect that the industrial resources now
devoted to securing sales under the offset agreement could be diverted to exports which would bring a positive balance of payments benefit; and this was more true of these resources than of those which would be released by the reductions in the social services which were under consideration.

It was difficult to see how defence savings equivalent to those which would flow from cancelling the F-111 could be secured by any alternative means. Any attempt to secure them by a series of minor economies would carry no conviction and have no impact on confidence. It would be a serious matter to contemplate cancellation of the Harrier aircraft as a substitute for cancelling the F-111. The Harrier had reasonable export prospects; and to abandon it would gravely damage the military capacity of the British aircraft industry.

*The Defence Secretary* said that if, despite the considerations he had advanced, the Cabinet were to favour cancellation of the F-111, he would like the opportunity to put before them proposals for alternative measures to secure equivalent savings on defence. He would have to take account of the effect of cancellation of the F-111 on the cost of the defence programme generally. The balance of the Forces must be preserved, and cancellation of the F-111 would inevitably entail some increased expenditure in other parts of the programme.

*The Prime Minister*, summing up this part of the discussion, said that, while the Cabinet recognised the force of the arguments in favour of the F-111, they were no less impressed by the ease for cancelling the order and were disposed, on balance, to feel that it should be cancelled. But it would be open to the Defence Secretary, if he wished to press for reconsideration of this issue, to bring before the Cabinet in the following week proposals for alternative measures to secure equivalent savings in the defence field.

The Cabinet—

(5) Invited the Defence Secretary, if he so wished, to propose alternative economies with a view to securing defence savings no less than would be secured by cancelling the order for F-111 aircraft.

(6) Subject to further consideration of the alternative proposals under Conclusion (5) above, favoured cancellation of the order.

*Cabinet Office, S.W.1,*

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Friday, 5th January, 1968, at 2.00 p.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M P, Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M P, Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. BARBARA CASTLE, M P, Minister of Transport
The Right Hon. RICHARD MARSH, M P, Minister of Power

The Right Hon. MICHAEL STEWART, M P, First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M P, Lord President of the Council
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M P, President of the Board of Trade
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. FRED PEA RT, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. CLE DWYN HUGHES, M P, Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology

The following were also present:
The Right Hon. REGINALD PREN TICE, M P, Minister of Overseas Development
The Right Hon. JUDITH HART, M P, Minister of Social Security
The Right Hon. ROBERT MELLISH, M P, Minister of Public Buildings and Works
The Right Hon. KENNETH ROBINSON, M P, Minister of Health

The Right Hon. EDWARD SHORT, M P, Postmaster-General
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury

The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

SECRET

(For part of discussion)
SECRET

Secretariat:
Sir Burke Trend
Mr. W. A. Nield
Miss J. J. Nunn
Mr. E. M. Rose
Mr. H. L. Lawrence-Wilson
Mr. K. Barnes
Mr. P. E. Thornton

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Subject
PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES
  Social Security
  Family Allowances
  Rate Rebates
  Postponement of the Raising of the School-leaving age
  Other Expenditure on Education
  Health and Welfare
  Housing
  Concorde
  Procedure
The Cabinet resumed their discussion of the post-devaluation measures proposed by the Chancellor of the Exchequer in C (68) 5.

The Cabinet considered a memorandum by the First Secretary of State (C (68) 1) on the consequences of devaluation in the field of social security.

The Minister of Social Security said that an increase of supplementary benefits would be required in the autumn or early winter of 1968 but the amount of the increase should be determined later. It would be preferable, however, not to specify a date for the increase in supplementary benefits in the Government's statement on their economic measures but to say only that they would be increased at the right time.

In discussion it was suggested that some more specific indication of the timing of the increase would assist in maintaining the incomes policy; if no indication were given the Government would be questioned on their intentions. There was general agreement that the statement on the Government's economic measures should include a reference to the increase in supplementary benefits in the autumn of 1967 and should say that these benefits would be further increased in the autumn of 1968.

The Cabinet—

(1) Agreed that supplementary benefits should be increased in the autumn or early winter of 1968 and that the statement on the Government's economic measures should say that supplementary benefits would be further increased in the autumn of 1968.

The Minister of Social Security said that he accepted that National Insurance benefits should not be increased before October 1969 but this should not be announced now, because there would be pressure to advance the date. She also agreed that the standard of living of National Insurance beneficiaries should not be improved in this period as compared with that of the working population generally. But it would be unwise to announce now that the increase of National Insurance benefits would be related to the movement of prices instead of earnings. This would create pressure for a benefit increase early in 1969 when the rise in prices would be likely to exceed the value of the recent increases in benefit. Moreover, the basis of previous benefit increases was not generally understood, and to announce now that the next increase would be related to the movement of prices might be taken as meaning that
there would be no reduction of expenditure in this field. The Government’s statement of their economic measures should therefore say only that National Insurance beneficiaries could be given no increase in their standard of living as compared with that of the working population. It was desirable to preserve the maximum flexibility in this way, because of uncertainties as to the future movement of prices and earnings.

In discussion, while there was general agreement that benefits should not be increased before the autumn of 1969 and that the increase should be related to the movement of prices, it was questioned whether, in view of the recent increase, it was necessary to make any public reference to a further increase of benefits two years ahead. It was pointed out, however, that unless some specific indication were given of a restriction on the next benefit increase, credit could not be claimed for the resultant saving. To say no more than that benefits would be increased in two years’ time and would take account of the movement of prices might be taken as an indication that there was no change of policy and as over-generous. But if the statement said explicitly that benefit increases would be related strictly to prices, this treatment of existing pensioners would be difficult to reconcile with the treatment of future pensioners that would be promised in the White Paper on earnings-related pensions which it was planned to publish later in the year.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were agreed that National Insurance benefits should not be increased before the autumn of 1969 and that the increase should be related to the movement of prices. The Government’s statement on the economic measures might be on the lines that benefits would be increased in two years’ time and would enable the increase in prices over that period to be dealt with, but that the standard of living of those on benefit would not be allowed to improve relative to that of the working population. The precise form of the statement, which should enable a saving of £35 million to be claimed, should be considered further by the Chancellor of the Exchequer, in consultation with the Minister of Social Security, in the light of the Cabinet’s discussion.

The Cabinet—

(2) Agreed that National Insurance benefits should not be increased before the autumn of 1969 and that the increase should be related to the movement of prices since the previous increase.

(3) Invited the Chancellor of the Exchequer in consultation with the Minister of Social Security, to consider the terms in which this decision might be reflected in the announcement of the Government’s economic measures so as to indicate a saving of £35 million in accordance with the summing up of their discussion by the Prime Minister.
The Minister of Social Security said that she accepted that the benefit of the 7s. increase in family allowances which would take effect in April should if possible be confined, by means of tax adjustments, to families with low incomes and that this principle should in due course be extended to the whole family allowance. A further increase of about 3s. a week would be needed in the autumn, however, if the Government were to fulfil their specific commitment to protect families with very low incomes against the effect of devaluation. The increase in supplementary benefits would not help those with low earnings and those affected by the wage stop. The purchasing power of earnings of £12 per week would fall by 7s. and men with low earnings were commonly in employments in which it was difficult for them to increase their earnings or suffered from physical or mental disabilities. The poorest families could not be helped by extension of the rate rebate scheme, which was not designed for this purpose. Such families could be helped selectively only by means of an increase in family allowances combined with compensating tax adjustments to offset the benefit to the wealthier families. By this means the cost of a 3s. increase in family allowances would be reduced from £35 million to £9 million a year.

The Chancellor of the Exchequer said that adjustment of tax allowances would not reduce the cost of any family allowance increase as reflected in the Estimates. In view of the rise in the forthcoming Estimates for 1968–69, and in particular of the rise in the Family Allowance Estimate in consequence of the increase already given, he could not accept that there should be any further improvement in family allowances. It would not be practicable in the coming year to introduce any scheme of options which might reduce the cost of any further family allowance increase falling on the Estimates although he was considering this possibility for the longer-term. If any increase in family allowances was considered essential it could only be given on a means-tested basis. The statement on the Government’s economic measures should say that consideration was being given to the possibility of introducing selectivity into the coming 7s. increase and subsequently into the payment of the whole family allowance. He would be prepared to consider incorporating into the supplementary benefit scheme a 3s. child’s allowance which might be paid, subject to means test, notwithstanding that the father was in full-time work; this, if practicable, would be an interim measure pending the reshaping of the Family Allowance scheme on more selective lines and could be announced in the Budget.

In discussion it was suggested that, while some of the objection of principle which the Cabinet had previously seen in the application of a means test to family allowances might be removed if it were plainly only an interim measure, it would be unduly expensive to set up the necessary additional administrative machinery temporarily. It was also suggested that alternative means of helping the poorest families might be identified in the Cabinet’s subsequent consideration of expenditure on other services.
The Cabinet—

(4) Agreed to resume their consideration of family allowances in the light of their subsequent discussion of expenditure on other services.

The First Secretary of State said that it would be desirable to increase the income limits for rate rebate to take account of changes in earnings and prices since the scheme was introduced. The original scope of the scheme would be restored if the income limit applicable to single and married householders were increased by £1 a week in each case. The allowances for children should be increased by either 10s. or £1 bringing the additional cost to £7·5 million or £10·4 million in a full year.

The Cabinet—

(5) Agreed to consider rate rebates when they resumed their discussion of family allowances in accordance with Conclusion (4).

The Cabinet considered a memorandum by the First Secretary of State (C (68) 2), to which was annexed a memorandum on the postponement of the raising of the school leaving age.

The Secretary of State for Education and Science recalled that the Government were at present committed to raising the school leaving age from 15 to 16 in 1970-71. Deferment for three years would release to the labour market an additional 400,000 15-year-olds at a time when the working population was expected otherwise to be virtually static and there was likely to be a large demand for manpower. Deferment would also postpone the temporary deterioration in the pupil-teacher ratio and in the problem of accommodation that would otherwise occur. On the other hand, raising the age would have less effect on the productive potential of the economy than on the total numbers in employment, since 15-year-olds were less productive than the average worker. Moreover, the places in which voluntary staying on at school beyond 15 was least marked were the development areas and areas of high unemployment. In the long run raising the age would help to produce a better-educated working population. There was a marked difference in voluntary staying on after 15 as between income groups, and as between the North of England and the South; deferment would prolong these social and geographical differences and would leave the less well-off areas with a less well educated labour force. There were therefore strong social and economic arguments against deferment to balance against the savings that would accrue. The plans for raising the age were closely connected with those for comprehensive reorganisation, and the effect of deferment on the latter could be very marked after the first year; while the Chancellor of the Exchequer proposed offsetting additional expenditure of £3 million in 1968-69 and £8 million in the next two years to ensure that policies on comprehensive reorganisation and for the relief of the educationally deprived areas could proceed, it was likely in practice that the whole of this sum would be directed to comprehensive reorganisation.
While educational opinion was divided on the issue, and there was some expectation that raising the age would be deferred, it was desirable to examine the possibilities of achieving comparable savings by alternative methods. He had proposed a cut of 50 per cent in the cost-of-living increase due in the autumn of 1968 in student awards, which would save about £4 million; the Chancellor of the Exchequer had included this among his present proposals, but if the increase were totally withheld there would be a saving of some £8 million in the first year and £12 million in the next two years. There were also possibilities of further savings of university expenditure, but it was unlikely that substantial savings could be achieved on capital account; as regards current expenditure, a new quinquennial agreement had recently been made and there would be strong criticism if this agreement were to be broken. It had to be borne in mind, however, that if the rate support grant were also reduced as the Chancellor of the Exchequer proposed, this too would result in further restrictions on educational expenditure.

In discussion it was suggested that deferment raised important issues of principle and social justice, since the different educational opportunities available to the children of the middle class and of manual workers respectively were the main source of class division. It would be wrong for 400,000 children a year to be deprived of educational opportunity which should be available to all. Further, unless the leaving age were raised there was likely to be a shortage in industry of workers with middle-range ability. It was essential, for economic reasons, that industry should secure better educated young entrants; this would, for example, enable major improvements to be made in apprenticeship schemes. Unemployment had been shown to be related to the time spent at school, and over the next 20–30 years there was likely to be substantial redundancy in the unskilled labour group. The starting date 1970-71 had been proposed after a full study of its practical implications. Because in the next decade the school population would rise, this was the most favourable year from the point of view of the pupil-teacher ratio; deferment would only postpone and increase the practical difficulties. If a decision to defer were taken, it would be difficult subsequently to establish a firm starting date. It was pointed out that raising the age had had the support of all parties and to defer the date would be strongly criticised by progressive educational opinion. Provided that alternative compensating savings could be found, raising the age in 1970-71 was unlikely to affect confidence in the Government's economic measures, and indeed could be presented as beneficial to the country's economy. It was therefore suggested that the possibility should be explored of achieving comparable savings either outside the educational service or elsewhere within it, and in the field of university expenditure and research in particular. The recent increase in the number of arts students, the scale of research projects and of post-graduate grants were all calculated to divert graduates away from industry. Even if fewer university places were then available, this would be preferable to deferment of raising the
leaving age and so depriving 15-year olds of educational opportunity, since places would be available in colleges of further education and teacher training colleges for those who would have otherwise gone to a university. Financial provision for university education was now out of scale with provision for schools. Additionally, it was suggested that there would be advantage in replacing student grants by loans; in reducing the support given to direct grant schools; and in abolishing the tax reliefs that could be claimed for educational expenditure.

On the other hand, it was pointed out that the issue was one of the limited deferment, and not of the abandonment of the raising of the age. Adherence to 1970-71 would create shortages of accommodation and of teachers in some areas which, combined with the element of compulsion involved, would substantially reduce the initial educational value of the change. It was suggested that expenditure on educational priority areas, on comprehensive reorganisation, and on teacher training was of greater importance than the leaving age in achieving educational equality, and that increasing numbers of children were remaining at school voluntarily beyond age 15. Additional possibilities of achieving comparable further savings elsewhere in the field of education, including university expenditure, had been explored, but were not to be found. There was a risk that the total public expenditure saving now proposed might be too low in the present economic situation, and it was important not to reduce it. It was suggested that deferment could not be avoided if the educational service was to make its appropriate contribution to the total saving, in the light of the reduction in expenditure that was being sought elsewhere in the social services. The deferment should, however, be limited to two years and should be accompanied by a firm commitment that no further deferment would be made.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were reluctant, on grounds of social justice, to defer raising the leaving age. However, for reasons of economic necessity, and in the absence of any prospect of securing alternative additional savings of the same order elsewhere in the educational or other services, there was a balance of view in favour of deferment by two years, subject to a firm public undertaking that there would be no further postponement.

The Cabinet—

(6) Agreed that the raising of the school leaving age should be deferred for two years from 1970-71.

In discussion of means of reducing educational expenditure other than by the deferment of raising the school leaving age, it was suggested that a reduction in the sums made available for postgraduate research would reduce the tendency of the universities to retain graduates who were needed in industry.

The Cabinet—

(7) Agreed that free milk should be withdrawn from secondary schools with effect from September 1968.
(8) Agreed that reductions in planned capital expenditure, in England and Wales but not in Scotland, for further education, libraries and the Youth Service should be made on the scale proposed.

(9) Agreed that the cost of living increase for student awards, due in September 1968, should compensate for only 50 per cent of the rise in the cost of living.

(10) Agreed to consider further, at the same time as they considered again the proposals relating to family allowances, the proposal to increase the price of school meals by a further 6d. in April 1969.

(11) Invited the Chancellor of the Exchequer and the Secretary of State for Education to consider ways and means of saving a further £10 million a year on university (including student and research grants) and Research Councils expenditure.

The Minister of Health said that in his opinion the cut proposed by the Chancellor of the Exchequer was disproportionately high. The proposed increase for health and welfare expenditure in 1968–69 over 1967–68 was only 4 per cent in real terms, which was substantially less than that for most of the other major programmes. Nevertheless he was reluctantly prepared to accept a cut of the order proposed although he disagreed with the method suggested: the saving of some £50 million on doctors’ prescriptions. The reintroduction of prescription charges was a tax on the sick, imposed when they were least able to bear it. The limited exemptions proposed by the Chancellor—for those on supplementary benefits, those with incomes at or below supplementary benefit level and war pensioners in respect of their disabilities—were those given when prescription charges were last made. They did not however go wide enough to cover many categories of patients who would be seriously affected but, as the previous Government had discovered, there were serious practical difficulties in the way of extending the scope of these extensions. The doctors had been unwilling to co-operate in the past in such an extension and would probably be equally unwilling now. Any widespread scheme of exemption would in any event require substantial additional staff to administer. Although he thought it might be possible to find some means now of exempting those over 65, this would still leave the chronic sick and children subject to prescription charges. In any event there were serious objections in principle to a general reintroduction of prescription charges which discouraged the sick from seeing their doctors without necessarily discouraging the irresponsible, and which once reimposed would be very difficult to remove again.

He suggested therefore that instead of reintroducing prescription charges they should raise the sum required by increasing the health service contribution which had remained unchanged since 1961 at 3s. 4d. a week. An increase of 1s. a week would produce the £50 million a year for which the Chancellor had asked.
The proposal would have the additional advantage that, since children, chronic sick and the elderly did not in any event pay this contribution, it would not be necessary to exempt them. The proposal involved no additional work and therefore no additional staff. It had been argued that unless prescription charges were reintroduced the credibility of the Chancellor's whole package of measures would be in danger. In his opinion this demonstrated a failure on the part of the Government to defend their policies vigorously enough over the last three years and they should not take the wrong measures now simply for presentational reasons. They should not forget that the Government had very recently given a pledge that the most vulnerable sections of the community would be protected from the aftermath of devaluation.

The Chancellor of the Exchequer said that the reintroduction of prescription charges had, rightly or wrongly, come to be regarded as a symbol—at home and abroad—of the Government's determination to take all the measures required to restore the economy. Failure to introduce prescription charges now would therefore undoubtedly affect confidence. But in any event the proposal put forward by the Minister of Health amounted to additional taxation and would thus reduce taxable capacity in a way which reintroduction of the prescription charge would not. He could not afford the reduction in taxable capacity on this scale at this time. He had however offered to examine with the Minister of Health whether it was administratively practicable to give additional exemptions costing £15 million a year. They had come to the conclusion after careful examination that this was not practicable in the short term, that is, in time to reintroduce prescription charges in the spring as required. But it might be possible to make wider exemptions in the longer term and, once the scheme on the lines he proposed had been introduced, he was ready to examine further with the Minister of Health the possibility of amending it to extend exemptions at a later date. While he recognised that the reintroduction of charges would bear hardly on some people there was no doubt that free prescriptions had led to considerable wastage and some of the saving of £50 million expected would come from a reduction in the amount of medicines prescribed. Finally, he pointed out that he was seeking no contribution at all in the form of cuts in the hospital building programme.

In discussion it was urged that while it might well be necessary in present circumstances to reintroduce prescription charges, the scheme should be more selective than that proposed by the Chancellor. The general principle should be that those at work should pay for their medicine while the chronic sick, the retired, expectant mothers and children should not. Doctors should have little difficulty in recognising these additional exempt categories and a special prescription form might be provided for them on which chemists would make no charge. The reduced saving could be made good by a smaller increase in the health service contribution than that proposed by the Minister of Health. It would be necessary to rely on the co-operation and honesty of the doctors but sample
investigations could be carried out to check abuse without additional staff beyond the 250 required to administer the exemptions proposed in the Chancellor’s scheme.

On the other hand it was argued that past experience had shown that the doctors would not willingly co-operate in a massive exemption scheme of this kind and would resolve their difficulties with their patients, if it were introduced, by exempting wherever possible. In any event it would be extremely difficult to define the chronic sick satisfactorily for this purpose. For example, should diabetics who were regularly taking drugs and continuing at work be treated as chronic sick? Married women, including many of those gainfully employed, did not pay the health service contribution, but if qualified as chronic sick might nevertheless be automatically exempted from paying prescription charges which they might well be able to afford. The general public were now ready to accept far-reaching and severe economic measures, and the re-introduction of prescription charges would not be generally unwelcome; and we should bear in mind that while we were living on foreign credit we were in no position to ignore the views of our creditors. A compromise on the lines which had been suggested in discussion—widespread exemption financed by an increase in the health service contribution—would be more unpopular than the original proposal. It would also pre-empt substantial taxable capacity at a time when the Chancellor would find it difficult to raise additional revenue on the scale required.

The Prime Minister, summing up this part of the discussion, said that there should be a further examination of the compromise solution on the lines discussed. The compromise would involve the introduction of a prescription charge of 2s. 6d. an item with the exemptions already proposed by the Chancellor of the Exchequer. But the elderly, children, expectant mothers and, if feasible, the chronic sick would also be exempted. The cost of these additional exemptions would be made good by an addition of say, 6d. a week in the employee’s health service contribution. The Chancellor and the other Ministers concerned should examine the feasibility and cost of a compromise on the above lines and report back to the Cabinet to enable them to give further consideration to the matter at their meeting on Thursday, 11th January. There was general agreement with the Chancellor’s other proposals relating to health and welfare, subject to further examination by the Chancellor and the Minister of Health of the advisability of holding down local health and welfare expenditure on capital account by about £12 million instead of £20 million between 1968–69 and 1970–71 as proposed by the Chancellor.

The Cabinet—

(12) Invited the Chancellor of the Exchequer, in consultation with the Minister of Health and the Minister of Social Security, to examine the compromise solution in respect of prescription charges, outlined in the Prime Minister’s
summing up, and to report on it in time to enable the Cabinet to consider the matter further at their meeting on Thursday, 11th January.

(13) Invited the Chancellor of the Exchequer and the Minister of Health to examine further and, if possible, reach agreement on the extent to which capital expenditure on local health and welfare should be held down between 1968–69 and 1970–71.

(14) Approved the proposal to increase dental charges to 30s. per treatment.

The Minister of Housing said that the Government were deeply committed to the target of 500,000 houses in 1970, and there had been a good prospect that this target would be achieved until the reductions in the housing programme which had been agreed as part of the Government's review of public expenditure in July 1967. The further reductions now proposed would mean that the target could not be achieved: if they were implemented, housing completions in the public sector in Great Britain would be unlikely to exceed 210,000 in 1970, and the total of completions in both public and private sectors, and including Northern Ireland, would probably be about 430,000 to 440,000. He would have preferred a smaller reduction than that proposed in 1969–70; however, subject to decisions on the rest of the package, he was prepared to accept the reductions proposed.

If the reductions were agreed, there were a number of important points affecting presentation: the Government should not commit themselves to a revised housing target for 1970; they should make clear their intention to protect the priority areas from the effects of the cuts; and they should stress the fact that we were now moving into a period where, because of the developing excess of households over houses, it would be right to switch the emphasis of the programme from the building of new houses to the improvement of the existing stock.

The Secretary of State for Scotland said that it would be wrong to expect savings comparable to those proposed in England and Wales to be secured in Scotland by administrative means. Eighty per cent of houses built in Scotland were provided by local authorities—a much higher proportion than in England and Wales—and accordingly a comparable reduction in the public sector programme would mean a more severe reduction in Scotland in terms of total housing output.

The Chancellor of the Exchequer said he agreed that the Government should announce their intention to switch the emphasis of housing policy outside the priority areas from new building to repairs and improvements, but it should be understood that any increase in expenditure on the latter should be balanced by corresponding reductions in expenditure elsewhere in the housing field.

In discussion it was argued that the proposed cuts in the programme for England and Wales represented the maximum which
could be reasonably imposed, bearing in mind that there were still some 1¼ million houses in the slum category. The rate of expansion in the construction industry was very sensitive to changes in the housing programme and if the industry were given the impression that there were to be widespread and severe reductions, there could be a considerable loss of confidence leading possibly to unemployment in the industry. On the other hand, it was argued that if present plans were adhered to, housing expenditure would be increasing much faster than expenditure on other social services at a time when we were moving into a period of housing surplus. There was a danger that over the next two years the construction industry would become overloaded as industrial investment recovered. Accordingly, the implications of a bigger reduction in approvals than that proposed—for example, by an additional 5,000—should be examined.

As regards Scotland, there was support for the view that a smaller reduction would be justified; but if Scotland were to be given more lenient treatment, it would be necessary also to consider whether this should be extended to development areas in the rest of Great Britain.

There was general agreement that in presenting the Government’s decision, emphasis should be laid on the points referred to by the Minister of Housing. In particular, the Government should make it clear that the priority areas would be sheltered from the effects of the cuts to the maximum possible extent. It seemed likely that some of the local authorities in these areas, especially where there had recently been a change in political control, would in any case cut back their programmes: but it was right that if they did so, the responsibility should be seen to be theirs and not the Government’s.

The Prime Minister, summing up this part of the discussion, said that the Cabinet agreed that reductions should be made in the housing programme for England and Wales not less than those proposed by the Chancellor of the Exchequer; but the implications of a further reduction of 5,000 approvals should be examined. Since a comparable cut in public sector approvals would bear more heavily on total housing output in Scotland than in England and Wales, the case for reductions in the programme for Scotland should be considered further, together with the position in development areas in the rest of Great Britain.

The Cabinet—

(15) Agreed that reductions should be made in local authority housing approvals in England and Wales in 1968 and 1969 not less than those proposed in C (68) 5.

(16) Invited the Chancellor of the Exchequer, in consultation with the Secretary of State for Scotland and the Minister of Housing, to report to the Cabinet in the following week on—

(i) the implications of reducing housing approvals in England and Wales by a further 5,000; and
Concorde

(Previous Reference: CC (66) 39th Conclusions, Minute 4)

(ii) the extent to which reductions should be sought in the housing programme for Scotland and for development areas in the rest of Great Britain, taking account of the points made in discussion.

The Foreign Secretary said that a group of Ministers under his chairmanship had considered the case for withdrawing from the Concorde aircraft project. They had before them the memorandum by the Minister of Technology and the report by officials which were attached to C (68) 4. There were at present no grounds on which the Government could legally terminate the treaty which governed their participation in the project. If nevertheless we were to abrogate the treaty unilaterally, the French Government would be able to bring an action before the International Court who could be expected to award damages against us which might amount to as much as £200 million. We should also have to pay cancellation charges amounting to some £50 million to the British firms involved in the project. This nugatory expenditure would probably wipe out the savings to the Exchequer from cancellation which might be of the order of £200 million. If we continued with the project until the spring or early summer of 1969, there might then be an opportunity of abandoning it without risking liability for damages, if the technical problems proved to be so great as to make the aircraft virtually unsaleable: it would be clear by that time whether or not this was the case. Meanwhile, however, the Government would have spent a further £100 million on development and production, and would still incur cancellation charges of £50 million to British firms.

Against this background, his colleagues had not been able to reach agreement on the course the Government should follow. Some felt that, given the amount of damages for which we should be at risk, the impact of unilateral abrogation of the treaty on our international standing and the effects of cancellation on our position as an advanced industrial Power, it would be wrong to withdraw at this stage and we should continue at least until the spring or early summer of 1969. Other Ministers felt that we should be justified in withdrawing now, given the virtual certainty that the costs of the project would escalate further, the overriding need for savings in the next two years, and the fact that cancellation would undoubtedly secure substantial savings in those years whereas it would probably be three years before we had to pay any damages.

It had been suggested that we might seek to mitigate the amount of damages which would be awarded against us by offering technical assistance and facilities to the French if they wished to carry on alone. His own view, however, was that it would be unacceptable to opinion in this country to make any such offer.

Since his discussion with the Ministers concerned, he had obtained the views of our overseas posts on the likely reaction to our unilateral abrogation of the treaty by the Governments of the European Economic Community (EEC) other than the French. The view of our representatives was that the Governments of the Five, with one exception, would be likely to react adversely: they
would probably interpret our action as being motivated mainly by pique at the French veto of our application to join the EEC and as a sign that we were no longer seriously interested in European collaboration in the technological field.

The Attorney-General confirmed that there were no legal grounds on which we could terminate the treaty at the present time. If we were not prepared to offer assistance to the French to help them to complete the project alone, we could not expect any mitigation of the amount of damages which would be awarded against us. If on the other hand we continued until 1969 and it became clear by that time that the project was not likely to be commercially viable, this would provide us with legal grounds for abrogating the treaty; and if in those circumstances we were to withdraw unilaterally the Court would be likely to find in our favour. In the light of these considerations, his advice as lawyer to client would be against cancellation at the present time.

The Minister of Technology said that he was opposed to cancellation now, not only because of the political and financial implications, but also because of the consequences for the airframe and aero-engine industries. By the spring or early summer of 1969, it would be clear whether the technical problems had been sufficiently overcome to make the project viable and this would be reflected in the extent to which the airlines were prepared at that time to place firm orders for Concorde. The right course was for him to hold discussions now with the French authorities with the object of laying down conditions which would have to be fulfilled if we were to continue with the project after the spring or early summer of 1969. These conditions should be expressed in terms of a minimum number of firm orders for the aircraft. If the French Government agreed to such conditions, but when the time came were not prepared to abide by them, it should then be possible for us to abrogate the treaty unilaterally without risking the award of damages against us. If the French declined to accept the conditions in the first place, he would still recommend that we should withdraw in 1969 if the conditions were not met, and the fact that the French had declined to accept such conditions should then tell in our favour in any legal proceedings.

In discussion it was argued that the estimates in C (68) 4 of the additional expenditure which the Government would incur if the project continued for a further 18 months were almost certainly too low. Moreover, it was unlikely that it would be possible in 1969 to demonstrate conclusively that the technical problems were such as to render the project no longer viable: it would always be urged that, given more time and money, the technical problems could be overcome. On the other hand, if we cancelled now we should be securing savings in the short term which would be offset in later years by payment of damages: this would simply be tantamount to raising a forced loan from the French. That was an unattractive prospect, and the Government should not put itself in
the position of being held accountable for payment of heavy damages across the exchanges in 1970 or 1971. As regards the objection that we should be told in 1969 that any outstanding technical problems could be overcome given more time and money, this would lose its force if conditions for the continuance of the project could be established on the lines proposed by the Minister of Technology: any substantial delays to deal with technical difficulties would progressively reduce the lead which Concorde was now expected to have over the American supersonic transport, and this would be reflected in a reduction in the number of firm orders for Concorde; if this went far enough, the conditions for continuing the project would not be met and we should have a clear case for withdrawal.

The Prime Minister, summing up this part of the discussion, said the Cabinet agreed that we should not at this stage unilaterally abrogate the treaty governing the Concorde project. The Minister of Technology should consider with the Attorney-General the drafting of conditions, preferably to be expressed in terms of a minimum number of firm orders for Concorde, which should be met if we were to continue with the project beyond the spring or early summer of 1969; this should be the subject of early discussion with the French.

The Cabinet—

(17) Agreed that the Government should not at this stage withdraw from the Concorde project.

(18) Invited the Minister of Technology to consider, in consultation with the Chancellor of the Exchequer, the Attorney-General and other Ministers concerned, what conditions we should seek to agree with the French Government for continuance of the project beyond the spring or early summer of 1969.

The Prime Minister said that the Cabinet should resume their discussion of measures to restrain public expenditure in the civil field on the afternoon of Tuesday, 9th January, when they should also complete their discussion of family allowances. They should consider the measures as a whole, including those relating to defence, on the afternoon of Friday, 12th January, by which time the Foreign Secretary, who had been able to rearrange the timetable of his consultations overseas, would have returned to London.

The Cabinet—

(19) Agreed to continue their discussions on the lines indicated by the Prime Minister.

Cabinet Office, S.W.1,
8th January, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1., on Tuesday, 9th January, 1968, at 4 p.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister (for part of the discussion)
The Right Hon. Michael Stewart, M.P., First Secretary of State (in the Chair for part of the discussion)
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Richard Crossman, M.P., Lord President of the Council
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Crossland, M.P., President of the Board of Trade
The Right Hon. Anthony Greenwood, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Barbara Castle, M.P., Minister of Transport
The Right Hon. Richard Marsh, M.P., Minister of Power
The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department
The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Patrick Gordon Walker, M.P., Secretary of State for Education and Science
The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Cledwyn Hughes, M.P., Secretary of State for Wales
The Right Hon. Anthony Wedgwood Benn, M.P., Minister of Technology

The following were also present:
The Right Hon. Reginald Prentice, M.P., Minister of Overseas Development
The Right Hon. Judith Hart, M.P., Minister of Social Security
The Right Hon. John Diamond, M.P., Chief Secretary, Treasury
Mr. George Thomas, M.P., Minister of State for Commonwealth Affairs
The Right Hon. Kenneth Robinson, M.P., Minister of Health
The Right Hon. Robert Mellish, M.P., Minister of Public Building and Works
The Right Hon. Frederick Mulley, M.P., Minister of State for Foreign Affairs
The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. K. Barnes
Mr. P. E. Thornton
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The Cabinet resumed their discussion of the post-devaluation measures proposed by the Chancellor of the Exchequer in C (68) 5.

The Minister of Transport said that the reductions in the roads programme proposed in C (68) 5 would represent a cut of nearly 10 per cent. This followed successive cuts over the last two years which had been more extensive than cuts over the same period in other fields. While the roads programme could make a contribution, the cuts in the form proposed would fall on the wrong elements in the programme. Expenditure on roads by local authorities would under existing policies be greater in 1968-69 than expenditure by the central Government. Local authority expenditure comprised work on secondary roads and also a far greater element of maintenance than central Government expenditure: it was in these fields that there was scope for economies, rather than on the strategic road network which was vital for the economy. Local authority expenditure on roads was largely outside the Government's control and restrictions on the level of the rate support grant could not be relied on to ensure that the proposed economies were obtained. Of the proposed reductions in her Department's programme for England in 1968-69, only a small proportion could be secured by economies on minor works, and the effect would be that major schemes to the value of £110 million would have to be deferred in order to secure the necessary saving in that year. If the cut were implemented it would not be possible to start some of these schemes at all within the life of the present roads programme. A major part of the deferments would affect development schemes and communications to the ports, which were vital to our economic effort. It would be particularly difficult to defend this at a time when there would be considerable Parliamentary criticism of the wear-and-tear charge on heavy road vehicles which would shortly be introduced. In order to redress the balance between reductions in her Department's programme and those in local authority expenditure, she proposed that the former should be confined to a cut of £6 million in 1968-69 which would mean deferment in that year of schemes to the value of £20 million. At the same time, the Government should introduce legislation to control the rate support grant in such a way as to ensure that the proposed 15 per cent reduction in local authority expenditure on roads was secured; this would produce a saving of £47.7 million in 1968-69, and might also be so framed as to guarantee that the cuts which the Government sought in local authority expenditure on other services would be secured.

The Secretary of State for Scotland said that the scope for reductions in expenditure on roads by local authorities should not be exaggerated; there were limits to the extent to which expenditure
on maintenance could be cut, and a greater part of local authority expenditure was on schemes which were already in progress. The proposed cuts would have a serious effect on major road development and on employment in the construction industry in Scotland. The reduction proposed for Scotland amounted to one-fifth of the corresponding reduction for England, and was four times the size of the cut for Wales even though roads expenditure in Scotland was only double that in Wales. This was disproportionate, and the reduction in the Scottish programme should be smaller.

The Secretary of State for Wales said that the distribution of cuts in the roads programme should be related to the Government's policies for enabling the development areas to make a balanced contribution to economic growth. Road communications were of the first importance in attracting new industry to Wales, and it was essential to go ahead at least with modest schemes if economic development in Wales was not to be prejudiced. In judging whether the proposed cuts in the roads programme in Wales were in proportion with the cuts in Scotland and England, it was necessary to bear in mind that the Welsh programme inherited from the previous administration had been inadequate. He recognised, however, the overriding need to achieve economies which in the aggregate would amount to what the Chancellor of the Exchequer proposed, and he was prepared to find the necessary total savings from the expenditure under his control, taking roads and all other services together, provided he was given discretion, in discussion with the Chancellor of the Exchequer, as to the way in which the total was made up: this would enable him, if it seemed desirable, to secure somewhat smaller savings than those proposed on roads, with correspondingly greater savings on other programmes.

The Chancellor of the Exchequer said that the cuts he proposed should not entail deferment of major schemes to the extent suggested by the Minister of Transport. Of the total cut in the programme for England of £15 million in 1968-69, it should be possible to obtain some £6-75 million from savings on minor improvements and maintenance; slippage in the programme might account for a further £3-25 million. Deferment of new starts to the extent of some £60 million in 1968-69 should be sufficient to make up the balance; this would represent some 20 per cent of the total of new starts planned for that year, which was reasonable having regard to the rate at which expenditure on roads was increasing. He accepted that there was scope for considerable economies in local authority expenditure, but the most practical method of securing these was to limit rate support grant in the way proposed in his memorandum. In particular, if the grant were not adjusted at the end of 1968 to take account of price rises in that year, this should secure savings of between £30 and £50 million in 1968-69; this would be done without delays which would be involved in new legislation on the rate support grant and the attendant consultations with the local authorities. He recognised that the cut proposed in the programme for Scotland seemed at first sight to be disproportionate and he would consider this further. He was also ready to discuss...
with the Secretary of State for Wales some flexibility as between savings on roads and savings in other fields, on the assumption that total savings from all services in Wales would still be secured of the amount proposed in his memorandum.

In discussion there was general support for the reductions proposed in C (68) 5, subject to the points made by the Chancellor of the Exchequer in respect of the cuts in Scotland and Wales, though it was suggested that the reductions would involve the deferment of major schemes in 1968-69 to the value of some £70 million rather than the £60 million mentioned by the Chancellor of the Exchequer. In implementing the reductions, special regard should be paid to the importance of road communications serving development areas, particularly those parts of the development areas which would be most affected by colliery closures.

The First Secretary of State, summing up this part of the discussion, said that the Cabinet approved the cuts proposed in C (68) 5 in the roads programme for England and Wales, subject to the Secretary of State for Wales being free, in consultation with the Chancellor of the Exchequer, to make somewhat smaller reductions in expenditure on roads provided that the total proposed savings on roads and other services in Wales taken together were secured. The Chancellor of the Exchequer should consider with the Secretary of State for Scotland whether a smaller reduction than that proposed in the roads programme for Scotland would be justified, and should inform the Cabinet of the result. The Cabinet would be considering the rate support grant at a later stage in their review and could then take account of the points affecting the grant which had been made in discussion.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to consider with the Secretary of State for Scotland the case for a smaller reduction in the roads programme for Scotland than that proposed in C (68) 5.

(2) Approved the proposed reduction in the roads programme for Wales, subject to consideration of some flexibility between the roads programme and other expenditure in Wales, as indicated by the First Secretary of State in his summing up.

(3) Subject to the Conclusions at (1) and (2) above, approved the reductions in the roads programme, including the reductions in expenditure by the local authorities proposed in C (68) 5.

The Minister of Transport said that the Chancellor of the Exchequer proposed to place limits of £10 million in 1968-69 and £20 million in 1969-70 on expenditure on the new grants to public passenger transport arising from the provisions of the forthcoming Transport Bill. It had been suggested that the reductions in expenditure which these limitations would imply would not be
severe because expenditure on the new grant would be less than had been originally estimated; but this was only because the cuts in investment in the nationalised industries which had been announced immediately after devaluation had made it impossible to take up the full allocation for the grants. The reductions in the roads programme which the Cabinet had just approved made it all the more important that schemes to facilitate the rapid transit of passengers in the conurbations should go ahead. But under the proposed limits, no funds would be available for such schemes in 1968-69 and only some £3·5 million in the following year. This would mean a serious delay in action to relieve congestion in the major cities. If the limit were increased to £25 million for 1969-70, this would enable at least some of the more important schemes to proceed.

In discussion it was the general view that the limits on expenditure were justified, having regard to the cuts being made in other fields. It was recognised, however, that it would be desirable to minimise the effect of the cuts on schemes to relieve congestion in the conurbations; it might, for example, be possible to do this by making bigger reductions in expenditure on grants for the re-equipment of bus fleets.

The Prime Minister, summing up this part of the discussion, said that the Cabinet endorsed the proposals in C (68) 5 to limit the grants under this head to £10 million in 1968-69 and £20 million in 1969-70. It would be open to the Minister of Transport to decide how she would distribute the necessary reductions, taking account of the points made in discussion; she should inform the Cabinet of her proposals.

The Cabinet—

(4) Approved the proposals in C (68) 5 for limits on new forms of assistance to public transport of £10 million in 1968-69 and £20 million in 1969-70.

(5) Invited the Minister of Transport to circulate a memorandum, as indicated in the Prime Minister’s summing up, on her proposals for distributing grants within the totals at (4).

The Cabinet were informed that the bulk of the expenditure on the Channel Tunnel was expected to come from private sources. Expenditure in any case would not become substantial before 1971, and the Government would not be committed to a rising curve of expenditure in future years before they had considered the report from the Anglo-French official team later in the year.

The Home Secretary said that the proposal to reduce expenditure on Home Department services by £6 million in 1968-69 and £12 million in 1969-70 was unrealistic. He was prepared to reduce capital expenditure on prisons by abandoning starts on new prisons, including the maximum security prison at Alvington; but allowing for this and for cuts which he proposed to make in expenditure on the fire service, the greater part of the economies would have to be found from the police. He proposed to have police

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establishments, which at present differed substantially as between areas of apparently comparable size and circumstances, examined on a scientific basis; but while he would attempt by persuasion to hold the numbers of the police at their present level, he had no legal power to prevent a police authority from recruiting the number of men which they considered necessary to discharge their responsibility for the maintenance of law and order. He could not agree that with the number of indictable offences, and particularly of offences of violence against the person, still rising, the number of policemen should be allowed to fall. The proposed reductions to £6 million and £12 million in expenditure for the next two years could not however be achieved without an actual reduction in the numbers of the police and he considered that more realistic figures would be £3 million and £8 million respectively.

In discussion it was pointed out that in the public expenditure review in July 1967 it had been hoped to obtain reductions under miscellaneous heads, including the Home Department services, which had not in the event materialised; and the cuts in expenditure now proposed were small in proportion to those asked for in other fields. With the improved pay and equipment now available to the police, recruitment had improved and it was important to ensure that police establishments were realistic. Large increases in the actual number of men in some forces might no longer be necessary.

The Prime Minister, summing up this part of the discussion, said that the Cabinet accepted the proposed cuts of £6 million and £12 million in 1968–69 and 1969–70 respectively but would be prepared to consider the matter again if savings on this scale would necessitate an actual reduction in the total number of serving policemen. The Home Secretary should therefore submit a paper urgently on possible means of finding the proposed savings in expenditure on the Home Department services without a reduction in the number of police. He should indicate the extent of his powers to control police establishments and actual numbers, and, if the powers were inadequate, the legislation which would be necessary to strengthen them.

The Cabinet—

(6) Accepted the proposed reduction in expenditure on the Home Department services of £6 million and £12 million in 1968–69 and 1969–70 respectively, subject to later consideration of a memorandum to be circulated by the Home Secretary on the lines indicated in the Prime Minister's summing up.

The Home Secretary said that he accepted the proposal to put civil defence on a care and maintenance basis with a consequent saving of £14 million in 1968–69 and £20 million in 1969–70.

The Secretary of State for Defence pointed out that the proposal would inevitably lead to the abolition of the home defence force, contrary to the undertaking which had been given in the debates on
the Reserve Forces Bill, and would consequently attract criticism. Nevertheless he accepted the proposal. The maintenance of civil defence in this country on the existing scale was not a significant element in the deterrence of nuclear aggression.

The Minister of Technology said that he accepted the proposal in paragraph 38 of C (68) 5 to cut the contingency provision for aircraft projects (other than Concorde) not yet approved, on the understanding that the Chancellor of the Exchequer would accept that a Supplementary Estimate might, in the event, prove necessary. It was arguable that if it were possible to withdraw from our commitment to the European Launcher Development Organisation (ELDO) this would be preferable to the discontinuance of the Black Arrow project, but although we had been able to limit our commitment to ELDO we had so far been advised that we could not withdraw without breach of Treaty obligations. On the proposed cut of £10 million in 1968–69 and a further £10 million in the following year, he had already been able to save £6-65 million in 1968–69 by reducing work in areas not directly related to the technological support of industry; but it would not be possible to obtain the further £3-35 million in this field without discontinuing projects which made a vital contribution to the country’s economic performance in general and were incidentally stimulating growth in the development areas in which some of the projects had been located.

In discussion it was suggested that in view of the failure on two occasions of the French component of the ELDO launcher rocket, it would be worth considering again whether there was any possibility of withdrawing from the project. There might also be room for a further reduction of the expenditure on defence research undertaken by the Ministry of Technology, particularly in the aero-space field. Other contributions to the £10 million saving required under the heading of Government research and technological support might also be found without detriment to vital projects by a slower development in regional and information services and by deferment of the new administrative office for the computer centre.

The Prime Minister, summing up this part of the discussion, said that the Cabinet agreed that the total savings proposed by the Chancellor of the Exchequer should be made, but further consideration should be given to the possibility of withdrawal from ELDO, which might provide savings either in addition to or in substitution for those which could be made by the discontinuance of the Black Arrow project, and to the possibility of finding savings on defence research rather than on projects directly related to industrial development.

The Cabinet—

(7) Agreed, subject to further consideration of the possibility of withdrawal from ELDO, that the total savings proposed in paragraphs 38 to 40 of C (68) 5 should be found from Ministry of Technology votes.
(8) Invited the Minister of Technology—

(a) in consultation with the other Ministers principally concerned and the Attorney-General, to submit a memorandum on the possibility in present circumstances of withdrawing from participation in ELDO;

(b) in consultation with the Secretary of State for Defence to consider the possibility of obtaining some saving in expenditure on defence research to offset against the savings of £3·35 million still to be found in expenditure on Government research and technological support.

The Chancellor of the Exchequer said that he recommended that in 1968–69 payments of investment grants should be made in respect of expenditure incurred in four previous quarters instead of five as originally proposed. He did not recommend reducing to three quarters in 1968–69 because of the possibly serious adverse effects on industrial investment. He proposed no change from the original estimates for investment grants for 1969–70. Investment grants were to a large extent a book-keeping addition to the total of public expenditure. The investment allowances, which the grants had replaced, had not figured in total public expenditure because they were reductions in taxation. He intended to make this point clear when the cuts in public expenditure were presented.

The Cabinet—

(9) Agreed that in 1968–69 payment of investment grants should be limited to investment made in four previous quarters instead of five as originally proposed.

The Minister of Agriculture said that the contribution which agriculture could make to import saving had been publicly acknowledged by Ministers on several occasions since devaluation. It was not possible to decide now, in the absence of most of the relevant data, either the amount of public expenditure on agriculture at which they should aim in the next two years or the general principles which should be adopted in determining this amount. An interdepartmental official committee was now examining whether our objectives for agricultural production should be altered as a result of devaluation. Their report, which was obviously crucial to decisions in this sector, would be available in two or three weeks and should then be discussed in the Ministerial Committee on Agriculture.

The Chancellor of the Exchequer said that he agreed that at present in this field no figure could be put into public expenditure in the next two years. But he pointed out that the estimate of £290 million for agricultural support made in the previous summer had recently been revised to £318 million, without allowing for any increase as a result of the 1968 Farm Price Review. He proposed that they should adopt two principles in the forthcoming Farm Price Review. First, the farmers should be required to absorb at least
half of the increased costs which by then would have been recorded. Second, that the total increase in the value of the guarantees should not exceed the remainder of the cost increases. If the cost increases amounted to, say, £40 million, and £20 million were absorbed by the farmers as he proposed, there would still be a net gain of something like £10 million for the farmers because productivity increases could be expected to raise their incomes next year by £30 million. He was ready to examine the general position further in the light of the interdepartmental report but the two principles which he had propounded should be accepted now. It must be recognised that we could not afford disproportionate increases in public expenditure to save imports.

The Prime Minister, summing up this part of the discussion, said that no policy decisions or estimates of public expenditure in respect of agriculture should be announced in the forthcoming statement on cuts in public expenditure. There should be an opportunity for the Cabinet to discuss the general principles underlying future agricultural policy and objectives before the Ministerial Committee on Agriculture reached the stage of making recommendations on the basis of the interdepartmental report by officials. The latter should provide, inter alia, estimates of the reduction in the current estimate of the cost of agricultural support for 1968–69 which would result from the rise in sterling commodity prices following devaluation.

The Cabinet—

(10) Agreed that the forthcoming announcement of reductions in public expenditure should contain no policy decision or estimate of public expenditure in respect of agriculture.

(11) Invited the First Secretary of State to arrange that the Cabinet had an opportunity to discuss the general principles underlying future agricultural policy and objectives before the Ministerial Committee on Agriculture made recommendations on this subject.

(12) Invited the Minister of Agriculture to arrange that the report by the interdepartmental committee of officials on future agricultural objectives contained estimates of the effect on the cost of agricultural support of increases in sterling commodity prices following devaluation.

The Prime Minister said that there was general agreement with the proposal by the Chancellor of the Exchequer to leave the present planned expenditure on assistance to development areas unchanged. There should, however, be a comprehensive review in due course of the existing measures of support for development areas in order to examine, for example, whether savings might be made in some forms of expenditure and in some areas of the country in order to increase payments, within the existing total, elsewhere. This further review of development area policy might need to be made in conjunction with the review of Government policy towards the “grey” areas which would presumably need to wait on the report from the Committee appointed, under the chairmanship of Sir Joseph Hunt, to examine the underlying economic problems of the “grey” areas.
The Cabinet—

(13) Agreed that present planned expenditure on assistance to development areas should remain unchanged.

(14) Invited the Secretary of State for Economic Affairs to consider the timing and scope of a comprehensive review of Government policy towards development and “grey” areas on the lines indicated by the Prime Minister.

The Minister of Housing and Local Government said that the cuts proposed by the Chancellor of the Exchequer in other environmental services would involve reductions in England of £23 million and £24 million in 1968-69 and 1969-70 respectively. These were the fourth set of cuts which the Government had made in this sector. Nevertheless he was prepared to accept them. Most of the present reduction would fall on public parks and baths.

The Secretary of State for Scotland said that he had had no opportunity of considering what these proposals involved for Scotland; but expenditure of this sort was very small in Scotland and in the circumstances he would find it difficult to accept cuts.

The Secretary of State for Wales said he accepted the Chancellor’s proposals. His main concern in this sector was that clearance of pit tips should continue at a reasonable pace and he thought that this would still be possible.

In discussion it was suggested that the reclamation of derelict land could make an important contribution at relatively small cost to the attraction of new industries to development areas and to “grey” areas. At present local authorities in development areas received a grant of 85 per cent of the cost of such reclamation, but the grants elsewhere, including the “grey” areas, were limited to 50 per cent and an increase would require legislation.

The Cabinet—

(15) Approved the reduction in expenditure on other environmental services proposed in paragraph 53 of C (68) 5.

Railways Deficit Grant, Employment, Industry and Trade and Financial Administration.

The Cabinet—

(16) Approved the proposals in paragraphs 55, 56 and 57 of C (68) 5.

The Chancellor of the Exchequer said that the largest item here was Northern Ireland expenditure which would be affected in some degree by the cuts in expenditure which they had agreed under other headings. There was continuing discussion with the Northern Ireland Government about the financial assistance provided to them. It would obviously be difficult to ask for, or to find, any substantial cuts from Northern Ireland at a time when it was proposed to...
maintain unchanged the expenditure programmes for development areas in Great Britain. In any event, major changes in the amount of assistance provided would involve major political decisions.

The Secretary of State for Education and Science said that he had examined further, as requested by the Cabinet at their meeting on 5th January, the scope for further savings in university and research council expenditure. As a result of devaluation the calls on the research councils’ income would rise by £2.2 million a year. He was prepared to accept in addition a cut of £1 million in their financial aid in 1969–70. He was also prepared to agree to a reduction in capital expenditure by the universities of £1.5 million and £5 million in 1968–69 and 1969–70 respectively. The reduction would be achieved by postponing starts on £20 million out of £30 million of intended new capital expenditure. He did not expect that this postponement would lead to any reduction in university admissions but it would cause the universities to use their existing capital more intensively. There would be no cut in expenditure on the Open University, but this expenditure would be very small in the next two years. Finally, instead of holding expenditure by the Arts Council to £8 million in each of the next two years, he proposed that it should be £7.75 million in 1968–69 and £8.25 million in 1969–70.

The Prime Minister, summing up this part of the discussion, said that the Chief Secretary, Treasury, should examine now the possibility of cuts in financial assistance for Northern Ireland other than support of the development area type, for example assistance for environmental services. He would discuss in due course with the Home Secretary the evolution of existing political and financial relations between the Government and the Northern Ireland Government. There was general agreement that the further cuts affecting the universities and the research councils, proposed by the Secretary of State for Education and Science, should be accepted. The Secretary of State for Defence should examine how far expenditure on “other military defence” was already committed or whether some savings might be made.

The Cabinet—

(17) Took note with approval of the summing up by the Prime Minister of this part of their discussion.

(18) Invited the Chief Secretary, Treasury, to examine the possibility of reductions in expenditure on Northern Ireland on the lines indicated by the Prime Minister and to report his conclusions to the Cabinet at their meeting on Friday, 12th January.

(19) Agreed to a reduction of £1 million in 1969–70 in financial aid for research councils.

(20) Agreed to reductions in capital expenditure by the universities of £1.5 million and £5 million in 1968–69 and 1969–70 respectively.

(21) Agreed that the grants for the Arts Council should be £7.75 million and £8.25 million in 1968–69 and 1969–70.
(22) Invited the Secretary of State for Defence to examine what scope there was for reductions in the expenditure shown under "other military defence" in paragraph 61 of C (68) 5 and to report his conclusions to the Cabinet at their meeting on Friday, 12th January.

(23) Subject to (18) and (21) above, approved the proposals in paragraphs 58-62 of C (68) 5.

The Minister of Public Building and Works said that his colleagues should appreciate the effect on the construction industry of the reductions they had approved in various fields. There would be a very substantial reduction in the demands made on the industry by the public sector. If all the slack thus created were to be taken up by new industrial building, the latter would probably need to expand by some 30 per cent. If work for the private sector did not take up the slack, there was a possibility that substantial unemployment, perhaps of the order of 10 per cent, would develop in the construction industry by the autumn of 1968.

In discussion some doubt was expressed whether unemployment in the industry was likely to rise to this level. The reductions which the Cabinet had agreed represented in the main a holding back of increased demand on the industry which would otherwise have taken place, rather than a reduction in the present level of demand. By the autumn of 1968 industry, particularly in the export field, should be recovering strongly and a considerable increase in new industrial building could be expected. If there were a reduction in employment in the construction industry, it seemed likely that those affected would readily find employment in other industries. However, it would be helpful to the Cabinet to have an assessment of the implications for the construction industry of the reductions in public expenditure as a whole.

The Cabinet—

(24) Invited the Secretary of State for Economic Affairs, in consultation with the Minister of Public Building and Works, to circulate a memorandum on the implications of the proposed reductions in public expenditure for the construction industry.

The Prime Minister said that they should now be in a position to complete their review and take the necessary decisions about public expenditure cuts by Monday, 15th January. Accordingly arrangements should now be made to recall the House of Commons on Tuesday, 16th January, when the Government's proposals would be announced for a debate on the economic measures on the following Wednesday and Thursday and the deferment of the debate on foreign affairs to the following week. The House of Lords should be recalled on 22nd January. Meanwhile they would continue their review at meetings on 11th and 12th January and, if necessary, on 15th and 16th January as well. Further discussion of defence and other overseas expenditure would be deferred until the Foreign
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Secretary's return. At their final meeting on 15th or 16th January they would have a general review of the measures as a whole and they would consider at that time the possible effect of the cuts on the building and construction industry. Finally he would arrange for suitable Press guidance to be given to make clear that the series of Cabinet meetings would continue and were a necessary consequence of the long, detailed and thorough examination which the Government were giving to the whole problem of public expenditure after devaluation.

The Cabinet—

(25) Took note with approval of the summing up by the Prime Minister.

(26) Invited the Lord Chancellor to make arrangements for the recall of the House of Lords on Monday, 22nd January.

(27) Invited the Lord President to arrange for the recall of the House of Commons on Tuesday, 16th January.

Cabinet Office, S.W.1.,
10th January, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 11th January, 1968, at 2.30 p.m.

Present:
The Right Hon. HAROLD WILSON, M.P, Prime Minister
The Right Hon. MICHAEL STEWART, M.P, First Secretary of State
The Right Hon. LORD GARDINER, M.P, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M.P, President of the Council
The Right Hon. WILLIAM ROSS, M.P, Secretary of State for Scotland
The Right Hon. ANTHONY CROSPLAND, M.P, President of the Board of Trade
The Right Hon. ANTHONY GREENWOOD, M.P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P, Minister of Labour
The Right Hon. BARBARA CASTLE, M.P, Minister of Transport
The Right Hon. RICHARD MARSH, M.P, Minister of Power
The Right Hon. JAMES CALLAGHAN, M.P, Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M.P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P, Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M.P, Secretary of State for Education and Science
The Right Hon. PETER SHORE, M.P, Secretary of State for Economic Affairs
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. FRED PEART, M.P, Minister of Agriculture, Fisheries and Food
The Right Hon. CLEDWYN HUGHES, M.P, Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M.P, Minister of Technology
The following were also present:
The Right Hon. REGINALD PRENTICE, M.P, Minister of Overseas Development (Item 3)
The Right Hon. JUDITH HART, M.P, Minister of Social Security (Item 3)
The Right Hon. JOHN DIAMOND, M.P, Chief Secretary, Treasury (Item 3)
Mr. GEORGE THOMAS, M.P, Minister of State for Commonwealth Affairs
The Right Hon. H. S. WILSON, Q.C, Lord Advocate (Item 2)
The Right Hon. KENNETH ROBINSON, M.P, Minister of Health (Item 3)
The Right Hon. ROBERT MELLISH, M.P, Minister of Public Building and Works (Item 3)
The Right Hon. FREDERICK MULLEY, M.P, Minister of State for Foreign Affairs
The Right Hon. Sir ELWYN JONES, Q.C, M.P, Attorney-General (Item 2)
The Right Hon. JOHN SILKIN, M.P, Parliamentary Secretary, Treasury

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Secretariat:
Sir Burke Trend
Mr. W. A. Nield
Miss J. J. Nunn
Mr. E. M. Rose
Mr. L. Errington
Mr. K. Barnes
Mr. P. E. Thornton
Mr. P. E. H. Standish

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1. The Cabinet were informed that arrangements had been made to recall the House of Commons on Tuesday, 16th January, when the Government's economic measures would be announced. The Second Reading of the Transport Holding Bill would be taken later that day. Debates on the economic measures would take place on 17th and 18th January; business on 19th January would be as already announced. Further consideration would need to be given, after the Foreign Secretary's return, to the best method of reinstating in the programme the debate on foreign affairs which had been promised for the first week after the Recess.

2. The Cabinet considered a memorandum by the First Secretary of State (C (68) 12) reporting the conclusions of the Home Affairs Committee on the proposed legislation on race relations.

The First Secretary of State said that the Home Affairs Committee had considered in particular whether the Race Relations Bill should apply to the sale of owner-occupied houses, whether it should apply to the Crown and to the police and whether assessors should assist the courts in proceedings under the Bill. The Committee had examined these questions on the basis that the purpose of the Bill was to educate public opinion, foster attitudes of toleration, and support those who were willing to adopt such attitudes; and that consequently the presentational aspects of the Bill were of particular importance.

The First Secretary of State said that the Home Affairs Committee were convinced that because housing was recognised as one of the immigrants' greatest problems it must be one of the central features of protective legislation; and since half the houses in England and Wales were privately owned, what was done here would be regarded as a touchstone of the Government's sincerity. At the same time, people needed to be reassured that the Bill could not be used oppressively against owner-occupiers or to compel the vendor of a house to accept a bid from a coloured purchaser when he had innocent and justifiable reasons for not doing so. In the view of the Committee, the solution lay in applying the Bill to owner-occupiers, while guiding the Race Relations Board (RRB) in the exercise of their power so as to confine legal proceedings under the Bill to cases of flagrant discrimination. The conciliation machinery should give a vendor an opportunity to explain his reasons for refusing an offer from a coloured person and should accept as a valid reason that, for example, the house had been sold to a friend or someone with a special claim, or that the coloured would-be purchaser was known as a landlord of overcrowded houses, although there would have to be grounds for this assertion distinguishable from prejudice.

In discussion it was pointed out that complainants would not be able to secure an injunction to prevent or delay the sale of a house; this would infringe individual liberty and might cause hardship. The Bill might have little practical effect save in flagrant cases, but it
would have a valuable influence on public opinion; it would help house agents to refuse to discriminate themselves or to act for clients who wished to discriminate; and it would discourage conspiracy between neighbours to prevent a sale to a coloured purchaser.

The Cabinet—

(1) Agreed that the Race Relations Bill should apply to the sale of houses by their owner-occupiers.

The First Secretary of State said that the Home Affairs Committee had been divided about the merits of binding the Crown under the Bill. There was no dispute about the function of the Bill as a measure to lead and educate opinion, nor about the consequent need for the Government to set the example of its own submission to be bound by law. The difficulty lay in presentation. It had been argued that in binding the Crown the Bill would have to make so many reservations and exemptions that, far from demonstrating the Government's commitment to the principles of the Bill, the provision would appear discriminatory; and that it might be preferable to leave the Crown exempt and make instead a declaration that the Government would abide by the principles and purpose of the Bill. The Committee had concluded by a narrow majority that if the Bill was intended to give legal form to the Government's philosophy of race relations such a statement would not suffice; the Government, and hence the Crown, must be willing to be legally bound, though there would be room for special arrangements to be made to safeguard the recruitment arrangements of the Civil Service, the Diplomatic Service and the Armed Forces, and further consultation was needed about the position of the Royal Household and Royal Duchies.

The Home Secretary said that the Crown's standing in relation to the Bill differed according to the role it performed. As an employer, that is in the recruitment of staff, the Crown need assume no privileges not given to other employers, save as regards the nationality and security rules, and he was in favour of allowing the RRB full powers under the Bill. As a provider of services, there was similarly a case for binding the Crown so that complaints about public servants in their dealings with the public could be dealt with by conciliation. His only doubts concerned the Crown as employer in questions of internal discipline, where the application of the Bill would provide an avenue for complaints by coloured people, about, for example, lack of promotion, which would not be available to their white colleagues.

The Secretary of State for Defence said that there was a similar problem in the Armed Forces. The Army Act and the corresponding Acts of the other two Services contained provision for the redress of grievance. The Service authorities thus had both statutory obligation and statutory power to deal with grievances and it was pointless to bring in new legislation to over-ride or overlap what was already there. The RRB should not be permitted to pronounce on cases decided by the Service Boards nor to act as a court of appeal from them, particularly when officers had an ultimate right of appeal to The Queen. He would be prepared, by informal consultation, to
keep in touch with the RRB over the implementation of the principles of the Bill, and to let them make representation before the procedure was completed but not to determine the issue.

In discussion it was agreed that there was neither objection of principle nor serious administrative difficulty in applying the Bill to Crown servants in their relations with the public, for example in the administration of social security or of the driving test, and that it was desirable to do so. Similarly, it could be accepted that recruitment into the Civil and Diplomatic Services and the Armed Forces should be covered by the Bill subject to the preservation of nationality rules and other security measures; but security problems would arise not only in the public services themselves but among the employees of firms holding defence contracts for which specific provision would have to be made.

It was suggested that in matters of internal discipline the case for bringing Crown servants unreservedly within the scope of the Bill was the same as the broader case for binding the Crown—that the impact of reform in race relations would be strengthened by the Crown's participation and weakened by withholding from the Bill some area of Government activity on grounds of convenience. It was wrong to fear excessive or irresponsible intrusion by the RRB into the affairs of the public services. The Board had gained a reputation for good sense and responsibility. Moreover the Bill should be seen as a long-term measure concerned with coloured people born in this country rather than with recent immigrants. On the other hand, it was argued that it would be wrong to allow the RRB to interfere in Ministers' exercise of their statutory duties. The Services' disciplinary Acts and the civilian staff regulations gave full scope for redress of grievance. It would be clumsy to duplicate the existing law and inappropriate to open an avenue of appeal outside the Services (particularly where this was at present prohibited) for complaints of racial discrimination which would not be open for any other kind of grievance.

It would, however, look very odd to bind the Crown as a provider of Services but exclude it as an employer. It was not clear why if a complaint reached the RRB the Board should not forward it to the Department concerned for the normal procedures to be followed. If the Board were not satisfied with the outcome they could not reverse the decision but could report the case to Parliament where it could, if necessary, be taken up with the Minister. The Board need not be extended until the existing machinery had dealt with the complaint.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were agreed that the Bill should apply to the Crown both as a provider of services and as employer, subject to provisions to safeguard the nationality and security rules and to further consideration of the position of the Royal Household and the Royal Duchies. On the question of the application of the Bill to the armed forces a further attempt should be made to work out an arrangement which would ensure the operation of the existing statutory machinery but would not exclude the consideration of a complaint thereafter by
the RRB. If however this proved impossible it would be open to
the Secretary of State for Defence to revert to his proposal that the
Armed Forces should be exempt in respect of their machinery for
dealing with grievances and discipline.

The Cabinet—
(2) Agreed that the Race Relations Bill should bind the Crown,
subject to exemptions in respect of nationality and security
rules and to further consideration of the position of the
Royal Household and the Royal Duchies and of the
Armed Forces in respect of their existing statutory
procedure for dealing with grievances and discipline.

(3) Invited the Home Secretary, in consultation with the
appropriate authorities, to consider further the position
of the Royal Household and the Royal Duchies.

(4) Invited the Home Secretary to consider further in
consultation with the Secretary of State for Defence and
other Ministers concerned, the application of the Bill to
the Armed Forces on the lines indicated in the Prime
Minister's summing up.

The First Secretary of State said that the majority of the Home
Affairs Committee agreed with the Home Secretary's proposals that
the Bill should apply to the police except in respect of their
operational dealing with the public. The Committee had recognised
that the police were vulnerable to allegations of racial prejudice, and
were regarded with suspicion by many coloured people, so that there
was a case for opening their actions to inquiry by the RRB in order
to give the immigrant community confidence in the police discipline.
They considered, however, on balance that the statutory police
disciplinary code was adequate to deal with complaints by members
of the public provided that racial discrimination was made a specific
offence under the code.

In discussion it was pointed out that the arrangements for
considering complaints against the police involved investigation akin
to that of allegations of crime and formal proceedings similar to those
of a court. It would be difficult to accept the intervention of the
RRB in these proceedings. Moreover, there would then be a different,
or additional, means of dealing with complaints of racial
discrimination against the police from that available for dealing with
other forms of complaints. If weight was to be attached to the
argument that the police were judges in their own cause, the
procedure for dealing with complaints of all kinds should be
re-examined.

On the other hand, it was observed that the arguments about
discipline in the public services were being reversed in their application
to the police. Moreover, the relations between the police and the
public were one of the most sensitive areas in the problem of race
relations and if complaints against the police were to be exempt this
would be the only exempted service. There would undoubtedly be
The Prime Minister, summing up this part of the discussion, said that the Home Secretary and the Secretary of State for Scotland should consider, in consultation with the police, whether a means could be devised of applying the Bill to the police in their operational duties in a manner analogous to that indicated in his summing up on the question of the application of the Bill to the Crown, in respect of the armed forces.

The Cabinet—

(5) Invited the Home Secretary, in consultation with the Secretary of State for Scotland, to consider the question of the application of the Bill to complaints against the police on the lines indicated by the Prime Minister in his summing up.

(6) Agreed that the Bill should apply to the police in other respects.

It was pointed out that a special problem arose in relation to the Merchant Navy in which there was difficulty in getting seamen of different races to live and work together and the practice had grown up of recruiting homogeneous racial groups.

The Home Secretary said that he recognised that there was a case for making special provisions to permit this arrangement to continue.

The First Secretary of State said that the Home Affairs Committee had agreed by a majority with the Home Secretary's proposal that when proceedings under the Race Relations Bill were brought before a designated county court the judge should have the assistance of two assessors appointed from a panel approved by the Lord Chancellor. The judge would remain solely responsible for the decision of the case, but the presence of assessors experienced in problems of race relations would give confidence to immigrant complainants before the court.

The Lord Chancellor said that although there was provision already for the employment of assessors in county courts, they were very rarely used. Their introduction in this context would have no practical value except as a gesture to improve race relations. He accepted it in that light, although with reluctance because of the inevitable implication of a lack of confidence in the courts.

In discussion the Cabinet agreed to the introduction of assessors on the understanding that the Government should be prepared to reconsider the proposal if it were strongly opposed in Parliament. It would cause more difficulty in Scotland than in England and Wales because the sheriffs had wider jurisdiction and correspondingly greater standing than county court judges; but apart from this there were no reasons for different treatment of proceedings in Scotland and similar arrangements should be made.
The Cabinet—

(7) Agreed, subject to the points made in discussion, to the employment of assessors in county courts hearing proceedings under the race relations legislation.

The Prime Minister said that preparation of the Race Relations Bill should now be urgently pursued. Drafting should if possible conform to the wording of United Nations Conventions against racial discrimination. Outstanding questions arising from the Cabinet's discussion and in course of drafting should be resolved by the Home Affairs Committee.

The Cabinet—

(8) Invited the Home Secretary to arrange for the speedy preparation of the Race Relations Bill as indicated by the Prime Minister.

(9) Invited the First Secretary of State to arrange for the Home Affairs Committee to consider as necessary any outstanding issues on the Race Relations Bill.

The Cabinet—

(1) Invited the Chancellor of the Exchequer and the Minister of Health to consider further, and if possible reach agreement on, the extent of the reductions in proposed capital expenditure on local health and welfare services between 1968-69 and 1970-71.

The Cabinet considered a memorandum by the Minister of Health on prescription charges (C (68) 14).

The Minister of Health said that the memorandum set out the problems and the cost of exempting from prescription charges the elderly, children under 16, the chronic sick (other than the elderly) and expectant and nursing mothers. Depending on the definition adopted
for the elderly and for the chronic sick, it had been estimated that the total cost of exempting all these categories would be between £22$\frac{1}{4}$ million and £27$\frac{1}{2}$ million, that is approximately half the additional revenue expected from the introduction of a prescription charge of 2s. 6d. per item with the exemptions only for those who were formerly relieved of the charge. Before detailed consideration was given to the possibility of proceeding by way of exemptions from a prescription charge, he asked that his original proposal might be given further consideration. His colleagues would recall that he had earlier suggested that the health service contribution should be increased by 1s. a week instead of reintroducing prescription charges. This would raise the same sum—£50 million a year—as the Chancellor's original proposal for prescription charges with limited exemptions. There would be no need to provide for exemptions from the increase in the health service contribution since the elderly, children and other hardship categories were not in any event required to make the contribution. The Chancellor had raised two objections to his proposal. First, that it reduced taxable capacity in a way which the reintroduction of prescription charges would not; and second, that the failure to reintroduce a prescription charge would have an adverse affect on confidence at home and abroad. Since however the Cabinet were now prepared to consider an increase of 6d. a week in the health service contribution in order to meet the cost of wider exemptions, it appeared to him that the Chancellor's first objection had not been accepted as decisive; and he urged that the clear and manifest advantages of raising the sum required by an increase in the health service contribution, instead of by prescription charges, should not be over borne because the Press were seeking to make an issue of confidence out of the means by which the Government achieved its objectives. The health service contribution had remained unchanged since 1961 at 3s. 4d. a week and an increase now to 4s. would no more than offset the reduction in the value of money since 1961. An increase of 9d. a week would provide £37$\frac{1}{4}$ million which was substantially more than the proposed prescription charge of 2s. 6d. offset by the exemptions for the categories set out in paragraph 2 of his memorandum. The reintroduction of prescription charges with exemptions on the scale proposed would require at least 1,000 additional staff and, even if the doctors were persuaded to co-operate effectively, would involve considerable administrative difficulties.

The Chancellor of the Exchequer said that he had understood that the Cabinet had already decided in favour of prescription charges with exemptions. In their previous discussion he had explained why he could not accept an increase of more than 6d. a week in the health service contribution to pay for desirable exemptions, if these were practicable. Since then he had learned that, because of the present position of the National Insurance Fund, it might be necessary in any event this year to raise the national insurance contributions by 6d. or a 1s. a week and this powerfully reinforced his objection to any increase in the health service contribution in excess of 6d. per week.
As for the proposed additional exemptions, he accepted that men and women over 65 should be exempt, as proposed in paragraph 3 of the memorandum. It seemed to him doubtful whether it was necessary to exempt children under 16 and there were obvious difficulties, as the memorandum made clear, in defining satisfactorily the chronic sick, a high proportion of whom would, in any event, fall in the exempt categories of the elderly and those on supplementary benefit or with incomes at or below supplementary benefit levels. He could see no strong grounds for exempting expectant and nursing mothers, but the cost of doing so was small and if it were thought that this exemption would help in the presentation of the scheme he would not oppose it. He proposed that the Government, in the statement of cuts in public expenditure, should announce that a prescription charge of 2s. 6d. per item would be introduced in the spring with exemptions for those who had been relieved of the prescription charge when it was previously in force; and that the Government would meanwhile consider, in consultation with the medical profession, measures to extend the exemptions as soon as possible to the elderly and the chronic sick.

The Minister of Social Security said that she supported in principle the proposals of the Minister of Health to increase contributions rather than to introduce prescription charges. However both the alternatives at present being considered involved some increase in the health service contribution, which was a flat-rate element of the national insurance contribution. If, for example, an additional £45 million a year were raised by increasing earnings-related national insurance contributions, this would require an additional 4d. a week from those earning £15 a week and 1s. 1d. a week from those earning £30 a week. If it were decided that prescription charges should be reintroduced, she agreed that the elderly, children, expectant and nursing mothers and the chronic sick should all be exempted, although the Ministry of Social Security would not be able to help to identify the last category and it would therefore be necessary to work out a practicable scheme for them with the doctors. She had within the last few days been advised that the position of the National Insurance Fund was not satisfactory, and unless it were improved by a resumption of economic growth it might be necessary to increase the national insurance contributions in the autumn of this year. The timing of any increase in contributions on this account would be affected by the proposals to raise contributions to pay for all or part of prescription charges since both should be done in one operation.

In discussion the following points were made:

(a) It was suggested that women should be exempted from prescription charges at the age of 60 instead of 65 on the principle that only those at work should be expected to pay and women reached the statutory age of retirement pension at 60. On the other hand it was pointed out that women over 60 generally enjoyed better health than men and there was no reasonable case for this discrimination in favour of women.
(b) It was suggested that the ease for exempting children was not particularly strong but that, if it were accepted, exemption should not be given beyond the age of 5 or, at most, the present statutory school leaving age of 15. The present exemption of children from dental charges was not strictly analogous since this was a long-term preventative measure intended to preserve children's teeth throughout their lives. On the other hand it was urged that failure to exempt children would bear particularly hardly on families earning above the supplementary benefit level but below the average wage. In any event exemption for children should be based on a specific age and not on compulsory school attendance.

(c) It was suggested that the chronic sick could readily be identified by doctors from their records as persons having a continuous record of sickness extending over a stated period. But it was pointed out that this would require the co-operation of doctors which could not be guaranteed in advance of consultation with them. Alternatively, doctors could give persons requiring regular supplies of drugs a prescription for, e.g., three months supply but this would be a matter for the discretion of the individual doctor.

(d) A prescription charge of say 5s. an item, not applied to the needy categories indentified in C (68) 14, would raise £50 million a year without the need for any increase in the health service contribution. But, it was argued, this would impose a very heavy charge on some of the sick in order to pay for the medicines of the rest.

The Prime Minister, summing up this part of the discussion, said that the balance of opinion was in favour of the reintroduction of a prescription charge of 2s. 6d. per item in the spring, with immediate exemptions for those who had been exempted when the charge was last imposed. Arrangements should be worked out, in consultation with the medical profession, for the exemption as soon as this was practicable of men and women over 65, children under 15, expectant and nursing mothers and the chronic sick. The employee's health service contribution should be raised by 6d. per week to offset these additional exemptions. The announcement should make it clear that the reintroduction of prescription charges would be on this basis.

The Cabinet—

(2) Approved the reintroduction of prescription charges on the basis indicated by the Prime Minister in his summing up.

The Chancellor of the Exchequer recalled that in their earlier discussion of his proposal that housing approvals in England and Wales should be reduced by 15,000 in 1968 and 1969 the Cabinet had invited him to consider a further reduction of 5,000 in England and Wales and the extent to which reductions should be sought in Scotland. Having done so he had concluded that further reductions should not be made in England and Wales; and had agreed to lower from 3,000 to 1,500 the reductions to be sought in Scotland.

In discussion it was accepted that an additional reduction of 5,000 in “starts” for England and Wales should not be sought. It
was pointed out that with the reduction of 15,000 already agreed it would be impossible to maintain that the target of 500,000 houses could be achieved by 1970 or to convince the public that failure to reach this figure was primarily attributable to Conservative local authorities.

The Cabinet—

(3) Agreed that a reduction should be made in local authority housing approvals in England and Wales of 15,000 in each of the years 1968 and 1969 and that the corresponding figure in Scotland should be 1,500.

The First Secretary of State said that the Ministers concerned were satisfied that raising the amount of rate rebates was not an effective or practicable way of helping the poorest families; but varying the income limits for eligibility for rebates, so as to restore the original scope of the scheme, would go some way to redeeming the Government's pledge to protect the most vulnerable sections of the community in that it would restore the eligibility of householders just above the supplementary benefit level.

In discussion it was suggested that while it would be possible to increase the income limits in England and Wales in April if an order, which would be subject to affirmative resolution, were laid shortly after Parliament reassembled, it would be more convenient for the increase to take effect in October in England and Wales with a corresponding increase in November in Scotland. Owing to the difference in the period over which income was calculated for the purpose of assessing eligibility, this would put Scottish ratepayers at a disadvantage; but a change taking effect in the autumn would be in conformity with the policy of giving help when the increase in prices reached a significant level.

The Prime Minister, summing up this part of the discussion, said that the Cabinet agreed that the income limits for rate rebates should be raised by £1 to £9 for a single householder and £11 for a married couple with the addition of £2 for each child, and should take effect from October in England and Wales and November in Scotland.

The Cabinet—

(4) Approved the raising of the income limits of eligibility for rate rebates by the amounts and at the time indicated in the Prime Minister's summing up.

The Chancellor of the Exchequer said that he accepted that it would be inopportune at the present time to announce a further increase in the charge for school meals to take effect in April 1969 and in the light of other savings now agreed in the educational services he was prepared to withdraw this proposal, while reserving his right to bring the matter back to the Cabinet later in the year if necessary. The proposal should therefore not be included in the Government's statement.

The Cabinet—

(5) Agreed that the Government's forthcoming statement should make no proposal for a further increase in the charge for school meals.
The First Secretary of State said that the Government's commitment to protect the most vulnerable sections of the community against hardship resulting from devaluation had specifically included families on low incomes. This pledge could be completely fulfilled only through a further increase in family allowances, additional to the 7s. increase that would take effect in April, with associated tax adjustments to ensure that the benefit was concentrated on those with low incomes (a "give and take" approach). The increase in Supplementary Benefits, on which the Cabinet had already agreed, would not help those with low earnings and those affected by the wage stop, nor could they be sufficiently helped through enlargement of the rate rebate scheme. An increase of 3s. would be necessary by the autumn if the family income of the low wage earner with three children was to rise proportionately to the forecast increase in prices. The Chancellor of the Exchequer had already agreed to apply the "give and take" approach to the 7s. increase due to take effect in April and this should be extended to this further 3s. increase. Although the full cost of this would be reflected in the Estimates, the true cost, as reduced by the associated tax adjustments, could be made clear when the increase was announced.

The Minister of Social Security said that the pledge to protect low-income families had been the Government's first commitment following devaluation. She welcomed the Chancellor of the Exchequer's decision to apply the "give and take" approach to the 7s. increase, and this approach could bring the true cost of a further 3s. increase down from £35 million to £9 million. The 1968–69 Estimates would be published before the necessary Bill was introduced and so would not reflect the cost of the increase. The alternative, which had been suggested in their previous discussion, of paying a child allowance by way of supplementary benefit notwithstanding that the father was in full-time work, would be administratively burdensome even as an interim measure, and, once introduced, might prove difficult to terminate. If a further increase of family allowances was not possible without compensating reduction of other social security expenditure, she would, in order to ensure that the Government's commitment to low-income families was fulfilled, be ready to accept deferment of the 7s. increase and abolition of maternity grant except for the first child of a family. In addition, adoption of the recommendations of the National Insurance Advisory Committee to prevent people in receipt of occupational pensions from claiming unemployment benefit would save £4½ million in the second half of the year.

The Chancellor of the Exchequer said that he could not accept expenditure resulting from a further general increase of family allowances in 1968–69. The estimates would show a substantial increase over those for the previous year, even after the proposed savings had been made, of 10·8 per cent, or 8·04 per cent after allowing for increased prices. The cost of a further increase in family
allowances would have to be announced even if it was not included in the published Estimates for 1968–69. The forecast movement of prices would justify an increase of family allowances of no more than 1s. by the autumn and the matter could be reviewed then. The arrangements for applying a “give and take” approach to the 7s. increase could not now be adapted to a further 3s. increase whether given in April or in the autumn, or to a deferment of the 7s. increase itself. A further selective increase in family allowances in 1968–69 could therefore only be made on a means-tested basis.

In discussion it was suggested that the 7s. increase in family allowances would itself make reasonably sufficient provision in the light of the forecast increase in prices, subject to review in the autumn. On the other hand it was pointed out that this increase had been announced before devaluation and could not now be claimed to take account of price increases resulting from it. It was suggested that further consideration should be given to the possibility of reducing expenditure on other social security benefits sufficiently to offset the continuing cost of a further increase in family allowances and it was pointed out that the Government were not committed to make a further increase by any specific date. The alternative possibility of a housing allowance which was currently under examination should also be considered.

The Prime Minister, summing up this part of the discussion, said that, while not ruling out the possibility of a further increase of family allowances later in the year, the Cabinet were agreed that no proposal to increase these allowances should be included in the Government’s forthcoming statement. This should however refer to the intention to adopt a selective approach to the 7s. increase. The Chancellor of the Exchequer, in consultation with the Minister of Social Security, should examine further the possibility of making reductions in other social security expenditure sufficient to offset the continuing cost of a further increase in family allowances. The Cabinet should consider the matter again in the light of this examination and the alternative possibility of a housing allowance which was under examination by the Minister of Housing and Local Government, but in the meantime there could be no commitment.

The Cabinet—

(6) Agreed that the Government’s forthcoming statement should make no reference to a further increase in family allowances.

(7) Invited the Chancellor of the Exchequer, in consultation with the Minister of Social Security, to consider the possibility of making reductions in social security expenditure to offset the continuing cost of a further increase in family allowances.

(8) Subject to Conclusion (7), agreed to consider later the possibility of a further increase in family allowances.
The Minister of Housing said that it was proposed in C(68) 5 that the Government should announce now that they would not accept as eligible for rate support grant in 1969–70 a total of local authority expenditure more than 3 per cent in real terms above the amount eligible for grant in 1968–69. The Chancellor of the Exchequer had also proposed that there should be no upward adjustment of the rate support grant in 1968 to take account of increases in prices and wages in that year. To limit the increase in the expenditure eligible for grant for 1969–70 to 3 per cent would mean that the increase in the grant of £154 million which was now envisaged for that year would be reduced to £82 million, leaving a requirement to cut eligible expenditure in that year by £72 million. Of this, the specific cuts which the Cabinet had already approved in various fields of local authority expenditure would account for about £47 million, leaving £25 million to be found by further economies. This would probably mean that local authorities would have to place severe restrictions on the recruitment of staff and the main impact of this would be felt in the various forms of personal services provided by local authorities, where the increase in staff was greatest because of the increasing number of children and old people. There would inevitably be some fall in the standard of provision in the local services falling within the responsibility of the Home Secretary, the Secretary of State for Education and the Minister of Health. It would be necessary to consult the local authorities immediately after the announcement, and it would be desirable for those of his colleagues whose responsibilities would be affected to participate in the consultations. It would be wise to avoid being completely specific about the limitation on the grant for 1969–70: the announcement might say that the increase in the grant for that year would not be allowed to exceed an increase in the region of 3 per cent; this would leave room for some marginal adjustment in the light of consultations with local authorities. Subject to this, he supported the proposals by the Chancellor of the Exchequer.

The Secretary of State for Scotland said that the expected increase in the rate support grant in 1969–70 was less for Scotland than for England and Wales. To limit expenditure eligible for grant to an increase of 3 per cent in 1969–70 would cause difficulties in some areas of Scotland, but should nevertheless be practicable.

In discussion it was argued that the proposals by the Chancellor of the Exchequer did not go far enough. They would not involve any reduction in the rate support grant in 1968–69. To rely solely on exhortation would not necessarily secure adequate reductions in local authority expenditure in that year; moreover to the extent that economies were secured, but the rate support grant was not reduced, some of the grant would become available for spending by local authorities in fields not affected by specific cuts, or could be used to allow some reduction in rates. To proceed in this way would be particularly undesirable as regards expenditure on roads. The bulk of local authority expenditure in this field was on maintenance and the improvement of minor roads and considerable sums were spent on road lighting and car parks; there was much more justification for cuts
in this expenditure than in central Government expenditure on the strategic road network which was vital to the economy. The right course therefore was to introduce legislation to effect a reduction in the amount of rate support grant for 1968–69, possibly of the order of £100–£150 million.

On the other hand it was argued that it would be wrong to contemplate enforcing a cut of these proportions. This would imply a more severe limitation on the increase in the rate support grant for 1969–70 than that proposed in C(68) 5. To proceed on this basis would produce an unacceptable deterioration in the general standard of services provided by local authorities. If the Government adopted the proposal by the Chancellor of the Exchequer to make no adjustment in the grant to compensate for price increases in 1968, this would be equivalent to a cut in the grant of £40–£50 million. Even this would be severe, bearing in mind that half of the relevant expenditure was on education, that expenditure on road maintenance was important to the economy of many rural areas, and that the local authorities would have to absorb considerable cost increases, for example increases in teachers’ salaries.

In further discussion it was suggested that the right course would be to adopt the proposals made by the Chancellor of the Exchequer, but to supplement them by requesting local authorities to secure savings in 1968–69 of specified amounts in expenditure on roads, and possibly also on other blocks of expenditure to be designated, such as schemes of urban redevelopment; and to inform local authorities that the amount of expenditure which the Government would accept as eligible for rate support grant in 1969–70 would be limited in two ways: first, it would be limited to a 3 per cent rise in real terms over 1968–69 as proposed by the Chancellor of the Exchequer; second, it would be further reduced by the amount of the savings requested by the Government for 1968–69. Local authorities would be unlikely to ignore a request for savings in that year if they knew that their rate support grant for the following year would be reduced by a corresponding amount. The amount of savings in 1968–69 and the fields in which they were to be made would need further consideration, but substantial savings should certainly be requested in expenditure on roads, which might be of the order of £30–£40 million. It would, however, be important to safeguard the position of the development areas. In particular, road communications were vital to their economy and there was a case for placing greater emphasis in future on expenditure on road communications serving the development areas, balanced by savings on other forms of assistance to them. Accordingly, in requesting specific savings for 1968–69 the Government should make it clear to local authorities that development areas should be excluded from these economies.

The Prime Minister, summing up this part of the discussion, said that the Cabinet endorsed the proposals by the Chancellor of the Exchequer that no adjustment be made in the rate support grant in 1968, and that the total expenditure to be accepted as eligible for grant in 1969–70 be limited to an increase in the region of 3 per cent in real terms over the corresponding figure for 1968–69. They agreed
that these measures should be supplemented by a request to local authorities for specific savings in 1968–69 in expenditure on roads and possibly other designated blocks of expenditure, on the basis that the amount of the savings requested would be deducted from the total of expenditure eligible for rate support grant in 1969–70. The Chancellor of the Exchequer should now consider with the Ministers concerned the amount and nature of the savings for 1968–69 which the Government should request. Any implications which this might have for the decisions the Cabinet had previously taken on cuts in the roads programme generally could be examined when the Cabinet came to consider the balance of the whole package of measures.

The Cabinet—

(9) Endorsed the proposal in paragraph 64 of C (68) 5 for limiting the increase in expenditure eligible for rate support grant in 1969–70, subject to announcing that the permissible increase would be "in the region of" 3 per cent, rather than 3 per cent precisely.

(10) Agreed that there should be no adjustment of the rate support grant to compensate for rises in prices and wages in 1968.

(11) Agreed that the Government should request local authorities to make specific savings in 1968–69 in expenditure on roads and possibly other designated blocks of expenditure, and that the amount of these savings should be deducted from the total of expenditure accepted as eligible for grant in 1969–70 as under Conclusion (9) above.

(12) Invited the Chancellor of the Exchequer to consider with the Ministers concerned the amount and kind of savings which the Government should request in pursuance of Conclusion (11) above.

Cabinet Office, S.W.1,
12th January, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Friday, 12th January, 1968, at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., Secretary of State for Foreign Affairs (For part of the Meeting)
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. FEED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. CLEDWYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology

The following were also present:
The Right Hon. REGINALD PRENTICE, M.P., Minister of Overseas Development
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury
Mr. GEORGE THOMAS, M.P., Minister of State for Commonwealth Affairs
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

The Right Hon. MICHAEL STEWART, M.P., First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport
The Right Hon. RICHARD MARSH, M.P., Minister of Power

The Right Hon. ROBERT MELLISH, M.P., Minister of Public Building and Works
The Right Hon. FREDERICK MULLEY, M.P., Minister of State for Foreign Affairs
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General

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Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. E. M. Rose
Mr. K. Barnes
Mr. P. E. Thornton
Mr. R. L. L. Facer

Subject
PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES
Overseas Aid
Military Aid
Overseas Representation
Space Policy: ELDO and Black Arrow
Technology
Balance of the Measures as a Whole
The Cabinet resumed their consideration of the memorandum by the Chancellor of the Exchequer (C (68) 5) on reductions in public expenditure.

The Chancellor of the Exchequer said that the basic aid programme had been fixed at £205 million a year in cash terms until 1970–71. This basic programme would not include the increased subscription to the International Development Association (IDA) of up to £10 million, about £6 million of food aid under the Kennedy Round and mitigatory aid to Singapore of about £25 million and to Malaysia of about £18 million over the next three years. Increases in the aid payments expressed in dollars and other currencies, and rising costs in sterling resulting from devaluation, should be absorbed within the £205 million. He had recently learnt of a new proposal to give additional aid to Zambia of some £10 million, of which £7 million would fall in 1968–69. If this aid were authorised, it should be found from within the £205 million programme.

The Minister of Overseas Development said that negotiations on the level and terms of the replenishment of IDA had met considerable difficulties and our increased subscription would probably not amount to more than £7 million or £8 million. He reluctantly accepted the proposal to absorb the extra costs arising from devaluation within the £205 million aid budget. This, however, represented a further stage in a serious decline in the resources given to overseas aid. In July 1966 the aid budget had been reduced from £225 million to £205 million, and in the review of public expenditure in the summer of 1967 it had been decided to hold the basic aid programme at £205 million in cash terms for three years, with the result that its value in real terms declined. The direct result of devaluation was to add some £10 million to our commitments in the form of subscriptions expressed in dollars to international organisations; allowances for technical assistance personnel in countries which had not devalued; and bilateral aid to some countries, mainly dependent territories, which had not devalued in view of their close economic links with countries such as the United States or Australia. The aid programme would also suffer from rising sterling costs resulting from devaluation. The total effect of devaluation would be to reduce the real value of our aid programme by about 9 per cent. This was a serious matter, especially as other countries were not likely to increase their aid programmes and the appropriations proposed by the United States Administration had been reduced by Congress. There would be no increase in the total flow of aid to developing countries, just at the moment when everything argued in favour of such an increase. Our aid...
programme should be increased as soon as our economic situation allowed. Contingency assistance to Zambia had not previously been counted within the normal aid budget and should not be in future. Under normal aid criteria Zambia would not qualify for capital aid.

In discussion the point was made that it was relevant to the credibility of the economic measures we were introducing not to adopt a more generous attitude to overseas aid than other developed countries, particularly the United States. As a result of the reductions applied by Congress, United States expenditure on aid was likely to be below last year's figure. Our aid programme should be subjected to a searching examination, and the aid we proposed to give to Singapore and Malaysia in mitigation of our military withdrawal should not be regarded as entirely additional to the normal programme. On the other hand, it was pointed out that our official aid programme accounted for broadly the same proportion (0.6 per cent) of our gross national product as the average of all countries in the Organisation for Economic Co-operation and Development (OECD). Overseas aid brought material advantages to our export trade and therefore to our balance of payments. The question of further aid to Zambia should be considered in detail; it was relevant to note that Zambia had refused to buy British goods for certain development projects and that she was apparently trading with foreign companies who were defying the United Nations resolution on mandatory sanctions against Rhodesia. Zambia's reserves of foreign exchange were increasing and her attitude to this country was generally unhelpful. However, aid to Zambia resulted from our policies on Rhodesia, and we had encouraged her to start projects designed to free herself from dependence on Rhodesia and to assume that she would get aid from us to complete them. In this connection it was open to question whether we should continue as guarantors to make repayments to the World Bank on the Rhodesian share of the loan for the Kariba Dam: consideration should be given to the possibility that the blocked Rhodesian funds in London should be used for this and other similar purposes.

The Chief Secretary, Treasury, said that he had written to his colleagues in the overseas departments to ask for a substantial reduction in military aid. The aim should be to bring our current commitments to an end and to accept no new commitments. Expenditure on military aid would be £21 million in 1967–68, £23 million in 1968–69 and £19 million in 1969–70. Of the 1967–68 figure, about £4 million represented military technical assistance, mainly to Commonwealth countries. The largest item in the remaining £17 million was military aid to South Arabia (now the Southern Yemen) amounting to £11 million.

In discussion concern was expressed at the increase in the provision for military aid in 1968–69. It had been agreed that military aid to the Southern Yemen should continue for six months up to May 1968 but there was no commitment after that date. Any further aid given should be economic rather than military and should...
be found from within the overseas aid budget. Military aid for Singapore might well be discussed during the forthcoming visit of the Singapore Prime Minister, Mr. Lee Kwan Yew. Concern was also expressed at the rise in forecast Government expenditure overseas from £338 million in 1967-68 to £381 million in 1968-69. Further information should be provided about the composition of these figures and the reasons for the increases.

The Minister of State for Foreign Affairs said that some 3,000 members of the Diplomatic Service were stationed abroad compared with some 8,000 or 9,000 from other Government Departments. Our missions abroad had been instructed to give absolute priority to commercial work and the promotion of exports. It would be highly undesirable at this time to withdraw our representation from countries where we had a good chance of increasing our exports. Savings from concentrating missions into single posts serving a number of adjacent countries would be liable to be offset by increased travelling costs. Withdrawing our missions from certain countries might also result in those countries closing their missions in London and a consequential loss in foreign exchange. As a result of devaluation, diplomatic staff abroad had accepted a 3 per cent reduction in the value of their allowances which had not been raised to take full account of the extra costs of devaluation. Diplomatic Service allowances were subject to periodic review and consideration was being given to ways of reducing standards of accommodation.

In discussion it was suggested that in view of the considerable rise in expenditure on overseas representation a searching review of the need for all our missions abroad should be set in hand. The emphasis should be on the promotion of exports. There should be less need for the gathering of political intelligence as our political and military commitments were reduced. We should aim to model our representation abroad more on the pattern of other European countries and not attempt to maintain a full international coverage on the lines of the United States. On the other hand, the view was expressed that the forthcoming reductions in military commitments and forces abroad increased the value of diplomatic representation. Many of our missions were very small, and they did an excellent job in promoting exports and helping British businessmen. Their value was particularly recognised by exporters themselves. Furthermore the recent successes we had achieved at the United Nations, notably on the Middle East, were greatly assisted by rapid and efficient diplomatic activity by our representatives in many small countries. The Estimates Committee, which had recently reported on diplomatic accommodation abroad, had found little evidence of wasteful expenditure.

The Prime Minister, summing up this part of the discussion, said that subject to further consideration of the level of Government expenditure overseas, the Cabinet agreed that the basic aid programme should absorb the increases resulting from devaluation and should remain at £205 million until 1970-71. The question of
further aid for Zambia, other than technical assistance, should be examined by the Ministers concerned. The level of military aid and of Government overseas expenditure generally should be considered again at the meeting of the Cabinet that afternoon in the light of further information about the composition of the totals given in C (68) 5 and the reasons for the forecast increases in 1968–69 and 1969–70 compared with 1967–68. It might well be desirable to set in hand a review of the present level of our overseas representation, in both foreign and Commonwealth countries, in the light of our changed position in the world and of the need for our missions abroad to share in the sacrifices which the British people at home were being expected to make. This review should cover the possibility of closing missions, perhaps by means of concentrating responsibility for several countries in one mission, and the extent to which the efforts of our diplomatic staffs should be diverted from political to commercial activities.

The Cabinet—

(1) Invited the Chief Secretary, Treasury, to provide further details of the forecast Government overseas expenditure in 1967–68, 1968–69 and 1969–70 and in particular of military aid expenditure in those years, for consideration by the Cabinet at their meeting that afternoon.

(2) Invited the Chancellor of the Exchequer, in consultation with the Minister of Overseas Development, the Minister of State for Foreign Affairs and the Minister of State for Commonwealth Affairs, to consider whether any contingency assistance should be given to Zambia in 1968–69 and later years and if so whether the amount should be found from within the overseas aid ceiling.

(3) Took note that the Prime Minister would give further consideration to the most appropriate means of promoting a review of the level of our overseas representation on the lines indicated in his summing up.

(4) Agreed that, subject to further study of Government expenditure overseas, the basic aid programme should remain at £205 million a year until 1970–71, this sum to absorb any increase in costs, including those resulting from devaluation.

The Cabinet considered a memorandum by the Minister of Technology on the European Launcher Development Organisation (ELDO) and Black Arrow (C (68) 17).

The Minister of Technology said that he recognised that the space budget must contribute to the economies required in public expenditure. In practice this meant a re-examination of the proposed expenditure in ELDO and on Black Arrow. In considering this expenditure they must recognise the major issue of policy involved, which was whether or not we should opt out of space technology. He advised strongly against doing so and thus denying ourselves the
considerable commercial, industrial and technological benefits to be derived in future from space activities. The Government of the United States were currently spending some $7,000 billion a year on space research. With our existing commitments in ELDO and for Black Arrow we should spend $179 million over the period 1968–70 compared with projected expenditure over the same period of $279 million by Germany and $311 million by France. The memorandum examined four possible courses:

(i) Cancelling Black Arrow and withdrawing from ELDO immediately. This would end Britain’s national satellite technology, bring serious international political consequences and, because of legal financial liabilities, we should save none of our committed expenditure on ELDO.

(ii) Cancelling Black Arrow but retaining our commitment to the current ELDO programme. This would also end our national satellite technology while continuing our European space effort which was less valuable to Britain.

(iii) Withdrawing from ELDO immediately but retaining Black Arrow. This would have the same legal and political difficulties, and involve us in the same financial liability for damages, as course (i).

(iv) Supporting ELDO until the present programme ended and then withdrawing from it while keeping Black Arrow. This would involve a substantial saving as compared with supporting the expected future programme for ELDO, and would retain our national capability for the very modest cost, considering all that was involved, of approximately £3 million a year.

He asked his colleagues to agree to course (iv). If this were agreed it would then be necessary to decide whether or not to make any announcement in next week’s statement. We had asked our European partners in July 1967 to commission a cost/benefit study of the ELDO programme and this study was due for consideration in May 1968. It would create unnecessary friction if we were to announce our withdrawal from future ELDO programmes now instead of in the light of the study. It would cost us no more to wait.

The Minister of State for Foreign Affairs said that he would also recommend course (iv). If we now abrogated our existing commitments to ELDO it would cost us as much, by way of damages, as if we honoured them. Moreover, there would be no foreign exchange cost in continuing to meet these commitments because we had a larger share of the orders placed by the Organisation than our present share of the total contributions to it. He had succeeded in 1966 in reducing the United Kingdom contribution from 39 per cent to 27 per cent and inserting a break clause which enabled us to refuse future contributions to ELDO, without liability to damages or ill feeling, when the agreed total figure of expenditure had been
reached. This total amounted to £75 million for the United Kingdom of which we had already spent £50 million and we had still to spend £25 million on the current programme. We should refuse to contribute to any future ELDO programme but continue to maintain our own Black Arrow programme.

The Attorney-General said that he agreed with the Minister of State for Foreign Affairs about withdrawal from our current commitments to ELDO. If we withdrew now and the issue were taken by our partners to arbitration—as it would be under the treaty—the damages awarded against us might well amount not only to our outstanding commitments of some £25 million but also perhaps to a contribution towards the nugatory expenditure by our partners if our withdrawal resulted in the abandonment of the present ELDO programme. He advised therefore that if we wished to end our financial contributions to ELDO, we should take advantage of the break clause which had been negotiated by the Minister of State for Foreign Affairs.

The Chancellor of the Exchequer said that paragraph 15 of the memorandum was not entirely accurate, the present PESC figures did not include any element for a future ELDO programme so that an offer by the Minister of Technology to withdraw from such a programme represented no cut in the present public expenditure estimates. He agreed, however, that we should terminate our ELDO commitments as soon as we could take advantage of the break clause. As far as Black Arrow was concerned he had proposed that the estimates should contain nothing for this project beyond cancellation charges. This would enable Ministers to examine in detail the case for continuing Black Arrow over the next few months and if it was decided then to continue the project it would be necessary to provide a supplementary estimate.

The Prime Minister, summing up this part of the discussion, said that there was general agreement that we should end our financial contribution to ELDO as soon as our current commitments had been met. There should be no provision in the estimates for Black Arrow beyond cancellation charges. There should be a rigorous examination of the case for continuing Black Arrow over the next month or two in the light of which they would decide whether or not to continue it. The Government statement about cuts in public expenditure should make no reference either to ELDO or to the future of Black Arrow.

The Cabinet—

(5) Agreed that the United Kingdom should accept no further financial commitments in ELDO.

(6) Agreed that there should be provision only for cancellation charges in respect of Black Arrow in the Estimates for 1968–69.

(7) Invited the First Secretary of State to arrange for an early review of the Black Arrow project.
The Minister of Technology said that the Cabinet, at their meeting on 9th January (CC (68) 3rd Conclusions), had invited the Secretary of State for Defence to consider with him to what extent savings could be found in defence research and development to offset the savings still required to be found in 1968-69 in expenditure on Government civil research and technological support. They had reached agreement on a reduction of £2.7 million in defence research and development expenditure, which included a reduction in spending on aerospace and advanced combat aircraft as well as staff savings at the Royal Aircraft and Royal Radar Establishments, and he had also found it possible to make a further saving of £0.65 million by the Atomic Energy Authority (AEA) (in addition to the cut of £3 million already imposed). This made the total of £3.35 million which they had been asked to find and was in addition to the £5.65 million which he had already agreed, should be cut from the present provision for 1968-69 for Government research and technological support. The reduction of £10 million for which he was asked in respect of 1969-70 would involve an actual reduction in civil technological support for industry between 1968-69 and 1969-70 unless the Secretary of State for Defence was able to agree to further cuts in defence research and development expenditure in the latter year. He could, however, offer a firm cut of £5 million in 1969-70 with the possibility of a further £5 million saving if—but only if—the Steam Generating Heavy Water reactor did not by then offer sufficient prospects of success to justify further expenditure upon it.

The Chancellor of the Exchequer said that he would accept the proposals by the Minister of Technology for 1968-69 although they were not entirely satisfactory since the Treasury had, in any event, expected to reduce the estimate for defence research and development in 1968-69 by £1.8 million as a result of their normal examination of estimates. It was his understanding that the Cabinet had already agreed that there should be a reduction of £10 million, without qualification, in the expenditure on Government research and technological support in 1969-70. He could not be satisfied with less than this and he suggested that the application of stricter financial control—particularly to some of the Ministry’s dependent organisations—might contribute some of the savings required.

The Secretary of State for Defence said that he had offered to help the Minister of Technology by accepting a cut of £2.7 million in defence research and development expenditure in 1968-69. But he was not in a position to offer any further cut in 1969-70 from a defence budget which had already been most severely pruned.

The Prime Minister, summarising this part of the discussion, said that the arrangements agreed between the Secretary of State for Defence and the Minister of Technology in respect of 1968-69 were approved. For 1969-70 there should be a firm cut of £10 million in Government research and technological support, as proposed by the Chancellor. It was not necessary at this stage to work out in
detail how this cut should be apportioned but there should be strong bias against reducing expenditure on civil technological support for industry. The possibility that a contribution might be made by a reduction in defence research and development expenditure, as in 1968-69, should not be ruled out at this stage.

The Cabinet—

(8) Approved the reductions indicated by the Minister of Technology in defence research and development and AEA expenditure, totalling £3.35 million in 1968-69.

(9) Agreed that the present provision for Government expenditure for research and technological support in 1969-70 should be reduced by £10 million.

The Prime Minister said that it would now be convenient for the Cabinet to begin discussion of the adequacy and balance of the measures taken as a whole.

The President of the Board of Trade said that it was first necessary to decide what should be the total reduction in demand which the Government should aim to secure, whether by cuts in public expenditure or by increased taxation in the next Budget. The Chancellor of the Exchequer proposed that the target should be a reduction of £500–£1,000 million, which was the estimate given in the latest medium-term economic forecast. In his view, it would be unrealistic to aim at a reduction as large as £1,000 million: it would not in any case be practicable to secure a switch of resources of this order, and if it were, the result would be to produce a balance of payments surplus so high as to give rise to serious international difficulties. It would be wiser to aim at a total reduction of about £750 million.

Next, it was necessary to consider how much of this should be secured by reductions in public expenditure and how much by reductions in personal consumption. Personal consumption was appreciably higher as a percentage of gross national product in this country than in most other comparable countries. It was also relevant that we were now experiencing a boom in consumer spending. The tax increases which would be necessary to secure restraint in personal consumption would be politically acceptable in the present climate of opinion. There was therefore a case for securing a considerable part of the necessary reduction in demand by higher taxation; it was clear, however, that it would not be practicable or desirable to secure the whole reduction in this way. The right course would be to aim at cuts in public expenditure to the value of some £400 million. This would still mean that public expenditure would be rising by some 3 per cent in 1968-69 and 2 per cent in the following year, while personal consumption would go up by about 1 per cent and 2 per cent respectively in those years.

In his original memorandum the Chancellor of the Exchequer had proposed cuts in public expenditure amounting to some £370 million in 1969-70. From the decisions already taken by the Cabinet, it was clear that cuts of this order could now be secured.
In addition, there would be further savings on the civil side from restrictions on the rate support grant, and some of the expenditure on family allowances would be offset by "give and take" tax adjustments. As regards defence, reductions of £70–£100 million in 1969–70 would be the minimum which was acceptable. In the aggregate therefore the reductions in prospect were approaching some £450 million. While he would not argue that this total was too high, it gave some scope for adjustments at the margin as between expenditure cuts and increases in taxation.

Turning to the balance of cuts as between the different civil programmes, the reduction on roads was reasonable, bearing in mind that there must be some uncertainty how far they would be achieved in the local authority field; the housing cuts were reasonable, having regard to the developing excess of households over houses available; and the interests of the development areas would be amply safeguarded. Education, however, seemed likely to fare worst, taking account of restrictions on the rate support grant as well as of the proposed direct cuts, both in terms of the total cut and of the rate of increase in expenditure. Many of the cuts in education would arouse fierce opposition. There was therefore a case for reconsidering the Cabinet's decision to postpone for two years the raising of the school-leaving age. This decision stood out among all the others as the only one which ran counter to the Government's basic political principles; it would have unfortunate economic consequences through its effects on the future quality of the labour force, and would arouse deep hostility on the part of informed independent opinion. It would also, because of its effect on school building, increase the danger of under-employment in the construction industry.

If this decision were reconsidered it would be necessary to find equivalent savings elsewhere. This might be done by reducing housing approvals by a further 5,000, and by making savings of £3–£4 million in 1969–70 on grants and loans to service installations in the development areas. Any remaining deficiency could be made good by increased taxation or hire-purchase restrictions.

It was wrong to think that we had to achieve a single target of savings which would then serve as a basis for economic policy for a substantial period: it would be necessary over the next 12 months to be flexible in managing demand to match the situation as it developed.

The Chancellor of the Exchequer said he agreed that economic policy would need to be flexible to match the changing situation following devaluation. But the changes which had so far occurred had all pointed to the need for a bigger rather than a smaller reduction in demand. One important factor was the size of the balance of payments deficit for 1967 which was now estimated to have been £488 million, of which £400 million occurred during the second half of the year. It was absolutely essential that we should move from this position to a substantial surplus in 1969. The recent measures taken by the United States Government to reduce their
balance of payments deficit affected our position in that we must revise downwards the size of the surplus which it would be practicable for us to achieve in 1969: this would now be more likely to be £400 million than £500 million. If by the first half of 1969 we were to be earning a surplus at this rate, whereas in the second half of 1967 we had incurred a deficit at an annual rate of £800 million, we should need to ensure a switch of resources into exports and import saving, not of £1,000 million, but of £1,200 million. This made no allowance for the worsening in the terms of trade following devaluation, which would call for a further transfer of resources of some £250–£350 million if we were to achieve the required surplus. Some allowance must also be made for an increase in investment in manufacturing industry, for which £100 million would be a modest allowance. This added up to a requirement for a switch of resources of some £1,600 million. Against this could be set the measures announced immediately following devaluation which would probably reduce demand by some £200 million. This still faced us with the need for a reduction of some £1,400 million; while we could not contemplate an operation of this order, the argument showed conclusively that to aim at a reduction of £1,000 million was in no way excessive. If we were to secure less than this, the balance of payments surplus in 1969 would be correspondingly smaller.

The decisions taken by the Cabinet would secure the greater part of the reductions for which he had asked, but there should be no question of reversing them. His calculations showed that the decisions now taken represented total reductions in public expenditure of £330 million in 1968–69 and £360 million in 1969–70 (assuming a reduction of £50 million in defence in that year). But the effects on demand would be substantially less, amounting to a reduction of some £165 million in 1968–69 and £250 million in 1969–70. This would leave nearly two-thirds of the whole reduction to be secured by increased taxation. It had also to be borne in mind that some of the measures so far agreed would reduce taxable capacity—for example, the increase in the National Health Service contribution, prescription charges and tax adjustments to offset the cost of family allowances. While it would be necessary to avoid acting too precipitately with the result that there would be unemployment and under-use of capacity, the general picture was that a disproportionate part of the reduction in demand was being left to be secured by higher taxation, and there should therefore be no question of smaller reductions in public expenditure.

His colleagues might wish to have some indication of the prospective rise in expenditure covered by the Supply Estimates for 1968–69. Before the cuts, the Estimates would have shown an increase in money prices of 12·2 per cent, or 11 per cent if the Selective Employment Tax (SET), Regional Employment Premium (REP) and investment grants were excluded; the corresponding figures after the cuts would be 10·8 per cent and 9·8 per cent. In terms of constant prices, and excluding SET, etc., the increase before the cuts would have been 9 per cent and the increase after the cuts would be 8 per cent. As regards the total of public expenditure (as
distinct from the Supply Estimates), in terms of constant prices this would have increased before the cuts by 7 per cent, and would increase after the cuts by 4.7 per cent; if SET, etc., were excluded, the corresponding figures would be 5.5 per cent and 3.7 per cent.

It would also be of interest to the Cabinet to have some figures of the relative increase in expenditure on the different civil programmes. The average annual increase in the different blocks over the period 1966-67 to 1969-70, taking account of the cuts so far agreed, would be as follows:

<table>
<thead>
<tr>
<th>Programme</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>5.5</td>
</tr>
<tr>
<td>Education</td>
<td>4.2</td>
</tr>
<tr>
<td>Health and Welfare</td>
<td>3.8</td>
</tr>
<tr>
<td>Housing</td>
<td>5.0</td>
</tr>
<tr>
<td>Roads</td>
<td>8.3</td>
</tr>
<tr>
<td>Other Transport</td>
<td>10.6</td>
</tr>
<tr>
<td>Home Departments Services (excluding Home Defence)</td>
<td>5.3</td>
</tr>
<tr>
<td>Home Defence</td>
<td>-25.0</td>
</tr>
<tr>
<td>Technology</td>
<td>12.0</td>
</tr>
<tr>
<td>Overseas Expenditure</td>
<td>6.1</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2.9</td>
</tr>
<tr>
<td>Other Environmental Services</td>
<td>5.1</td>
</tr>
<tr>
<td>Other Expenditure</td>
<td>5.5</td>
</tr>
</tbody>
</table>

In discussion, support was expressed for the view that to aim at a transfer of resources of £1,000 million would be excessive: if demand were reduced to that extent, it was doubtful if industrial expansion would be sufficient to take up the slack. There would therefore be a danger that resources would be left unused and this would have adverse effects on confidence.

On the other hand it was argued that while it was impossible to prove the case for a reduction in demand of a precise amount, a reduction of the order proposed by the Chancellor of the Exchequer was fully justified. The extent to which the cuts in public expenditure so far agreed would leave a requirement for increased taxation was disturbing. There were few increases in taxes which would not have adverse economic effects, either by eroding incentives to work or by undermining the prices and incomes policy. There was therefore no case for reducing the total cuts now envisaged. Moreover, public opinion at all levels was now expecting strong action, and it would be disastrous if the Government's measures were thought to be too timid either in their total effect or in respect of particular measures.

The Cabinet—
(10) Agreed to resume at a later meeting their consideration of the balance of the measures as a whole.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Friday, 12th January, 1968, at 2.30 p.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., Secretary of State for Foreign Affairs
The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department
The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Patrick Gordon Walker, M.P., Secretary of State for Education and Science
The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Cledwyn Hughes, M.P., Secretary of State for Wales
The Right Hon. Anthony Wedgwood Benn, M.P., Minister of Technology

The following were also present:
The Right Hon. Reginald Prentice, M.P., Minister of Overseas Development
Mr. Goronwy Roberts, M.P., Minister of State for Foreign Affairs

Secretariat:
Sir Burke Trend
Mr. W. A. Nield
Mr. E. M. Rose
Mr. H. L. Lawrence-Wilson
Mr. D. Gruffydd Jones

SECRET
PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES

General
Reductions in Defence Expenditure Overseas
F-111
Visit of the Prime Minister of Singapore
The Cabinet resumed their discussion of the post-devaluation measures proposed by the Chancellor of the Exchequer in C (68) 5.

The Chancellor of the Exchequer, in response to a question about the relationship between his proposals for public expenditure and policy on taxation and on prices and incomes, said that his expenditure proposals assumed that the Government's incomes policy would be effective in preventing the increase in prices consequent upon devaluation from causing incomes to grow faster as a result of devaluation than they would otherwise have done. In so far as this assumption proved to be optimistic, it would be necessary to that extent to make greater use of taxation policy as a means of restraining the growth of demand. In response to further questions whether he was satisfied that the measures he was proposing in order to restrain public expenditure would, taken as a whole, prove sufficient to restore confidence in the stability of the economy, he said that the announcement of the measures before the publication of the Estimates should neutralise any adverse reactions to the latter and, while he would have liked to see a larger total reduction in public expenditure, the Cabinet's discussions had shown how difficult it would be to achieve this. He would of course be prepared to examine any further economies such as had been suggested, e.g., in respect of postponement of expenditure on decimalisation of the currency and of the expansion of Stansted Airport; but there was always a risk that such postponements might well lead to higher expenditure later. Perhaps the major points were that there was no absolute figure for reductions in public expenditure which would be just right and that the effect of the measures depended on their quality as well as on the total saving achieved. In other words, the measures must be such as would demonstrate that the Government were prepared to make changes in policy considerable enough to achieve their purpose; and in his view, the proposals before the Cabinet would do this. While, therefore, he would have preferred to make a larger total reduction in public expenditure programmes, he believed that his proposals, considering their nature as well as their scope, would prove adequate: he was accordingly prepared to face the somewhat larger budgetary problem which might result.

The Cabinet—

(1) Took note that the Chancellor of the Exchequer, in consultation with the Ministers concerned, would consider the further economies in public expenditure suggested in the discussion.

The Prime Minister recalled that at their meeting on 4th January the Cabinet had invited the Defence Secretary, if he so wished, to propose alternative economies with a view to securing defence savings no less than would be secured by cancelling the order for the F-111 aircraft. The Cabinet now had before them a memorandum by the Defence Secretary (see 68) 19. Before considering this memorandum the Cabinet might, however, wish to hear from the Foreign Secretary an account of his recent visit to Washington and
also to have a report from the Minister of State for Foreign Affairs on his tour of the Persian Gulf area.

The Foreign Secretary said that he had had a disturbing and distasteful discussion with the United States Secretary of State, Mr. Dean Rusk, in Washington on the previous day. He had also met the United States Secretary for Defense, Mr. McNamara, at lunch, and had had a telephone conversation with President Johnson. He had forcefully and faithfully presented to them the case for the Cabinet's decision to withdraw from the Far East and from the Persian Gulf by the end of the financial year 1970-71 and to cancel the order for F-111 aircraft. Mr. Rusk's reaction had been, as always, kindly and courteous. But he had not concealed that he was shocked and dismayed. He had used the phrase "For God's sake act like Britain". He clearly believed that we were opting out of our world responsibilities. He had said that it was the end of an era; and by that he had in particular implied that it was the end of the age of co-operation between the United States and ourselves. Confidence in us had been terribly shaken. An official of the State Department who had been present at his meeting with Mr. Rusk had asked what international role we thought we could play in future if we were planning to withdraw from the Far East and the Middle East and as he understood the Prime Minister to have implied in his recent conversation with the United States Under-Secretary, Mr. Katzenback, we planned to withdraw even from Europe if we did not secure 100 per cent offset for the foreign exchange costs of stationing our forces in Germany. We therefore faced a critical situation in our relations with the United States. What Mr. Rusk had called " the acrid aroma of a fait accompli " had hit them deeply and hard. The consequences of our decisions could be very grave; and their cost in the short run might be greater than the savings they were meant to achieve. It was possible that irreparable damage had already been done to our relations with the United States merely by communicating our decisions to them. But there was a chance that our change of policy would be grudgingly accepted by the United States if we (a) decided not to cancel the order for F-111 aircraft and (b) extended by a year, to 1972, the time limit for our withdrawal from the Far East and, consequently, from the Persian Gulf. On the first point it was only the possession of F-111 aircraft which would give credibility to the general capability which we claimed we should have available after our withdrawal from the Far East and Middle East for use in Europe and elsewhere in the world. On the second point there was no doubt that the United States Government were more concerned by our withdrawal from the Middle East than from the Far East. In the Far East they were hopeful of bringing the Viet-Nam war to a fairly early conclusion and thereafter of being able to exercise sufficient influence in the area from their island bases in the Pacific. They would therefore prefer us not to set any term for our withdrawal from the Middle East, let alone announce a date, and to postpone our withdrawal from the Far East until 1972. He had tried to explain to them that we could not stay in the Middle East after our withdrawal from the Far East; so long as we remained in the Persian Gulf, we could not make the savings that would result
from eliminating our carrier force. Although representatives of the Department of Defense had understood this, Mr. Rusk had not; nor had he understood that, once we had announced our withdrawal from the Middle East, we should probably not be able to stay there as long as we intended. The Foreign Secretary considered however that the arguments he had repeatedly deployed on these points would, on reflection, quickly become clear to the whole of the United States Administration; and he had made clear to them that the Cabinet’s decision was firm. But he had undertaken to report their views to his colleagues. In view of United States reaction he now recommended that we should postpone our withdrawal from the Far East by a year and then withdraw from the Far East and the Persian Gulf at the same time.

The Prime Minister said that the attitude of the United States Government was considerably affected by their fear of a swing to isolationism in America. This had been clear from his talk with Mr. Katzenbach. He had not implied to Mr. Katzenbach that we intended to withdraw from Germany. But he had made clear that arrangements whereby the United States pre-empted all Germany’s available foreign exchange to offset the stationing costs of their forces, leaving us to pay our own, would be unacceptable; and that in that event we might be forced to consider difficult policy decisions. But this did not affect the new principle in our defence policy, which was now to concentrate on Europe. He was not impressed by the American complaint that they had been faced with a fait accompli. The economic decisions announced by President Johnson on 1st January would add an additional £100 million to the burden on our balance of payments; but they had been taken without consulting or warning us. It was important to our future relations that both we and the United States should recognise, especially now that we were both seeking to eliminate our external deficits, that we must each look after our own interests. They might be able to damage us economically if they wished; but it should not be thought that we were not in a position to reply in kind by, for example, withdrawing our investments from the United States. Our common interests were frequently frustrated by the United States Administration’s regard for their public opinion. He recognised that they had their domestic difficulties; they should also recognise that we had ours.

The Minister of State for Foreign Affairs said that in the last week he had visited all the countries of the Persian Gulf. He had seen the Shah of Iran, King Faisal of Saudi Arabia, and the Rulers of the various Persian Gulf States, and had communicated to them the decision of the Cabinet to withdraw our forces from the Persian Gulf not later than the end of the financial year 1970–71. Reactions had ranged from the practical readiness of the Shah and King Faisal to work out alternative arrangements for preserving stability in the area after our withdrawal to downright panic on the part of the Rulers of some of the smaller States. Some Rulers had urged that we should not withdraw at all; and there had been some suggestion that some of the wealthy oil States might offer to pay part of our
defence costs. All the Rulers had agreed that any public announcement of the date of withdrawal would be dangerous for the future stability of the area in that it would enable subversive elements to plan more effectively to exploit the situation following our withdrawal. On the timing of our withdrawal there were three main arguments for spreading it over four rather than three years. First, three years was a short time in which to complete all the arrangements which would be necessary, including the abrogation of existing Treaties. Secondly, in Bahrain at least, more time was needed to build up local industry. Thirdly, three years was too short a period to enable the various States to settle the numerous territorial disputes between themselves. As a result of his visit he was convinced that it was essential to allow ourselves more time for withdrawal and that, although we should have a fixed date for withdrawal in mind, we should not announce it publicly.

In discussion the view was expressed that we could not afford to disregard the views of the United States Government. Defence and foreign policy decisions could not be taken in a vacuum. If we acted in a way likely to provoke United States hostility, we risked grave financial and economic consequences. The United States did not need to take hostile action, but merely to refuse their help. Our future position and influence in the world were at stake. The United States were determined to reduce their own defence expenditure; and it was likely that, as we withdrew into Europe, they would withdraw from it to some extent. This could significantly disturb the equilibrium within Western Europe and between Western and Eastern Europe which had prevailed for the last 20 years. If we withdrew from the Far East and retained a sophisticated and general defence capability in Europe, we could still exercise a possibly decisive influence. The date of our withdrawal from the Far East was a matter of judgment. An extra year might make all the difference between an orderly withdrawal and a precipitate and dangerous rout. It would be an additional advantage if this delay helped to avoid prejudice to our relations with the United States.

On the other hand it was argued that the time had come for a decisive break with our previous policies. We should no longer adopt policies merely because the United States wished us to adopt them and out of fear for the economic consequences if we did not do so. The friendship of the United States had been valuable to us, but we had often paid a heavy price for it. Both countries now faced balance of payments difficulties. The United States were dealing with theirs by a policy based mainly on self-interest. They could not complain if we did the same. We were making a basic change of policy, which was bound to be painful. We had already told our allies of our decisions; and the inevitable damage was therefore already done. If we now modified those decisions we risked getting the worst of both worlds. World-wide commitments were not an essential condition of United States co-operation. Our policy was now to concentrate on Europe; and there was no reason why our relations with the United States should not be at least as good as, for example, those between the United States and Germany.
In discussion of our withdrawal from the Persian Gulf it was pointed out that damage had already been done now that the local Rulers had been informed of our decisions; and an extra year would make no significant difference. The threat to our oil installations did not come solely from the possibility of subversive or nationalist uprisings but also from clashes between States, such as an attack by Iraq on Kuwait or by Iran on Bahrain. On the other hand it was argued that time was needed for Iran and Saudi Arabia to agree on arrangements to ensure stability after our withdrawal and for the other States in the area to acquiesce in them. Iran had already promised not to attack Bahrain, and on that basis Saudi Arabia might exercise similar restraint. In view of the size of our investment in the area we had a strong interest in ensuring an orderly withdrawal and in leaving stable arrangements behind us. We should allow ourselves an extra year to organise this. It was possible that in practice we might be able to leave earlier. But, if we announced an earlier date, there would be the maximum risk of disorder and of damage to our oil installations.

The Prime Minister, summing up this part of the discussion, said that, in the light of the Foreign Secretary's talks in Washington, of the visit of the Minister of State for Foreign Affairs to the Persian Gulf and of the Commonwealth Secretary's conversations with the Governments of Malaysia, Singapore, Australia and New Zealand, the Cabinet would wish to consider whether their decision to withdraw our forces from Malaysia and Singapore and from the Persian Gulf by the end of the financial year 1970-71 should stand. Although it would not in practice be possible to remain in the Persian Gulf after we had withdrawn from the Far East, rather different considerations applied in the former case and individual members of the Cabinet held different views on what our policy should be in the two areas. A separate decision should therefore be taken in each case. Before these decisions were taken, it would be right for the Commonwealth Secretary to be able to report on his visit to the Far East, during which he had undertaken to convey the views of the Governments concerned to his colleagues. Final decisions should therefore be deferred until a meeting of the Cabinet on Monday, 15th January, at which the Commonwealth Secretary would be present and he himself would also be able to report on his forthcoming discussions with the Prime Minister of Singapore, Mr. Lee Kuan Yew.

The Cabinet—

(2) Agreed to defer a final decision on the dates of our withdrawal from the Far East and the Persian Gulf on the basis proposed by the Prime Minister in his summing up of their discussion.

The Prime Minister said that, before continuing their discussion of the economies to be made in defence policy and expenditure, the Cabinet should know of the representations which the Chiefs of Staff had made to him, as they were constitutionally entitled to do, about
the difficulties which would confront them in implementing a decision to complete our withdrawals from the Far East and the Persian Gulf as rapidly as was now contemplated. They had in no way sought to challenge either the decisions themselves or the need for them; indeed, in pointing out certain difficulties involved in the timing of the withdrawal from the Persian Gulf, they had referred to their responsibility to see that the withdrawals were carried out in the best possible way. Their concern had been rather that, whereas under the previous policy announced in the 1967 Defence Review White Paper our withdrawal from the areas East of Suez by the mid-1970s would allow those withdrawals to take place concurrently with the consequential reductions in the size and the changes in the structure of the Armed Forces, the more rapid withdrawal by 31st March, 1971, now envisaged would make that concurrence impracticable. This was because the corresponding reductions in the size of the Armed Forces could not be effected by that date without enforced redundancies, which would not be in accordance with the terms of service of the members of the Forces. Unless, therefore, the completion of the reduction in the size of the Armed Forces could be postponed somewhat beyond the date set for completion of the withdrawals from areas East of Suez, they would be faced, especially having regard to the scope and nature of the reductions now envisaged, with serious problems in maintaining the morale and discipline of the Forces. By way of illustration of this point, the Chiefs of Staff had outlined a number of specific problems which they would encounter, including notably those arising from the decisions taken in 1966, and now again in 1968, to phase out aircraft carriers.

He was satisfied that the representations made by the Chiefs were legitimate and reasonable; and he invited the Secretary of State for Defence, who had been present at his discussion with them, to supplement the report he had just made in any respect he felt necessary.

The Secretary of State for Defence endorsed the Prime Minister's summary of the representations made by the Chiefs of Staff, adding that they themselves had been properly concerned that there should be no publicity about their representations to the Prime Minister. The Chiefs had been rightly anxious about the problems of morale and discipline which would arise if they were required to demobilise as many as 75,000 men over a period of some three years, instead of over the period of some eight years which had been provided for under the previous policy. Such a rate of rundown would inevitably involve compulsory redundancies, the effect of which would be reinforced by the fact that accelerated withdrawals and rundown now under discussion followed successive reviews of defence policy involving reductions in the size of the Armed Forces. There was clear evidence that these reductions had affected recruiting for all three Services; the recruiting figures for the previous month, December 1967, had been particularly bad and an unusually high proportion of non-commissioned officers were now seeking to leave the Royal Air Force. The Chiefs of Staff were therefore anxious
that the statement of policy to be made to Parliament in the following week should provide for a measure of flexibility in respect of the rate of rundown of the Armed Forces; and the Cabinet would appreciate that it would be wrong for him, as Secretary of State for Defence, to disregard the advice of the Chiefs of the Services on questions of morale and discipline, for which they were responsible. In his judgment it would be possible to reach the targets set for a rundown of the Services in four years but extremely difficult to do so in three. In particular, as regards the Persian Gulf, the problems of withdrawal would not be exacerbated if the terminal date for withdrawal was the same as that set for the withdrawal from the Far East: moreover, because of the rigidities imposed by the difficulties of rapid demobilisation, and because our forces stationed in the Gulf were in any event not large, an earlier withdrawal from that area would not produce any significant financial savings. These were issues of political, rather than financial, judgment; and in his view there would be advantage in not announcing that the withdrawal from the Gulf would be completed in 1971, though he considered that, if the Cabinet decided to complete the withdrawals from both the Middle and Far East in 1972, it would be right to announce that as the Government's decision.

The Cabinet then turned to consideration of the memorandum by the Secretary of State for Defence on defence cuts and the F-111 (C (68) 19).

The Defence Secretary said that at their meeting on 4th January the Cabinet had favoured cancellation of the F-111 but had left it open to him to put forward alternative economies. If the proposals that he now put forward were accepted, the result would be a saving in defence expenditure of some £3,500 million in the five years 1967–68 to 1972–73 by comparison with the plans of the previous Administration. In addition to the saving of £114 million in planned defence expenditure following the defence expenditure studies which would result from the cuts made immediately following devaluation, there would be savings of £100 million each in 1969–70 and 1970–71 and £150 million in each of the following two years. These very large reductions in the defence programme had to be viewed against the risks to morale that would flow from the large and very rapid rundown in the manpower of the Services that would be involved, particularly if the date for final withdrawal from the Far East and Middle East was 31st March, 1971. It might not in fact prove possible to disband our forces at a rate which would keep pace with our withdrawal and thus achieve by March 1971 the service manpower target previously set for 1975; a still lower total strength for the forces might subsequently prove possible, although this could not yet be quantified. He believed that the risks to service morale that were involved in this rundown were acceptable; but, at the same time, it was vital to this morale, to our security and to our influence in the world, that the resources that we were still prepared to devote to defence should be spent on the most cost-effective programme that we could devise. Reductions in commitments

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would enable certain types of capability to be eliminated, replaced or reduced to the lowest viable level; but the programme must continue to provide the types of capability necessary for the levels of warfare in which our forces might become involved. He had therefore put forward proposals for cuts in the defence programme on the basis that the F-111 was retained. Given the commitments that we now planned to maintain, we could phase out the carrier force and sea-based fixed-wing aircraft when we left the Far East and the Persian Gulf, though it might be cheaper to complete the refit of HMS Ark Royal which was already in hand and phase out HMS Eagle instead; it would not now be worthwhile to cancel the order for naval Phantom aircraft. There would be a general slowing down in the rate of naval construction, including a 50 per cent reduction in the building rate of fleet submarines. Now that we had spent or committed 95 per cent of the capital cost of our Polaris submarines, this programme, which would involve running costs of only about £20 million a year, should continue. The progress which France and China were making with the development and production of nuclear weapons, the unlikelihood that our abandonment of nuclear weapons would influence the attitude of other countries towards non-proliferation and the probability that nuclear weapons would in fact proliferate pointed strongly to our retaining our nuclear capability, although we should seek to reduce expenditure at the Atomic Weapons Research Establishment. We would not need to decide until about 1975 whether or not to develop a further generation of nuclear weapons.

As regards the Army, it would not be possible to eliminate any specific capability; but economies would result from manpower reductions which would involve the elimination of 28 major units in four years and a reduction of 13,000 in supporting arms. There would also be a large number of small reductions in the equipment programme. The RAF would retain the Harrier aircraft; and it would not now be economic to cancel any RAF Phantoms. We should, however, decide not to develop an alternative to the Anglo-French variable geometry aircraft (AFVG), since no collaborative project seemed likely. We should cancel the Martel air-to-ground guided weapon, phase out the Bloodhound surface-to-air guided weapon more quickly, and probably not proceed with the planned Airborne Early Warning (AEW) aircraft. We should also make large reductions in the planned maritime reconnaissance and transport aircraft forces by eliminating older types of aircraft. There would also be large economies in research and development expenditure (particularly on aero-space) and in the general support of the forces; some details of these would be given in the Defence White Paper.

These proposals were made on the basis that the problem was to find alternative economies in defence expenditure that would enable the F-111 to be retained and that its cancellation was not being pressed for symbolic or presentational reasons. The case for retaining the aircraft on economic grounds was strong in view of the benefits which offset arrangements would bring in both the short
and the long term. On military grounds, the aircraft had the full support of the four Chiefs of Staff, although the economies which might have to be made in order to retain it would fall on the programmes of all three Services. Without the protection which the F-111 would provide the lives of our servicemen would be at risk. Moreover, it was an essential component of our contribution to NATO, particularly in view of the cancellation of the AFVG and of the revised strategy which NATO had now adopted, largely at our instance, of increasing conventional air power in order to delay the point at which the use of nuclear weapons might begin. The F-111 was irreplaceable as regards its range, low-level performance and reconnaissance capability. If, however, we were to do without it but not fall to the level of Holland and Belgium in our air contribution to NATO the best, though very inferior, alternative would be to purchase 75 additional Phantoms, which would reduce to £115 million the saving that would be made by cancelling the F-111. It was for this reason that, in the proposals before the Cabinet, he had suggested that from the financial point of view it would be right to seek additional savings of this amount and retain the F-111. This could be done by cancelling Martel and finding the balance of the economies from among the cancellation of the AEW aircraft and the earlier elimination of Bloodhound, the Argosy and the V-Bombers. He would guarantee that, if necessary, further economies would be made in the period 1972–77 to save the full cost of the F-111. This underlined the degree of priority which he and the Chiefs of Staff attributed to the F-111.

In reply to certain specific questions about the F-111, the Defence Secretary said that there was no reason to think that the United States Administration would cancel the version of the F-111 that we had ordered although they might cancel the other two versions; that the sideways-looking radar and cameras for the aircraft already existed; that anti-ballistic missiles and other air defences did not seem likely to constitute an undue risk to low-level aircraft in the next decade; and that the need for Martel would not necessarily increase if the F-111 were cancelled. If the F-111 were to be used for interdiction attacks against airfields in Eastern Europe, this would not involve any special risk of counter-action by the Soviet Union with nuclear weapons; nor was there any reason to think that the aircraft would not be able to return to base.

The Chancellor of the Exchequer said that experience with the Polaris and Phantom programmes demonstrated clearly the risks that were involved in becoming committed to very large projects. If these escalated in cost, or if it became necessary to make reductions in the defence programme, the cancellation of such projects did not produce large savings once they were well under way. The cost of the F-111 had already risen from £300 million to £425 million; and it was likely that there would be further cost increases, particularly as the provision for running costs in the Estimates was very low but costs, especially for spare engines, were likely to rise if, as seemed likely, the United States cancelled two of
the three versions of the aircraft. He did not accept that offset sales under the F-111 had any great merit, unless it could be clearly shown that the aircraft was an essential military requirement within our new overseas policy; but on this count he did not consider that a convincing case had been made. The F-111 had been ordered primarily in relation to the East of Suez strategy; in relation to Europe our contribution to NATO, assuming that we retained Polaris, would remain adequate by comparison with those of other European countries, particularly as it was not at all clear that France and Germany would in practice sustain the defence programme to which they were currently working. There had not been adequate time to examine the savings that had been suggested as alternatives to cancelling the F-111; but, in any event, it was essential for both presentational and financial reasons that the cuts in the defence programme as a whole should contain a major equipment item and not consist of a series of minor cuts. For these reasons we should cancel F-111.

The Foreign Secretary said that, although the time might come when we could with advantage give up Polaris, this would now only save running costs of £20 million a year and its surrender would bring us no advantage in the political or non-proliferation field; we should therefore retain it. As regards the F-111, we had assured our friends and allies outside Europe that, although we were withdrawing from East of Suez, we would retain a general military capability which would be useable at our discretion in that area. The F-111 was the key to the credibility of these assurances. No alternative to the aircraft was now available in the timescale required; and, without it, it would be evident that we lacked a relevant general capability. As regards Europe, and our foreign policy generally, it was essential that we should have the kind of military capability that would enable us to take political initiatives and play a part in shaping affairs, particularly in Europe, in the 1970s. The F-111 was an essential component of such a capability, which other countries would have to take into account and which would therefore give us the degree of influence that we ought to have; without it we should be opting out of any role in Europe and in the world generally.

In discussion there was support for the view that we should retain the F-111. In relation to Commonwealth countries in the Far East the consultations in which the Commonwealth Secretary was currently engaged had shown the importance which these countries attached to the aircraft as an earnest of our intention to maintain a general capability that would be relevant to their defence. For the United States also, it was a touchstone for our intentions. Although the aircraft had originally been ordered primarily in relation to our role in the Far East, in the intervening period NATO strategy had changed in a way which made conventional strike aircraft of greater importance and we had in the meantime not proceeded with the AFVG of which we had planned to order 150 mainly for use in Europe. It was not possible to devise a
departmental programme, whether in the defence or in the civil field, which did not contain some large projects and long forward commitments; and the fact that the F-111 was of this type was not, therefore, a valid argument for cancelling it. Since so large a part of the cost of the F-111 programme was on a fixed price basis, the risk of cost escalation in continuing with it was less than would be involved if we were to proceed with the various projects that had been suggested as alternative cuts.

On the other hand it was argued that it was essential that the expenditure cuts should include the cancellation of the F-111 if they were to be acceptable as a whole and if it was to be made completely clear that we were making a major change of policy and abandoning our world-wide role. The capability provided by this aircraft was not essential for a role in Europe; and its retention would therefore be seen to conflict with our intention not to provide a special defence capability for use East of Suez. Our present economic difficulties were largely due to the growth in Government expenditure overseas. The cancellation of the F-111 would produce large savings in overseas expenditure; would release resources for the export drive and import-saving; and would also result in large budgetary savings. It was essential that there should be a major cut in the defence equipment programme which would balance the political effects of, for example, deferring the raising of the school-leaving age.

The Prime Minister, summing up this part of the discussion, said that the balance of opinion in the Cabinet was in favour of cancelling the F-111 and, in view of this and of other considerations, of retaining our nuclear capability. It was very important, however, that there should be no premature disclosure of this decision. It must be recognised that the cancellation of the F-111 would deprive our forces of a capability which the Chiefs of Staff regarded as of very high priority and that a full reappraisal of our defence programme, which would take some time, would be necessary in the light of this decision. A passage for the statement on the expenditure cuts should be drafted with this in mind. It should leave open for later decision the question whether we should retain a capability to develop and produce advanced combat aircraft.

The Cabinet—

(3) Confirmed their decision to cancel the order for the F-111 aircraft.

(4) Invited the Chancellor of the Exchequer, in consultation with the Foreign, Defence and Commonwealth Secretaries to consider the terms of a passage covering defence and overseas policy for the statement on the expenditure cuts to be made to the House of Commons on 16th January.

(5) Invited the Defence Secretary to consider the implications for the defence programme of the decision to cancel the F-111.
The First Secretary of State said that the Cabinet had not yet been able to discuss the recommendations in his memorandum C (68) 15 about the line to be taken in the discussions starting on the following Sunday, 14th January, with the Prime Minister of Singapore, Mr. Lee Kuan Yew. The Cabinet might therefore now wish to consider, before adjourning their discussion until the following Monday, 15th January, at what stage in the talks with Mr. Lee it would be right to broach with him the question of additional aid in mitigation of the effects on Singapore of the Cabinet's decision to accelerate our withdrawal from the Far East. In his view the right procedure would be to devote the initial discussions with Mr. Lee on Sunday, 14th January, to hearing his representations and to presenting the considerations underlying the Cabinet's decision, without raising the question of additional aid. Even if Mr. Lee did so, it would not be advisable to mention any figures until the later discussions with Mr. Lee the following Monday, when the Cabinet would have had time to hear a report from the Commonwealth Secretary on his visit to the Far East and to consider his own memorandum C (68) 15 on the line to be taken with Mr. Lee.

In discussion there was general agreement with the procedure proposed by the First Secretary. This would not only be right, both procedurally and tactically; it would also help to make it clear that the Cabinet did not regard their conclusions on withdrawal as definitive and that decisions would not be taken until after they had heard the Commonwealth Secretary's report. Meantime, since Mr. Lee would no doubt seek to make informal contact with a number of Ministers individually, it would be necessary in such contacts to avoid any anticipation of the formal discussions he would be having with the Prime Minister; and, in so far as such contacts were unavoidable after the formal discussions had started, Ministers should speak strictly in accordance with the sense of the Cabinet's discussions.

The Prime Minister, summing up this part of the discussion, said that it was generally agreed that it would be right to proceed with Mr. Lee on the lines proposed by the First Secretary. The Cabinet had already decided to take final decisions on withdrawal at the conclusion of their discussion of the Commonwealth Secretary's report on Monday, 15th January; and they were now agreed that they should consider the recommendations in the First Secretary's memorandum concerning additional aid to Singapore at the same meeting, which would take place before the final discussion with Mr. Lee. They were also agreed that it would be best if Ministers could avoid seeing Mr. Lee before the initial meetings with him on Sunday, 14th January; and that in any meetings with him thereafter, they should speak in accordance with the collective view of the Cabinet. The next meeting of the Cabinet would take place on Monday, 15th January, at 10 a.m.; and its first business would be to take final decisions on the matters to which he had just referred. Now that the Cabinet were approaching final decisions on a wide range of important matters of policy affecting future public
expenditure, it was more than ever essential to preserve the confidential nature of the Cabinet's proceedings on all these matters, particularly on the visit of Mr. Lee and the representations made by the Chiefs of Staff.

The Cabinet—
(6) Took note, with approval, of the Prime Minister's summing up of their discussion.

_Cabinet Office, S.W.1._
_13th January, 1968._
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 15th January, 1968, at 10.00 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M P, Secretary of State for Education and Science
The Right Hon. GEORGE THOMPSON, M P, Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. BARBARA CASTLE, M P, Minister of Transport
The Right Hon. RICHARD MARSH, M P, Minister of Power
The Right Hon. MICHAEL STEWART, M P, First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M P, Lord President of the Council
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY CROSSLAND, M P, President of the Board of Trade
The Right Hon. FRED PEART, M P, Secretary of State for Economic Affairs
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. CLEDWIN HUGHES, M P, Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology

The following were also present:
The Right Hon. REGINALD PRENTICE, M P, Minister of Overseas Development
The Right Hon. EDWARD SHORT, M P, Postmaster General
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury
The Right Hon. KENNETH ROBINSON, M P, Minister of Health
The Right Hon. ROBERT MELLISH, M P, Minister of Public Building and Works
The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
MR. W. A. NIELD
MISS J. J. NUNN
MR. E. M. ROSE
MR. H. L. LAWRENCE-WILSON
MR. K. BARNES
MR. R. L. L. FACER
Subject

PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES

Defence
F-III
Foreign exchange costs of British Forces in Germany
Health and Welfare
Northern Ireland
Oversea Aid Expenditure
Other Military Defence
Civil Service Manpower
Local Authority Manpower
Implications for the Construction Industry
Procedure
The Cabinet resumed their consideration of the post-devaluation measures as proposed by the Chancellor of the Exchequer in C (68) 5.

The Prime Minister recalled that the Cabinet had agreed, during their discussions on the preceding Friday, 12th January, that at the present meeting they should first hear a report by the Commonwealth Secretary on the visits to Malaysia, Singapore, Australia and New Zealand, from which he had just returned, and then proceed to a final decision on the timing of the withdrawal of our forces from the Middle East and the Far East. Before doing so, however, the Cabinet would wish to take into account two messages which he had received during the week-end from the President of the United States, the text of which would now be made available to the Cabinet. He proposed that the Cabinet should then consider the memoranda, discussion of which had not been completed at their previous meetings, and those which had since been circulated (C (68) 8, 9, 16, 18 and 20), and also certain oral reports requested in their previous discussion, concerning local authority roads, local health and welfare services, and public expenditure in Northern Ireland. The Cabinet might then resume their discussion on the balance of the package of measures considered as a whole. At 3.30 p.m the Cabinet might meet again to consider the draft of the statement he would be making to the House of Commons on the following day, copies of which were now being circulated to Departments.

The Cabinet were in general agreement with the procedure proposed by the Prime Minister. Their attention was drawn to a letter dated 11th January from the Governor of the Bank of England to the Joint Permanent Secretary of the Treasury, dealing with certain financial considerations arising out of the proposed acceleration of the withdrawal of our forces from the Middle and Far East, which Ministers might wish to take into account in their discussion on this subject.

The Cabinet considered a memorandum C (68) 23 by the Commonwealth Secretary on his discussions on defence cuts with the Governments of Australia, New Zealand, Malaysia and Singapore.

The Commonwealth Secretary said that, during his recent visit to the Far East, he had informed the Governments of Malaysia, Singapore, Australia and New Zealand of our decision to complete the withdrawal of our forces from Singapore and Malaysia by 31st March, 1971, and to maintain no special military capability thereafter for use in the Far East, although our general capability would be available for use there if circumstance in our own judgment demanded it. He had informed these Governments that final decisions would not be taken until he had been able to represent their views to the Cabinet; anything less would have had disastrous consequences for our relations with them, and for our large interests in the Far East. All four Governments had reacted strongly against...
our plans. They felt that we were letting them down. They considered that the timetable that we had set for the withdrawal was too short to enable alternative defence arrangements to be made and thus to sustain confidence in the political stability and economic development of the area. They did not consider that our general capability to come to their assistance would be credible in the circumstances. The Government of Malaysia had stressed that they would not have entered into responsibilities for East Malaysia but for our undertaking in the Anglo-Malaysian Defence Agreement. The Government of Singapore had since last July been basing their economic and defence planning on the assumption that our withdrawal would not take place before 1973. They had reacted constructively in their attempt to adjust their economy to the circumstances of our proposed withdrawal; and they considered that we were now destroying the foundations of their plans. In Australia, emphasis had been placed on the fact that this was the third time our plans for the Far East had changed recently and imposed on them changes in their own defence planning. In all four countries great importance had been attached to the need for our general defence capability to be credible in relation to the Far East; and the Governments of Australia and Singapore in particular had stressed the importance in this connection of our having the F-111 aircraft.

In the light of his consultations, he urged strongly that we should reconsider the date of our final withdrawal from the Far East. A longer delay might be crucial for peace and stability in the area and for our continued friendly relationship with the Commonwealth countries concerned. Mr. Lee Kuan Yew, the Prime Minister of Singapore, was unwilling to accept any date for our withdrawal earlier than 1973 but, if we could fix the date at 31st March, 1972, this would be of great value in enabling economic and defence planning in the area to proceed with some prospect of success. It would cost us very little to delay our withdrawal by a year and, by showing willingness to take some practical account of the representations that had been made to us, we should reduce the risk that the countries concerned would take the retaliatory action against us which was within their power. Without some concession on our part this risk was real. As regards our defence capability, it was clear that both to the Commonwealth countries in the Far East and to the United States, the F-111 was of critical importance.

The Prime Minister said that, on the previous day, he and the other Ministers primarily concerned had had discussions with Mr. Lee Kuan Yew about our intended acceleration of our withdrawal from Singapore and Malaysia. Mr. Lee had been in a very excitable state; he had not shown any strong feeling about whether we chose 1971 rather than 1972 for our withdrawal although if a choice had to be made he would clearly prefer the later date. His main concern had been that we should not withdraw from the Far East before 1973 and that thereafter we should maintain forces in Singapore to provide air cover and some naval vessels in the area. He also wished to obtain air defence missiles and Hunter aircraft.
from us and assistance in building up a command structure. Singapore was at present enjoying an economic boom as a result of the investment of capital from Japan and of a flight of capital there from Hong Kong where there were increasing doubts about the future of the Colony. If the security of Singapore were put in doubt, as Mr. Lee believed it would be if we were to withdraw by 31st March, 1971, confidence would disappear and with it the present good economic prospects. He did not fear internal disorders so much as an attack from outside. He saw the threat as coming not from China or Malaysia but from Indonesia which might be tempted to attack Singapore in order to divert attention from its own serious internal economic situation.

The Prime Minister, continuing, said that at the end of the meeting with Mr. Lee he had summed up the discussion. He had said that he and his colleagues had heard from Mr. Lee, in the strongest terms, his reasons for believing that the acceleration of the British withdrawal from Singapore to a terminal date earlier than 1973 created very grave problems for both Singapore and the region as a whole. The British Government took full account of these arguments. At the same time, he and his colleagues had made clear to Mr. Lee that a substantial speed-up of our withdrawal was essential. The prevailing view in the Cabinet favoured March 1971, but this was not yet definite. On Monday and Tuesday, 15th and 16th January, the Government would be considering their final decision in the light of Mr. Lee's remarks and the report by the Commonwealth Secretary on his visit to the Commonwealth countries concerned, the Foreign Secretary having already reported on his discussion with the United States Government. The British Government accepted the need to maintain confidence in Singapore which depended on the question of security. For this reason we were willing to discuss with Mr. Lee and his colleagues as a matter of urgency, during their stay in the United Kingdom, what we could do to help to develop Singapore's defence capability. We laid emphasis on our view that there could be no permanent security for the region outside the framework of a wider regional defence arrangement with the other Commonwealth countries concerned. We recognised that the Government of Singapore must decide for themselves what was necessary for their own security. When Singapore had taken this decision, the British Government would do all in their power to enable Singapore to maintain their security on the basis that they had chosen. It would, in our view, be inadvisable to take hasty decisions on the purchase of military equipment before full consultation with us. Whatever advice the British Government might eventually give, they hoped that the Government of Singapore would take account of it and would work out with the British Government the best arrangements that could be made in the light of their decision, so as to mitigate the dangers which might arise for both Governments.

The Prime Minister said that the message from President Johnson indicated that, while the United States Government
recognised that the decision on the questions at issue was one which the United Kingdom Government alone could make, they felt bound to emphasise that the announcement of our earlier withdrawal from the Far East and from the Persian Gulf would create serious problems for the United States Government and for the security of the entire free world; and that, if we decided to cancel the F-111 aircraft, this would be regarded both as a British disengagement from commitments to the security of Europe and areas outside Europe and as a strong indication of British isolation which would be fatal to the chances of Anglo-American co-operation in defence procurement. Moreover, it would involve not only the appreciable financial penalties of cancellation charges but also the loss of present offset arrangements; and it would almost inescapably lead to complete cancellation of recent awards of military contracts to British firms.

In discussion it was argued that, taken together, the report of the Commonwealth Secretary on his consultations in the Far East, the representations made by Mr. Lee, the messages which the Prime Minister had received from President Johnson and the fears that had been expressed by the Governor of the Bank of England about the extent of the risks to sterling from possible retaliatory action against us by the countries concerned all pointed strongly in the direction of postponing the terminal date of our proposed withdrawal from Singapore and Malaysia by a year to 31st March, 1972. To do so would cost only about £10 million, with at least some offsetting savings in the amount of economic aid that we should need to give to Singapore and Malaysia, and would be well worth while in order to reduce the risks of our interests. These risks were considerable, particularly if we did not make any concession in response to the strong representations that had been made to us. We could not afford to ignore the strongly expressed views of the United States, on whose goodwill we still depended in so many fields. Although retaliatory action against us by countries in the Far East might injure those countries as well as ourselves, it would be wrong, in the mood engendered by our decisions and the difficulties they faced, to assume that all the Governments concerned would act in a wholly rational fashion. Withdrawal from the Far East even by 31st March, 1972 would still constitute a major change of policy; its credibility would not be enhanced by advancing the date by a year in face of all official and political advice to the contrary; this would look like panic. It was of the utmost importance to our continuing interests in the area that we should seek to obtain at least the reluctant acquiescence of the countries concerned in our date of withdrawal from the Far East, and there was a much better prospect of this if the date was fixed at 31st March, 1972.

On the other hand it was argued that the information now before the Cabinet did not materially alter the situation as it had been when the balance of view was that the date for final withdrawal from Singapore and Malaysia should be 31st March, 1971. As regards the United States, past experience had shown that, although her initial reaction to our policy changes might be sharp, she was unlikely to take retaliatory action against us in view of the common
interests she had with us and our ability to damage her; in any event she was more deeply concerned about the Persian Gulf than about the Far East. It was right and natural for Mr. Lee to say that each hour, month or year by which our withdrawal could be delayed, would be helpful to him; but Singapore was in a much stronger balance of payments situation than this country and had diversified her foreign exchange holdings without consulting us. Any grants of economic aid would need to be tied in with arrangements about the withdrawal of sterling balances by Singapore and Malaysia. The possibility that Singapore might diversify the balance of her foreign exchange holdings out of sterling was a lesser threat to sterling than we should face if the expenditure cuts as a whole failed to carry credibility particularly with countries and international companies which held working balances in sterling. For this purpose an early withdrawal of our forces from the Far East, and the clear change of policy which this would demonstrate, was an essential element of the expenditure cuts. The Governor of the Bank of England had specifically said that his comments on the risks to our balance of payments from retaliatory action by countries in the Far East did not mean that he was questioning 31st March, 1971 as the terminal date for the withdrawal of our forces from Singapore and Malaysia. We should therefore decide to withdraw finally from Singapore and Malaysia by 31st March, 1971.

In further discussion it was argued that, although a decision in favour of delaying our final withdrawal until 31st March, 1972 would lose us the presentational and catalytic advantages that would flow from adopting a date a year earlier, this would not be so if we were to decide that our withdrawal should be completed by the end of the calendar year 1971. A decision in this sense would moreover have the advantage of demonstrating that there had been substance in our undertaking to take account of the views of our friends and allies during the recent consultations which the Foreign and Commonwealth Secretaries had had. If we were to adopt this date it should apply also to the Persian Gulf.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were agreed that we should decide that our withdrawal from Singapore and Malaysia and from the Persian Gulf should be completed by the end of the calendar year 1971 and that these decisions should be announced in the forthcoming statement on the expenditure cuts.

The Cabinet—

(1) Agreed that the withdrawal of our forces from Singapore and Malaysia and from the Persian Gulf should be completed by the end of the calendar year 1971.

The Defence Secretary said that, although the Cabinet had decided at their previous meeting that we should cancel our order for F-111, he thought it right to draw the attention of his colleagues to the fact that the very serious risks which this decision involved
had been reinforced by the report of the Commonwealth Secretary on his visit to Commonwealth countries in the Far East and by the messages which the Prime Minister had received from the President of the United States. From the industrial viewpoint the Handley Page company had informed him that one consequence of the cancellation would be the loss of orders worth $95 million in the next five years on sales of their Jetstream aircraft. Although he was not seeking to reverse the decision which had been taken he suggested that the Cabinet might wish to consider reducing the order for F-111 aircraft to the minimum viable number; this would involve purchasing 35 aircraft. We would save £90 million over the next 10 years and retain the whole of the F-111 offset orders apart from the $100 million worth which he had arranged recently.

In discussion it was argued that, in view of the new information which the Cabinet had been given on the F-111 situation, it would be right to consider the matter further. It was clear that the Governments of the United States and Australia in particular attached the very greatest importance to our having this aircraft and there were doubts whether the industrial capacity which would be freed by the loss of offset orders would in fact be taken up with more worth-while alternative production for our balance of payments. On the other hand it was argued that all aspects of the F-111 problem had been very fully explored before the decision to cancel the order for the aircraft was taken and that, if at this late stage this or any other major element in the package of expenditure cuts was thrown open for reconsideration, it would be impossible to reach decisions on the cuts as a whole in time for announcement on 16th January.

The Cabinet—

(2) Agreed that the decision to cancel our order for the F-111 should not be reviewed.

The Cabinet considered a memorandum by the Minister of State for Foreign Affairs (C (68) 16) on the foreign exchange costs of British forces in Germany.

The Foreign Secretary said that the Defence and Oversea Policy Committee had agreed on 20th July, 1967 that we should explore a new approach to the problem of offsetting the foreign exchange costs of British forces in Germany by negotiating a long-term agreement with the Federal German Republic for collaboration on military research, development and production. The Germans had welcomed the idea, but the Federal German Chancellor, Dr. Kiesinger, at his talks in London in October had explained that owing to problems with their defence budget the Germans would not be ready for negotiations until early in 1968. Subsequent discussions had shown that there was no prospect that a long-term collaborative agreement with the Germans could bring offset benefits in 1968-69, since the Germans had delayed decisions about joining in projects such as the Anglo-French Jaguar aircraft. Nevertheless, the idea still held out the best prospect of enabling us to dispense in the long run with offset agreements on traditional lines and the recurring friction caused by difficult annual negotiations.
However, a transitional agreement would be required in 1968-69 to offset our foreign exchange costs which, after devaluation, would be about £90 million. Likely offset from German sources next year would meet only about 45 per cent of this as against 60 per cent in the current year. Until we knew more of United States intentions we could not say whether multilateral discussions would be to our advantage. United States pressure to neutralise their foreign exchange costs, coupled with their measures to defend the dollar, were likely to restrict our room for manoeuvre. The negotiations would be difficult. The German attitude in the period following the French veto on our negotiations for membership of the European Economic Community had not been encouraging but the Federal Government might be more helpful on the offset problem. We should therefore start negotiations at the beginning of February to obtain German agreement to the principle of a long-term collaborative agreement on research, development and production in the defence and possibly also in the civil field, and to press the Germans to find means of closing the gap between the offset we hoped to get on the lines of the current agreement and our foreign exchange costs; this might include some form of medium, or preferably long-term, borrowing from the Germans, or German agreement to devote a further sum to facilitate major civil export sales, for instance of aircraft. An announcement of our intention to begin negotiations should be included in the Prime Minister’s statement to Parliament on public expenditure on 16th January.

In discussion there was general agreement with the proposals in C (68) 16. Negotiations with the Germans should be at Ministerial level from the start; but no Minister should be named in the statement to be made by the Prime Minister. In answer to questions in Parliament Ministers should express the firm resolve of the Government to obtain offset, but at the same time should avoid a commitment to obtain 100 per cent offset of all our foreign exchange costs. It would be better to stand on the reference in the Supplementary Statement on Defence Policy of 18th July, 1967 (Cmnd. 3357) that “it remains essential to our balance of payments to find satisfactory arrangements to meet these costs in future, either by offset purchases or by other means ” rather than to revert to the wording of earlier statements which had referred to the possibility of withdrawals of troops if our costs were not met in full. We should at this time be particularly careful to avoid creating difficulties with our European allies. The process of accelerating the withdrawal of British forces from other parts of the world and concentrating our defence effort in Europe pointed towards a new approach to the offset problem.

The Cabinet—

(3) Approved the proposals in C (68) 16, subject to the amendment proposed in discussion to the form of words to be used in the Prime Minister’s statement on 16th January.
The Minister of Health said that he was in correspondence with the Chancellor of the Exchequer about reductions in expenditure on local health and welfare, and hoped that proposals which he had put forward would be accepted.

The Cabinet—

(4) Took note of the statement by the Minister of Health.

The Chief Secretary, Treasury, said that he had had discussions with the Minister of Finance for Northern Ireland, Mr. Kirk, and Sir Cecil Bateman, the Head of the Northern Ireland Civil Service. Mr. Kirk had made it clear that, in so far as cuts in expenditure in Northern Ireland did not follow automatically from decisions taken at Westminster, the Northern Ireland Government would be disposed to follow the lead given from here. This would result in similar measures in respect of prescription charges, the school-leaving age, social security cash benefits and family allowances. They would seek to make economies in the roads programme, although Mr. Kirk had remarked that this would be difficult in rural areas where there was high unemployment, and to secure economies in the use of manpower both in central and local government. These steps would result in a total saving of some £5 million. He proposed to hold further discussions with Mr. Kirk later in the week with a view to settling the details flowing from the main decisions.

The Cabinet—

(5) Took note that a saving of £5 million could be looked for in Northern Ireland expenditure.

(6) Invited the Chief Secretary, Treasury, to prepare a form of words to be used in the Prime Minister's statement in Parliament on 16th January.

The Chief Secretary, Treasury, said that the reason for the increase in the forecast of Government oversea expenditure given in paragraph 45 of C (68) 5 was that £245 million had been allowed for oversea aid in 1968-69 and 1969-70 as against £205 million in 1967-68. The other components of the total figures remained constant. The additional aid was for food aid under the Kennedy Round, an increased subscription to the International Development Association and provision for mitigatory aid to Singapore and Malaysia, which had not yet been negotiated.

The Prime Minister said that the Cabinet accepted the report by the Chief Secretary, Treasury: there should be no reference to oversea aid in his statement to the House of Commons on public expenditure.

The Cabinet—

(7) Took note with approval of the statements by the Prime Minister and the Chief Secretary, Treasury.
The Defence Secretary said that the largest item in the table of expenditure on other military defence given in paragraph 61 of C (68) 5 was the purchase of United States military aircraft under loan financing. Interest and repayment of principal fell within the defence budget; the remainder was shown under this heading for accounting purposes to indicate the total consumption of resources however financed. This figure would of course be considerably affected by decisions on the purchase of United States aircraft. Of the remaining items, £25 million represented civil superannuation payments; the balance was provision for headquarters accommodation, Stationery Office supplies and miscellaneous small items, on which he hoped to make savings.

The Cabinet—
(8) Took note of the statement by the Defence Secretary.

The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (68) 9) on the numbers of non-industrial Civil Servants.

The Chancellor of the Exchequer said that the total number of non-industrial Civil Service staff had risen from 453,000 at 1st April, 1967 to 468,000 at 1st January, 1968, and would rise to 474,000 by 1st April, 1968. Before account was taken of the policy changes agreed by the Cabinet in the present review, it was estimated that the staff total would increase to 481,000 by 1st April, 1969. There was considerable public criticism of the growth of the Civil Service, and it was essential that some reference to this should be made in the forthcoming debate in Parliament. He proposed that the Government should announce their intention to hold total numbers until the end of the financial year 1968–69 at the level of 474,000 planned for 1st April, 1968. His memorandum indicated staff economies which could be made as a result of policy decisions in the present review; further staff savings, which had been discussed with Departments but not yet agreed with them, which could be achieved by a slowing down or by acceptance of a lower standard of service; and the scope for making further economies by changes in employment policy. By these means it should be practicable to limit staff numbers as he proposed, though this would call for the utmost restraint by Departments in their future manpower demands.

In discussion there was general agreement with the proposal by the Chancellor of the Exchequer. An announcement on this matter should be included in the Prime Minister's statement in Parliament on the following day. While this should avoid committing the Government to keeping staff numbers within a precise figure, since this might provoke unnecessary criticism if in the event that figure were exceeded by a small margin, the statement should announce that the Government were adopting as a firm target the freezing of the total of non-industrial Civil Service staff during the financial year 1968–69. The Chancellor of the Exchequer would arrange for the Treasury to discuss manpower savings with each
Local Authority Manpower

While it might be possible to allow Departments some freedom, within their assigned total, to balance staff reductions in one area with increases in another, it could not be assumed that this would be permissible in all cases since absolute savings would be required from some Departments if the target for the Civil Service as a whole was to be achieved.

In further discussion there was general agreement that the passage in the Prime Minister's statement on Civil Service manpower should go on to announce that the rebuilding of Government offices in Whitehall would be deferred until the end of 1969-70 or 1970-71, though discussions on planning and possibly some work on site clearance would go ahead.

The Cabinet—

(9) Agreed that the Government should announce as a firm target that they intended to prevent any increase in the total number of non-industrial Civil Servants during the financial year 1968-69, and invited the Chancellor of the Exchequer to supply a passage to this effect for inclusion in the Prime Minister's statement in Parliament on 16th January.

(10) Invited the Minister of Public Building and Works to supply a passage for the Prime Minister's statement announcing the deferment of the rebuilding of Government offices in Whitehall on the lines indicated in discussion.

The Cabinet considered a memorandum (C (68) 8) by the First Secretary of State about local authority manpower.

The First Secretary of State said that he had discussed with the Ministers concerned the possibility of restricting the growth of local authority manpower in 1968-69. They had concluded that, since local authority manpower was not directly under the control of the central government, the only means of procuring economies in this field was through the limitation of the rate support grant. In view of the decision which had now been taken by the Cabinet on this subject, Ministers should point out to local authorities, in the course of the consultation which would take place after the Prime Minister's statement, that decisions taken now could procure savings in expenditure on staff at the time when the limitation on the amount of local expenditure accepted as eligible for rate support grant would take effect. To a considerable extent, however, the numbers of staff employed by local authorities reflected policies determined centrally, and the Ministers concerned had agreed that the Home Affairs Committee should be asked to examine the possibility of postponing the appointed days in any legislation now pending which would make increased demands on local authority staff.

The Cabinet—

(11) Invited the First Secretary of State, in consultation with the Secretary of State for Scotland, the Minister of Housing and Local Government and the Secretary of
State for Wales, to prepare a form of words on economics in local authority manpower for inclusion in the Prime Minister's statement.

The Cabinet considered a memorandum by the Secretary of State for Economic Affairs and the Minister of Public Building and Works (C (68) 20) on the implications for the construction industry of the total programme of public expenditure savings proposed by the Chancellor of the Exchequer.

The Secretary of State for Economic Affairs said that it was estimated that the total effect of the proposed reductions in public expenditure would be that the output of the construction industry, which had been expected to increase by 5.3 per cent and 5.5 per cent in 1968 and 1969 respectively, would now increase by only 3.2 per cent and 3.1 per cent in those years. Over recent years the industry had achieved an improvement in output per worker of some 4 per cent per annum. The prospect was therefore that output over the next two years would increase at a rate lower than that which could be achieved with the industry's present manpower and resources. This would be a substantial change and a considerable redeployment of manpower to other industries could be expected. It was difficult to estimate the timing of the effects on the industry, but substantial unemployment could develop in the winter of 1968-69. The effects might be particularly severe in some regions, though there had not been time to make estimates of this. It was therefore important that the Government should keep under review the employment prospects in the industry since, if it was later decided that some extra work should be brought forward to keep unemployment down to an acceptable level, particularly in the development areas, the preparations could not be left till the last moment.

The Minister of Public Building and Works said it had been suggested in the Cabinet's earlier discussion that the recovery in industrial building might take up any slack which developed in the construction industry. It was, however, estimated that there would be no increase in 1968-69 in building for private industry, though there should be an increase of some 10 per cent in the following year. It was desirable that some reference to the implications for the construction industry of the cuts in public expenditure should be made in the forthcoming debate in Parliament. In order to forestall gloomy pronouncements by spokesmen for the industry, it should be emphasised that an expansion in the industry's output of some 3 per cent was still expected in 1968 despite the cuts, and that planning and design work should continue so as to facilitate a further increase in output as soon as circumstances permitted.

In discussion it was argued that the demands on the construction industry for new industrial building in the private sector could be expected to increase more sharply than had been suggested, if due allowance were made for the expected recovery in exports and for the effects of the Government's regional policies. Nevertheless, the
continued expansion of the construction industry had been an
important factor in maintaining employment in the development
areas; the public sector accounted for a high proportion of
construction work in these areas and the cuts could have serious
effects there in the winter of 1968–69. It was therefore important
that contingency plans for the commissioning of new work during
next winter should be prepared in good time so that full regard
could be paid to regional and economic priorities in drawing up a
programme.

There was a general agreement that a reference to the
implications for the construction industry on the lines proposed by
the Minister of Public Building and Works should be included in
the speech by the Chancellor of the Exchequer during the
forthcoming debate in Parliament, or in a speech by some other
Minister during the debate if the Chancellor of the Exchequer
judged that to be more appropriate.

The Cabinet—

(12) Invited the Minister of Public Building and Works to
supply to the Chancellor of the Exchequer a passage on
the implications for the construction industry of the
reductions in public expenditure, on the lines proposed
in discussion, for inclusion in a Ministerial speech during
the forthcoming debate in Parliament.

(13) Invited the Secretary of State for Economic Affairs, in
consultation with the Ministers concerned, including the
Secretary of State for Scotland and the Secretary of State
for Wales, to arrange for contingency plans for new
construction work to be prepared in time for use during
the winter of 1968–69 if the employment situation should
require this.

Procedure

The Prime Minister said that the Cabinet should meet again at
3.30 that afternoon to take up their discussion of the overall balance
of the package of measures on which they had now decided, and to
consider the text of the draft statement which had now been
circulated to Departments. In these discussions the Cabinet would
also consider two tables setting out the financial effect of the
reductions in public expenditure programmes now envisaged,
copies of which would be made available to Ministers at once.

Cabinet Office, S.W.1,
16th January, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 15th January, 1968, at 3.30 p.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M P, Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M P, Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. BARBARA CASTLE, M P, Minister of Transport
The Right Hon. RICHARD MARSH, M P, Minister of Power
The Right Hon. MICHAEL STEWART, M P, First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M P, Lord President of the Council
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M P, President of the Board of Trade
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. FRED PEARL, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. CLEDWYN HUGHES, M P, Secretary of State for Wales
The Right Hon. ANTHONY WELDWOOD BENN, M P, Minister of Technology
The following were also present:
The Right Hon. REGINALD PRENTICE, M P, Minister of Overseas Development
The Right Hon. JUDITH HART, M P, Minister of Social Security
The Right Hon. ROBERT MELLISH, M P, Minister of Public Building and Works
The Right Hon. KENNETH ROBINSON, M P, Minister of Health
The Right Hon. EDWARD SHORT, M P, Postmaster-General
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury
The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

SECRET
SECRET

Secretariat:
Sir Burke Trend
Mr. W. A. Nield
Miss J. J. Nunn
Mr. E. M. Rose
Mr. K. Barnes
Mr. P. E. Thornton

Subject

PUBLIC EXPENDITURE: POST-DEVALUATION MEASURES
Balance of the Measures as a Whole
Draft Parliamentary Statement
The Cabinet resumed their discussion of the general adequacy and balance of the measures to reduce public expenditure proposed by the Chancellor of the Exchequer in C (68) 5.

Some doubts were expressed about the strength of the case for reductions of the order proposed. Could there be any assurance that to proceed once again by means of a drastic reduction in demand would in fact remedy our balance of payments difficulties? No concrete evidence had been produced to demonstrate that if we achieved a reduction on the scale proposed the resources which would be freed would in fact be redeployed into export and import saving. It was not clear how this would happen and how the different sectors of industry would be affected.

On the other hand it was argued that the cuts taken as a whole were not adequate to the situation. The proposals had suffered from the attempt to devise a set of measures which would be acceptable to different sections of opinion, instead of judging the issues on strictly economic criteria. There would be little in the package of measures which would affect the consumer, and few decisions which would be unpopular except in the political arena. The measures would therefore not bring home to the public the gravity of the present economic situation, particularly since their announcement would be followed shortly by publication of Estimates which would show a substantial increase in public expenditure for 1968-69. If in addition to this increase, earnings levels were to rise by something in excess of 6 per cent, it was doubtful if the cuts would be sufficient to contain inflationary pressures, let alone to ensure the necessary transfer of resources into exports and import saving. Some two-thirds of the necessary reduction in demand would be left to be secured by increases in taxation, which it would be difficult to introduce without adverse effects on the prices and incomes policy and on incentives.

There was, however, support for the view that the aggregate reduction proposed was of the right order of size and was adequate to meet the need. There could be no escape from the need to effect a reduction in consumption, both public and private. While it was true that a reduction in demand had not in the past sufficed to correct the balance of payments deficit, this was because there had never been a sufficient incentive for industry to move into exports; devaluation would provide this. The measures should therefore give us a real opportunity to escape from balance of payments constraint, though they would still need to be supplemented by a continuance of all the Government's existing policies to increase industrial efficiency and secure a better regional balance in the economy. It was possible to argue that the true balance of payments deficit at the present time was substantially less than the annual rate of £800 million which the out-turn for the second half of 1967 would imply, but on any calculation there was still a need for a shift of resources of the order of £1,000 million. While public expenditure...

* Previously recorded in a Confidential Annex.
would still rise substantially despite the cuts, to limit its increase in real terms to 3.7 per cent in 1968–69 and a smaller amount in the following year was a considerable achievement, given past commitments and the inevitable momentum of public spending programmes, and would mean that public expenditure over this period would constitute a falling proportion of gross national product. The cuts should be tolerable for the working population generally, provided that they took effect against a background of falling unemployment.

The present measures, however, would not be sufficient in themselves and the whole operation would have to be completed by measures to reduce personal consumption in the next Budget. But if the announcement of the present measures made it plain, as it would have to, that a severe Budget was in prospect, consumers would go on buying in anticipation of Budget changes and the present boom in consumer spending would be prolonged for several months. This would hamper the diversion of resources to exports and could have serious results for the balance of payments. There was therefore a strong case for announcing concurrently with the reductions in public expenditure some action to restrain consumer spending for example by use of the tax regulator or by a further tightening of hire-purchase controls.

It was strongly urged that the Cabinet should reconsider their decision to postpone the raising of the school-leaving age for two years from 1970–71. Of all the measures decided on this was the one which most obviously contravened the basic principles for which the Government stood; it would be damaging to the economy in the long term; and was most likely to provoke very strong opposition. It would increase social inequalities, and would mean that education was bearing a disproportionate share of the cuts. The decision represented an unjustified deference to opinion abroad rather than a regard for our real economic needs, and would find support only with those who at heart were opposed to raising the leaving age at any time. Alternative ways of securing the same savings should be sought; there was good reason to think that this could be done by introducing more discrimination into Government financial support for industry and assistance to development areas, and by taking account of the reduced need for Exchequer support, following devaluation, for many of the projects for assistance to industry which were now under consideration. Further areas for alternative savings were grants to direct grant schools, on which the Secretary of State for Education had put proposals for reductions to the Chancellor of the Exchequer, and research and teaching staffs in universities.

On the other hand it was argued that, while opposition to postponement of the school-leaving age was deeply felt, it was not widespread; the imposition of prescription charges would be likely to provoke stronger opposition among the Government's supporters. There were also sound educational reasons against raising the leaving age in 1970–71, notably the effect on staff-pupil ratios.

The Lord Privy Seal said that he would be unable to advocate in the House of Lords the proposal to defer the raising of the school-
leaving age and would therefore have to consider his position as a member of the Government.

There was some support for the view that a reduction in Ministers' salaries should form part of the package. The fact that no reduction had been made in previous economy measures had provoked strong criticism. The immunity of Ministerial salaries was constantly brought up by the trade unions in current wage negotiations. A reduction in Ministers' salaries, possibly extended to all Members of Parliament, would make a considerable psychological impact, would accord with the present mood of the country and would strengthen the Government's hand in conducting a firm incomes policy. On the other hand it was argued that a reduction in Ministers' salaries would be seen as an empty gesture which in view of the level of taxation would have no real effect. It would be quickly forgotten by the public. It would be wrong to extend any reduction to private Members of Parliament, for whom the Government had succeeded in providing an adequate level of remuneration only after a long struggle. In any case, an announcement of a reduction in salaries would be better made in the context of the Budget than as part of the present measures.

In further discussion the following points were made:

(a) We should not succeed in bringing public expenditure within bounds and in creating the right attitude to work without a fundamental examination of ways of introducing greater selectivity into social security. The present provisions of the welfare State were being exploited by a minority and this was undermining the will to work of the average citizen.

(b) Consideration should be given to direct measures to help the balance of payments by restrictions on the export of capital and by mobilisation of the portfolio of overseas investments in private hands.

(c) The cuts in defence expenditure were disproportionately severe, bearing in mind that, whereas domestic cuts could always be restored, the consequences of the defence cuts for our international standing would be irreversible. We still depended for our economic prosperity on world-wide markets; and the reduction in our international role, which the defence cuts would entail, would bring a heavy economic cost in the future. Our accelerated withdrawal from the Middle and Far East would reinforce a growing international tendency towards isolationism.

(d) The effect of the cuts on the strategic road network could have an adverse effect on economic recovery and on the Government's regional policies. It would be preferable for a higher proportion of the reduction in the roads programme to fall on secondary roads.

(e) The Secretary of State for Scotland said that the decisions on rate support grant would mean asking local authorities in Scotland to absorb cost increases equal to some 2 per cent of their total
expenditure or 4 per cent of their expenditure on education. He did not believe that they could possibly achieve this.

(f) An increase in personal savings would help to reduce demand; and there was much to be said for including an appeal for higher savings in the announcement of the Government's measures.

The Chancellor of the Exchequer, replying to the discussion, said there was no profit in making general criticisms of the package of measures without recommending what should take its place. There should be no illusions about the gravity of our balance of payments position; and urgent action was essential to put it right. The overriding priority was to restore our economic health; it was this, rather than pursuit of social objectives, which must govern the action to be taken in the present crisis. It had been asked whether we could be certain that the measures would fulfil their purpose. There could be no certainty in these matters; all the Government could do was to take the steps which would give us the best chance of escaping from our present difficulties. There might be room for argument on the margin of the proposals; but there could be no dispute that, if devaluation was to succeed, it was essential to make room in the economy for a massive diversion of resources into exports and imports saving. It was impossible to say exactly how these resources would be switched; but, if the right conditions for the switch were not created, devaluation would certainly fail in its purpose.

It had been suggested that the Government should take steps to restrict further the export of capital and to mobilise the private portfolio of overseas investments. He had these matters under consideration and it might be possible to take some action in this field; but the difficulties were considerable. It was relevant that his predecessor had secured a substantial improvement in the capital account through the voluntary programme of restrictions on investment in the sterling area and by means of the Corporation Tax; the result was that the capital account no longer represented the drain on the balance of payments which it did two years ago. While we possessed assets overseas to the value of some £17,000 million, our liabilities amounted to over £16,000 million; this was a narrow margin for a major industrial country. While mobilisation of the private portfolio of overseas investments for the reserves might conceivably make some contribution to our short-term difficulties, no measures of this kind could possibly relieve us of the need to earn a substantial balance of payments surplus by 1969. We should, moreover, avoid having to sell portfolio investments at a loss; and we should also beware of any measures which savoured of panic. There was a real danger that, by adopting draconian defensive measures in respect of our balance of payments, we should provoke counter-measures by other countries, leading to a general decline in world trade from which we would have most to lose.

He would have preferred to secure greater reductions in public expenditure so as to reduce the requirement for increased taxation. There was great difficulty in devising tax increases which did not have adverse economic consequences; in particular, it would be unwise to
increase direct taxation without paying careful regard to the effects on incentives. While some other countries raised a bigger total amount in taxation, few, if any, had a tax system which was as steeply progressive as ours. The question of tightening hire-purchase controls had been raised; and he would consider this further. However the total effect of the reductions which he proposed would be to slow down substantially the rise in public expenditure; the increase in 1969-70 should be just under 1 per cent in real terms.

Postponement of the raising of the school-leaving age was the measure which he had approached with the greatest repugnance; but the savings it would secure represented 10-15 per cent of the total. If the proposal were abandoned, there would then be a case for reopening other painful decisions and the whole package would be endangered. It was essential to look for substantial identifiable cuts which would not make economic nonsense or lead to a breakdown in services; and it was extremely difficult on this basis to find alternatives to the cuts he had proposed. He did not accept that the need to restore confidence abroad pointed in a different direction from the economic realities of our situation. The measures he proposed should serve equally to restore confidence and to give us the chance to put our economy on to a sound footing.

The Prime Minister, summing up this part of the discussion, said the balance of opinion in the Cabinet was that the proposed reductions in public expenditure were of the right order of magnitude. Some Ministers had expressed strong opposition to postponing the raising of the school-leaving age; but, on balance, the Cabinet agreed that their previous decision to this effect should not be reopened. There was no clear majority in favour of the proposal to announce a reduction in Ministers' salaries as part of the present measures; and, if Government spokesmen were questioned, in the forthcoming debate, about this or about a reduction in the remuneration of Members of Parliament, they should say that the Government were making no proposals in these matters and that in any case this was a question which could more suitably be considered in the context of the Budget.

The Cabinet—

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

The Cabinet then turned to consider a note by the Secretary of the Cabinet (C(68) 24) covering a draft of the Parliamentary Statement to be made by the Prime Minister to the House of Commons on the following day, and simultaneously to be published as a White Paper.

The Prime Minister said that, in view of the shortage of time, it might be best if the Cabinet were to concentrate on the body of the statement—paragraphs 8 to 50 inclusive. He would himself wish to give further consideration to the opening and closing sections, and in doing so would take into account the Cabinet's discussion on
the statement as a whole. It was agreed that it would be desirable to redraft paragraphs 4 and 5 so as to limit so far as possible speculation about the scope of the further measures to restrain demand which it would be necessary to take in the Budget; and, in particular, to omit the reference to the total figure of some £1,000 million by which it would be necessary to cut back demand. It would be better for this figure to be given to the House of Commons by the Chancellor of the Exchequer in his speech in the Debate on the statement, when there would be fuller opportunity for him to explain the significance of the figure, particularly that it would represent an objective to be achieved over the next two financial years and not over 1968–69 only.

The Cabinet turned to the section of the draft statement dealing with changes in defence policy and expenditure (paragraphs 8 to 23 inclusive).

The Prime Minister said that, since the meeting of the Cabinet that morning, he had considered the draft of these paragraphs with the Ministers responsible for oversea policy and had agreed with them a number of amendments which he would now read to the Cabinet.

In discussion there was general agreement with the greater part of the amendments suggested by the Prime Minister and the Ministers responsible for oversea policy: a number of further drafting amendments were agreed, and the following points noted:

(a) The Foreign Secretary and the Commonwealth Secretary had put in hand the action necessary to inform other Governments and Organisations of our decisions.

(b) The Defence Secretary should indicate in the Defence White Paper in February that the changes in defence policy and in the structure and equipment of the Armed Forces arising from the Cabinet's approval of decisions on our commitments and expenditure in the Middle and Far East would be the subject of a further and comprehensive Defence White Paper to be laid before Parliament in the following July. The Lord President should consider, in consultation with the Defence Secretary, how this arrangement might be prevented from resulting in the duplication of two-day debates on defence.

(c) The second and third sentences of paragraph 16 would more suitably be the subject of fuller explanation in a Ministerial speech in the course of the debate on the statement and would be omitted from the statement itself.

(d) The estimated financial savings mentioned in paragraph 19 should at this stage be less precise, and the forecast, at the end of paragraph 21, of future levels of defence expenditure should be re-presented so as to give a clearer picture of the successive and substantial reductions in the burden of oversea defence expenditure inherited from the previous Administration.

The Cabinet then turned to the sections of the draft of the Prime Minister's statement dealing with civil expenditure (paragraphs 24–50 inclusive). A large number of drafting amendments were agreed and the following main points were made:

SECRET
Social Security

(e) In paragraphs 26 and 27 it would be better to refer to the raising of the income limits for the rent rebate scheme after the section on family allowances and not immediately after the reference to helping the most vulnerable classes in the community, since the former measure, though justified, would not help the poorest.

Education

(f) In considering paragraph 28 it was suggested that, in view of the opinions expressed earlier in their discussion, it would be right for the Cabinet to reconsider the decision they had taken to postpone the raising of the school-leaving age by two years.

The Prime Minister said that it did not appear from the discussion that there was a sufficient body of opinion in the Cabinet in favour of reopening the decision they had taken on this question to warrant its reconsideration and it must therefore stand. It was the general view of the Cabinet, however, that the concluding two sentences of paragraph 28 should be omitted from the statement.

(g) In paragraphs 32 and 33 the cuts in capital expenditure by the universities implicit in the total saving on education were too severe and should be substantially reduced. Alternative savings in expenditure on education should be found, by means to be agreed between the Chancellor of the Exchequer and the Secretary of State for Education and Science, from the capitation grants to direct grant schools and the grants to research councils.

Health and Welfare

(h) In paragraph 37 it would be undesirable to specify the groups to be exempted from the proposed prescription charges before initiating consultation with the medical practitioners. The Minister of Health should therefore bring forward the meeting planned for the afternoon of 16th January to noon on that day, emphasising that the information given to the doctors' representatives was to be treated as confidential until after the statement.

(i) The amount required to be added to the National Insurance contribution to prevent the National Insurance Fund from going into deficit was in fact 8d.; but the proposal to round the figure up to Is. could be justified on the ground that to put the Fund into surplus would provide more flexibility for the future.

Transport

(j) On paragraph 42 it was suggested that the total reduction in public expenditure on roads should be redistributed so as to reduce the cuts in major road programmes and increase the cuts in expenditure on the maintenance and improvement of minor roads, in accordance with national economic priorities, including the stimulation of industrial activity in the development areas. On the other hand it was suggested that, since expenditure on minor roads was a local authority function and the achievement of the necessary savings was to that extent less certain, the proposal might well...
prejudice the achievement of the total saving desired. It would be right, therefore, to maintain the distribution of economies on road construction and maintenance in the form set out in the draft statement, but with the proviso that the distribution of savings might be reconsidered later if it could be shown that the total saving desired would not thereby be prejudiced.

Local Authorities

(k) On paragraph 48 it was strongly urged that as regards 1968–69 the proposed requirement for local authorities to absorb any future and unavoidable increases in cost by making savings elsewhere, and similarly the proposed restrictions on the amount of expenditure eligible for rate support grant for 1969–70 to 3 per cent in real terms above the amount eligible for 1968–69, were too severe and would either prove impracticable or involve substantial increases in local rates. This would certainly be so in Scotland. In England and Wales the local authorities had already obtained an increase in the rate support grant for 1968–69 to take account of recently approved increases in teachers’ salaries. In Scotland, however, the renegotiation of teachers’ salaries followed some time after the process in England and Wales, and there had thus been no similar adjustments in the rate support grant for 1968–69 in Scotland, which was accordingly being asked to accept a very substantially more onerous restriction on expenditure for 1968–69 than England and Wales. On the other hand it was argued that the rate of increase in local authority expenditure and the difficulty of exercising control over it save indirectly through the rate support grant was such as to justify the proposals in the statement: moreover, these had been agreed, subject to the overall balance of the package, in the Cabinet’s earlier discussions. The proposal put forward at the Cabinet’s meeting on 11th January, that the amount of specific savings on roads and possibly other designated blocks of expenditure, which the Government should ask local authorities to make, should be deducted from the total of expenditure accepted as eligible for rate support grant in 1969–70, had been examined but had been found not to be practicable. Nevertheless, it was expected that local authorities would be able to make substantial savings. The text of the statement should therefore be retained, subject to the deletion of the reference at the end of the paragraph to further increase of Exchequer grant and the insertion of a further sentence to the effect that fuller details of the proposed economies both for England and Wales and for Scotland (where special problems were involved) should be worked out with local authorities, and that the House of Commons would be kept informed.

(l) It would be necessary to insert after paragraph 48 an appropriate passage dealing with economies in public expenditure in respect of Northern Ireland.

Economies in other Sectors

(m) The Cabinet were informed that the proposal to defer the rebuilding of Government offices in Whitehall would not effect any saving in the relevant years, since rebuilding could not begin until
1971 and the only expenditure to be incurred in 1968–69 would be on completing the purchase of sites already under negotiation. It was agreed that the statement should not refer to the rebuilding of Whitehall.

The Prime Minister, summing up this part of the discussion, said that the Cabinet had now agreed the amendments which should be made to the text of the statement, save for those which he himself would wish to make in the opening and concluding sections in the light of the Cabinet’s discussion and which would take account of the suggestion that the final sentence of paragraph 56 should be omitted. It was not certain whether the revised statement could be printed as a White Paper in time to be placed in the Vote Office before the statement was made: if not, duplicated copies would be provided in the Library of the House of Commons for Members of Parliament and the White Paper would be issued as soon as possible thereafter.

The Cabinet—

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

Cabinet Office, S.W.I.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 18th January, 1968, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. RICHARD MARSH, M.P., Minister of Power
The Right Hon. MICHAEL STEWART, M.P., First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. CLEDDYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology

Also present:
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. W. A. Nield
Miss J. J. Nunn
Mr. E. M. Rose

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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 recalled that at their meeting on 21st December the Cabinet had agreed that our policy should be to withhold contact with the present Greek régime at Ambassadorial level but to conduct day-to-day business with officials on the understanding that it did not involve any act which could be construed as formal recognition of the régime. In the interval this policy had been maintained in solidarity with the United States and our other North Atlantic Treaty Organisation (NATO) allies. This solidarity was now, however, breaking up. Several NATO countries, in particular Germany and Turkey, had been having dealings with the régime at Ambassadorial level. During his recent visit to Washington the United States Secretary of State, Mr. Dean Rusk, had told him that the United States Government proposed to authorise their Ambassador to have dealings with the Foreign Minister, although he would continue to have no contacts with the military members of the ruling junta for the time being. Although this would not be a formal act of recognition, it might well be interpreted as such. In these circumstances it would be difficult for us to maintain our present policy; and it might be damaging to our interests to do so, since there were a number of commercial questions, including one large contract, which we could not pursue without high level contact with the Greek régime. He proposed to discuss this question with the German Foreign Minister, Herr Willy Brandt, during his forthcoming visit to Bonn and to keep in close touch with the United States Government. If they and others of our NATO allies authorised contacts between their Ambassadors and the Greek régime, it would be in our interest to do likewise. He did not propose that we should formally recognise the military régime, although it was in fact in control of the country and our normal criteria for recognition were to that extent fulfilled. He sought the authority of his colleagues, however, to decide the timing of new instructions to our Ambassador authorising him to resume business with the Greek Foreign Minister while refraining from any action which would imply formal recognition of the régime. The timing of these new instructions would be related to the attitude of our NATO partners. There was no question of our moving ahead of them: but it would be against our interests to be left behind.

In discussion the Foreign Secretary's proposal was supported largely on the grounds that it was important for us to be able to exercise our proper influence on events in Cyprus through the Greek régime; and that this could only be done effectively if we had contacts with the Greek Foreign Minister. The situation in
Cyprus had recently become more critical as a result of the decision of the Turkish Cypriot community to set up their own separate administration and the decision of President Makarios to hold elections.

The Cabinet—

Approved the policy proposed by the Foreign Secretary.

The Foreign Secretary said that he had arranged to meet the Foreign Minister of the German Federal Republic, Herr Brandt, on the following day as part of the consultations which the Cabinet had agreed he should undertake with the Governments of the Five about the consequences of the French veto. The Cabinet might now wish to be informed of the position reached in these consultations, and of the line he proposed to take with Herr Brandt.

He had started the consultations with an informal approach to the Italian Government, who had invited him to visit Rome. In the discussions there the Italian Foreign Minister, Sr. Fanfani, had given enthusiastic support to the line the Cabinet had authorised the Foreign Secretary to pursue, and had reported, perhaps exaggeratedly, receipt of a Belgian initiative in the same sense. The Benelux countries had indeed since shown themselves to be very favourable towards the idea that there should be close consultation and collaboration between the United Kingdom and the Five on matters falling outside the scope of the Treaty of Rome, and had the previous day held a meeting at Ministerial level from which it seemed likely that specific proposals in that sense might emerge. Indeed, the Government of the Netherlands seemed prepared to go even further along this line than their Benelux partners and might in the end themselves decide to do so. The disappointing feature of the situation, if reports of consultations between the Five at official level were correct, was a change in the attitude of the Federal German Government, and especially that of Herr Brandt, who had supported us strongly at the meeting of the Ministerial Council of the European Economic Community (EEC) at Brussels on 18th–19th December but seemed since then to have moved to a position much nearer that of the Federal Chancellor, Dr. Kiesinger. Herr Brandt was now said to be unwilling to attend the meeting of Western European Union (WEU) on 29th–30th January; and while the Foreign Secretary would of course seek to persuade him to be present, it would probably not be right, if he were not successful, for the Foreign Secretary himself and other Foreign Ministers to attend the meeting. More generally it now seemed likely that the Federal Republic were determined, before considering any form of collaboration or consultation with us, to explore with the French a series of propositions which were quite unacceptable to us, as the Prime Minister had recently made clear to a representative of the United States Government. These would involve a relationship with the EEC which would not amount even to association, i.e., initially, the formation of a free trade area with some agricultural content, followed by a period of customs union, at the end of which there would be negotiations for membership, but with no
assurance of success. It was highly improbable that proposals on these lines would be sincerely accepted by the French; and they could well involve us in a period of uncertainty lasting several years in which we should neither know where we stood nor have any rights or voice in the Community. There was some suggestion that Herr Brandt was himself sceptical as to the value of these proposals and wanted no more than a month's respite in which it would be demonstrated that there were no grounds for Dr. Kiesinger's professed belief that the French might be persuaded to consider action on these or similar lines. But such reports should be treated with considerable reserve because of the clear risk inherent in the German proposals of prolonged delay before our situation was effectively considered.

In these circumstances he intended to probe Herr Brandt's intentions and to seek to bring him back, so far as possible, to the more favourable position from our point of view which he had previously occupied. It was impossible to say in advance what were the prospects of success in this approach; and there was a complicating factor in that Herr Brandt personally seemed to have taken umbrage because the first consultations had been held in Rome instead of in Bonn. He felt, however, that his visit to Bonn would afford an opportunity to straighten out that and any similar complications and to explore the position fully and frankly with the German Foreign Minister, after which he would of course inform the Cabinet of the outcome of his consultations.

In discussion there was general agreement that further consideration of the Foreign Secretary's consultations with the Five must await the outcome of his meetings with Herr Brandt on the following day. In these meetings, however, it would be important to make very clear to the Germans that in our view the proposals Dr. Kiesinger would be putting to General de Gaulle were not likely to prove acceptable either to us or to the French; and that it was essential for us that unpromising discussions with the French on our future relationship with the EEC should not be prolonged beyond the forthcoming meeting between Dr. Kiesinger and General de Gaulle. Of the German proposals the only one which might afford us commercial advantage (but would be otherwise unattractive) would be that looking to the formation of a free trade area with the EEC, and even that only if it did not have the agricultural content at present envisaged. It would be wrong, however, to exert so much pressure on the Germans as to increase any annoyance they might currently feel we had caused them, or to risk the appearance that we were seeking to split off the Five from the French or the Four from the Germans. We should also have regard to the dangers of prejudice to the solidarity of the European Free Trade Association (EFTA) and our position in it.

On the other hand it was pointed out that it was difficult to see what steps we could take to improve our position in relation to the EEC other than to co-operate and to collaborate with the Five
so far as they were willing to do so; and certainly it was hardly possible for us to remain inactive in this field. Our line should therefore be to consult and co-operate with those countries in the EEC and in EFTA who were likely to prove willing partners. There appeared to be no risk of our getting out of step with those of our EFTA partners who had applied for membership of the Community; indeed the most serious danger to the solidarity of EFTA at present was the proposal for a Scandinavian Union which had recently been discussed by the Nordic Council and was to be further discussed at a meeting of Scandinavian Prime Ministers at Harpsund. This proposal, which envisaged a greater degree of economic and political union between Scandinavian countries than was contemplated by the countries of the EEC, had not arisen from our application to join the Community but from consideration of the European situation which had arisen as a result of the French veto. We had ourselves suggested an early meeting of the Ministerial Council of EFTA but little enthusiasm for it had been shown by the other members.

In further discussion it was urged that, while more detailed consideration could not usefully be given to our position in relation to the EEC until after the Foreign Secretary had reported on his talks with Herr Brandt, it would be essential that, as soon as possible thereafter, the Cabinet should consider our position in the context of a comprehensive review of our foreign relations, economic and political, which should itself take account of the implications of the Government's recent decisions to reduce our commitments and accelerate the withdrawal of our forces from the Middle and Far East. The French Government's reception of our decisions radically to reduce international commitments which they had advanced as obstacles to our membership of the EEC suggested that nothing we could do would overcome French objections to our membership of the Community; it would be necessary to consider the implications of these factors for our European policy as a whole, and not simply the question how best we might improve our relations with the EEC or even with the Five. Anxiety was also expressed lest undue concentration on this latter question might entail the risks, referred to earlier in the discussion, of seeming to seek to split the Six or the Five; we should also bear in mind the dangers of antagonising the French, who were not without means to injure us if they felt we were trying to organise the other members of the EEC against them. Nor should we risk splitting EFTA as between those countries who had applied for membership of the EEC and those who had not, thus estranging ourselves from the latter and prejudicing the future of EFTA. It was further urged that it would be realistic to recognise that a satisfactory development of our relations with the EEC on the lines of the approach to Europe we had been pursuing was now unlikely to be achieved for some time; and, in the light of the setback which our recent decisions to withdraw from the Middle and Far East were likely to cause to our relations with the United States and the Commonwealth, we were in some danger of putting ourselves in a position where, with the bulk of our trade still with
countries outside Europe, we nevertheless had no satisfactory relations with major partners anywhere in the world. It was therefore important that the Cabinet should as soon as possible reassess our whole external policy, recognising that, in these circumstances, the Prime Minister's forthcoming meeting with the President of the United States might be more relevant than our consultations with European countries, to which a rather lower priority might have to be assigned in future than hitherto.

It was further argued that even within Europe there were considerable opportunities for fruitful co-operation with countries other than those of the EEC and of EFTA, and notably with the countries of Eastern Europe. Mr. Kirillin, the Soviet Minister for Science and Technology, during the course of his visit to London earlier in the week for further discussion on scientific and technical collaboration between the United Kingdom and the Soviet Union, an agreement on which was due to be signed on the following day, had shown himself conscious of the potential effect on the United States and the Commonwealth of the Government's recent decisions to reduce our international commitments. He had been at pains to develop good relations with the Confederation of British Industry, and had been able to arrange for further discussions on a wide variety of subjects. Situated as we now were, it might be advantageous for us to abate to some extent our attempt to achieve membership of the EEC, to give first priority to the pursuit of our own interests and to develop co-operation where it seemed profitable with countries in any part of the world, notably the United States and Eastern Europe. Indeed, it could be argued that the economic measures which the Government had announced to Parliament on the previous Tuesday contained clear implications of this kind.

On the other hand it was pointed out that it would be wrong to draw further and far-reaching conclusions as to our external policy, whether political or economic, without a full survey of our position in the light of the recent decisions to reduce our oversea commitments, of the Prime Minister's discussions in Moscow and Washington (which would take place before Dr. Kiesinger's meeting with General de Gaulle) and of the results of the consultations with the Five. Moreover, our economic position was not such that we could afford, by too single-minded a pursuit of our own interests, to alienate the countries with whom it was important for us to maintain good economic and political relations. A comprehensive review of our external position in the light of the events of the last two months had already been put in hand; but it would clearly be right to allow sufficient time for a report on these lines to be carefully prepared. In addition to the points made in discussion, this review would have to take into account other considerations, e.g., the fact that a major objective of current French policy was to seek to bring the Six, and particularly Germany, into line with French opposition to the United States in a number of fields, a purpose which it would be in our interest to seek to frustrate; and the fact that, as regards EFTA,
there was at present no stable Government in Denmark and the position of other EFTA Governments was uncertain. It would clearly be premature to attempt to balance the complex of conflicting considerations affecting our future external policy in anticipation of the outcome of the various international discussions which were in prospect.

The Prime Minister, summing up the Cabinet’s discussion, said that there was general agreement that the Foreign Secretary should be guided at his meeting with Herr Brandt, by the various points which had emerged. In particular it was clear that General de Gaulle would seek to persuade Dr. Kiesinger to endorse the French attitude to British membership of the EEC, or at least not to oppose it; and that Dr. Kiesinger must therefore be encouraged to elicit from General de Gaulle a full and clear statement of his position on this issue. It was also essential that the German Government should be left in no doubt that, after the meeting between Dr. Kiesinger and General de Gaulle, we could not tolerate further delay arising out of a prolongation of the Franco-German discussions of our position in relation to the EEC. There was general agreement that it would be right for the Cabinet to consider as soon as possible a comprehensive review of our external policy. Meantime, it might be advisable for us, while seeking to maintain the interest of our European friends in our application for membership of the EEC and continuing our consideration of the positive proposals we might put forward if a promising outcome to our initiative for collaboration with the countries of the EEC and of EFTA seemed likely, to beware of promoting discussions among the European countries of a degree or a kind which might prove divisive and therefore counter-productive.

The Cabinet—

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

(2) Invited the Foreign Secretary to be guided, in his forthcoming discussions with Herr Brandt, by the points made in their discussion.

(3) Agreed to consider, at an early meeting, a comprehensive review of our external policy on the lines suggested in their discussion.

CONFIDENTIAL

Scotland
Storm Damage

3. The Secretary of State for Scotland said that the hurricane force winds which had struck central and southern Scotland in the early hours of 15th January had caused widespread damage. It was estimated that 70,000 houses had been damaged or destroyed and some 2,000 people rendered homeless. The most gravely affected areas had been Glasgow and Greenock, which he had
himself visited on the previous day. The public services, assisted by the Army, had done excellent work in dealing with the immediate consequences of the hurricane, but local authorities were naturally anxious to know what assistance would be made available to them. He had told them that they should immediately carry out work necessary for the safety of the public and to prevent further damage to basically sound property; and he had arranged for the Joint Parliamentary Under-Secretary of State for Scotland, Dr. Mabon, to meet the authorities on 22nd January to obtain an estimate of the cost of the work required on public and private property and the extent to which it was covered by insurance. Local authorities were employing the labour force from their housing projects, but it was necessary to bring scarce labour in from outside, and there was some reluctance on the part of contractors to undertake emergency work in the absence of a clear indication where responsibility for payment would lie. There was no basis, however, for the suggestion which had been put to him in the House of Commons that the storm would justify restoring the housing programmes which were to be reduced as part of the Government’s post-devaluation measures. The houses affected could not be built for at least two years and would not contribute to the solution of the immediate problem.

The Prime Minister said that the situation should be treated as a special emergency and not as a reason for altering the economic measures already agreed upon. On that basis the Secretary of State should discuss with the Chancellor of the Exchequer means of providing the help necessary to enable urgent repairs to be carried out.

The Cabinet—

(1) Took note of the statement by the Secretary of State for Scotland.

(2) Invited the Chancellor of the Exchequer to consider, in consultation with the Secretary of State for Scotland, what financial help should be provided on an emergency basis for the areas affected by the storm.

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 25th January, 1968, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., Secretary of State for Foreign Affairs (Items 1-3)
The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department
The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Patrick Gordon Walker, M.P., Secretary of State for Education and Science
The Right Hon. George Thomson, M.P., Secretary of State for Commonwealth Affairs (Items 1-3)
The Right Hon. Anthony Greenwood, M.P., Minister of Housing and Local Government
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Lord Shackleton, Lord Privy Seal
The Right Hon. Richard Marsh, M.P., Minister of Power
The Right Hon. Michael Stewart, M.P., First Secretary of State
The Right Hon. Lord Gardiner, Lord Chancellor (Items 1-3)
The Right Hon. Richard Crossman, M.P., Lord President of the Council
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Crosland, M.P., President of the Board of Trade
The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Barbara Castle, M.P., Minister of Transport
The Right Hon. Clydwyn Hughes, M.P., Secretary of State for Wales
The Right Hon. Anthony Wedgwood Benn, M.P., Minister of Technology

The following were also present:
The Right Hon. Edward Short, M.P., Postmaster-General (Items 3 and 4)
The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Item 5)
The Right Hon. John Diamond, M.P., Chief Secretary, Treasury (Items 4-6)
The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. W. A. Nield
Miss J. J. Nunn
Mr. E. M. Rose
Mr. K. Barnes
Mr. P. E. Thornton

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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 according to his information the seizure by North Korean patrol boats of the United States Ship *Pueblo*, which was engaged in intelligence tasks, had taken place on the high seas outside any possible definition of territorial waters. As a maritime Power we had a strong interest in the strict observance of international law with regard to freedom of navigation on the high seas. He had therefore authorised the Foreign Office spokesman to say, in reply to questions, that we deplored the seizure of a vessel in international waters. It could be that the seizure of the *Pueblo* was intended to bring pressure on the United States in relation to the Vietnam war. He had been in touch with the United States Government and had been assured that their intention was to "play it cool."

The Prime Minister said that he had not raised this question during his recent visit to Moscow; nor had the Soviet Government raised it with him.

In discussion it was emphasised that the issue at stake was freedom from interference for ships on the high seas, in which we had a vital interest, and that from this point of view the intelligence function of the *Pueblo* was not relevant.

The Cabinet—

(1) Took note of the statement by the Foreign Secretary.

The Commonwealth Secretary said that he had received a message from the Governor of Mauritius that all was now quiet in the island after the recent disorders. Trouble had however broken out on the island of Rodrigues, a dependency of Mauritius 350 miles away, where the police station had been attacked; and a Royal Naval vessel was due to arrive at Rodrigues that day. He wished to pay tribute to the speed with which the defence forces had responded to the Governor's call for help in restoring order.

The Cabinet—

(2) Took note of the statement by the Commonwealth Secretary.

The Cabinet considered a memorandum by the Secretary of State for Foreign Affairs (C (68) 28) to which was attached the full text, and a summary, of recent Benelux proposals for continuing contacts and collaboration between members of the European Economic Community (EEC) and other European States including those which had applied for membership.
The Foreign Secretary said that he would like to report the developments which had occurred since the Cabinet had discussed the European situation on 18th January, and to secure the approval of the Cabinet to carry further the action he had taken in fulfilment of their decision of 20th December, 1967 (CC (67) 73rd Conclusions, Minute 3). He had had a frank, full and genuinely friendly discussion on 19th January with the Foreign Minister of the German Federal Republic, Herr Brandt, and had found that there was a substantial measure of agreement between them about their objectives. He had explained to Herr Brandt why Her Majesty's Government were sceptical about the possibilities of achieving satisfactory results in the further discussions which the Germans intended to pursue with the French Government: in particular he had explained why we could not accept solutions of a type which would impose obligations without rights on the United Kingdom. But he had also made clear that the British position was not one of "all or nothing", and he was glad to see that the spokesman of the German Ministry of Foreign Affairs had made it clear in a statement, issued the previous day, that the German Government were satisfied that this was not the position which we were adopting. He had told Herr Brandt that he did not wish to discourage the Germans from pursuing their own approach with the French but he suggested that there was no reason why a meeting or meetings between members of the EEC and the United Kingdom should not take place at the same time. Herr Brandt had now so rearranged his affairs that he would be able to attend the meeting next week of the Council of Western European Union (WEU), when all the Foreign Ministers of the WEU Powers would be able to have an informal discussion about the post-veto situation at the usual dinner on Monday night, 29th January. He would also be able, in one way or another, to hold discussions on Tuesday, 30th January, with the Five either as a whole or in separate groups.

The Foreign Secretary said that the Benelux proposals, which were now before the Cabinet, had been delivered on 19th January too late for him to discuss them with Herr Brandt. They represented a compromise between the position of the Dutch Government, who had stepped back from their previous policy of freezing all future development within the EEC, and their Benelux partners, who had taken a step forward in calling for consultations between, on the one hand, the Six, the Five or even some of the Five and, on the other hand, the United Kingdom and other European States. We were therefore being offered the opportunity of continuing European consultations and collaboration, without being required to accept at this stage any obligations or commitments. Acceptance would thus be consistent with the Cabinet's decision, at their meeting on 20th December, 1967, about future collaborative action, and would not prejudice the results of the comprehensive review of future foreign policy which the Cabinet had decided upon at their last meeting.

He therefore commended the Benelux proposals as a valuable development which had resulted from our efforts, following the veto.
to explore the possibilities of collaborative action with the Five. The Benelux Governments had in his view found a way in which the United Kingdom could participate in, and exercise a degree of influence on, the future development of the Community, which was our objective. He was confident that the Italian Government would support the proposals and first provisional indications from Her Majesty’s Ambassador in Bonn suggested that the Federal German Government might also be prepared to support them. He proposed therefore that he should inform the Foreign Ministers of the Five, when he saw them next week, that Her Majesty’s Government welcomed and accepted the Benelux proposals, and that he should encourage the Benelux Governments themselves to try to secure their acceptance by other members of the EEC and other European States. The Minister of Technology would be making a speech to the Consultative Assembly of the Council of Europe on 29th January and the Foreign Secretary suggested that it would be appropriate for that speech to contain a welcome for and acceptance of the Benelux proposals. It was of course impossible at this stage to say whether the Germans, or even the French, would accept the Benelux proposals in their existing or some modified form. If both Germany and France refused to be associated with the proposals then obviously they would be of less value to us and continued pursuit of them would then need to be reviewed. But it was not necessary for us at this stage to decide whether or not we should later wish to be associated with whatever might emerge from the proposals the Benelux Governments had put forward. Indeed, unless we gave the proposals at this stage every encouragement we should not only severely disappoint our friends in Europe but also kill the prospects of new European consultative and collaborative arrangements before Germany and other European countries concerned had had an opportunity to decide their attitudes. He therefore sought the authority of the Cabinet to inform the Governments of the Benelux Powers and the other European Governments concerned that Her Majesty’s Government welcomed and accepted these proposals.

In discussion the following points were made:

(a) The proposal for European political consultations, at item (iv) in the summary of the Benelux proposals annexed to C (68) 28, was addressed to all European States and not merely to the Community and applicant States. In this respect it appeared to go further than the other three proposals and it was not clear why it had been so extended. Moreover this proposal could create special difficulties for Germany because of a possible conflict with the Franco-German Treaty. Again, it was by no means self-evident that we should wish to be tied to prior consultation with the Benelux or other European Governments about, for example, the bilateral discussions on European security which the Prime Minister had just agreed we should hold with the Soviet Government. It was pointed out, however, that it was important that the opportunities for political consultation in Western Europe should be set as wide as possible—to include Sweden and Switzerland for example—so as to avoid the
risk of any new division of Europe; that there was no necessary conflict here with the Franco-German Treaty; and that the Benelux proposals would not require us to consult with other European Governments if we did not wish to do so. The Benelux Governments had simply stated their intention to consult together in future on important questions of foreign policy and had invited other European States to associate themselves with this development.

(b) The President of the European Commission, M. Rey, had recently made clear his dislike of any development of consultation and collaboration between the United Kingdom and some only of the Six, because of its disruptive effects within the Community. It seemed doubtful whether it was advisable to welcome proposals of which the Commission publicly disapproved. It was pointed out however that the Benelux proposals were addressed to all the member States of the Community, and that M. Rey's remarks had been addressed to earlier initiatives which had looked to collaborative action restricted to the Five and the applicant States. In any event we should always bear in mind the continuing dispute within the Community between the Commission and the member Governments: the Commission were jealous of any developments in Europe which might prejudice the authority they claimed; but in this they would not necessarily have the support of member Governments. M. Rey's remarks should be considered against this background.

(c) The proposal for a European Institute of Technology, which had aroused considerable interest in Europe, had originally—in the Prime Minister's speech at the Guildhall in November 1967—been made dependent on the opening of negotiations for the enlargement of the Community. It was necessary to consider, following the veto, whether we wished to continue to advocate the establishment of such an Institute. It was suggested that, while it was not necessary to take a decision about this before the comprehensive review of our foreign policy in February, there was a good prima facie case for proceeding with the proposal to establish a European Institute of Technology, and also with any bilateral or multilateral projects which were advantageous to us. If we did so, however, we should need to make clear that we still believed that Europe would not benefit fully from technological collaboration without the enlargement of the Community, and also that our future collaboration with other countries in technological matters would not be restricted to the members of the Community: we were already developing such collaboration with other countries including the Soviet Union.

The Prime Minister, summing up the discussion, said that the Cabinet were agreed that the Foreign Secretary should indicate, at his forthcoming discussions with the Foreign Ministers of the Five, that we welcomed and accepted the Benelux proposals for future European collaboration. The Minister of Technology should also welcome and accept these proposals on behalf of Her Majesty's Government in his speech to the Council of Europe on 29th January. The Minister of Technology should also reopen discussions with the Confederation of British Industries (CBI) who originally proposed the establishment of a European Institute of Technology, to discover
whether the CBI still favoured its establishment and whether they would be willing, if asked, to work out the practical implementation of this project with their European counterparts. The Cabinet could then consider, as a part of their comprehensive review of foreign policy, whether this initiative should be pursued. If so it might be better that it should be pursued by the CBI, at any rate initially, rather than by the Government.

The Cabinet—

(1) Invited the Foreign Secretary to inform the Governments of the Benelux countries and of other European countries concerned that Her Majesty's Government welcomed and accepted the Benelux proposals for future European collaboration.

(2) Invited the Minister of Technology

(i) to welcome and accept the Benelux proposals on behalf of Her Majesty's Government in the course of his speech to the Consultative Assembly of the Council of Europe on 29th January;

(ii) to reopen discussions with the CBI about the proposed European Institute of Technology, on the lines indicated by the Prime Minister in his summing up.

The Prime Minister informed the Cabinet of the outcome of the visit which he had paid to the Soviet Union on 22nd to 24th January.

His discussions with the Soviet leaders had been conducted in an atmosphere which for the most part had been friendly and co-operative; but the Soviet attitude had considerably hardened when it came to the point of agreeing a form of words on Vietnam for the purposes of the communique. In informal discussions he had done his best to persuade them that recent statements by the President of the United States, President Johnson (particularly his speech at San Antonio in September and his State of the Union message to Congress in January) indicated that the United States Government would be willing to stop bombing North Vietnam if they had some assurance that such action would be promptly followed by a willingness on the part of the North Vietnamese Government to embark on productive discussions in good faith and to refrain from taking advantage of the intermission in the bombing to strengthen their military position in South Vietnam. It was also possible that the statement by Mr. Trinh, the Foreign Minister of North Vietnam, on 30th December indicated a certain willingness, however guarded, by the Government of North Vietnam to respond to President Johnson's initiative. He had therefore done all he could to persuade the Soviet leaders to co-operate with us in promoting closer contacts between the parties to the dispute in Vietnam by publicly urging them to take advantage of the opportunities for negotiation which these statements clearly provided. But, although the Soviet Government had listened attentively to our representations,
they had maintained their intransigent attitude towards the United States Government and had tried very hard to persuade us to incorporate in the final communiqué a form of words which would have clearly implied that the United States should cease bombing North Vietnam but should thereafter be excluded from any part in the settlement of the dispute. We had succeeded in resisting Soviet pressure on this point; and we had also persuaded the Soviet representatives that the communiqué should incorporate a reference to the responsibility which the Soviet and United Kingdom Governments shared in the context of Vietnam in their capacities as co-chairmen of the Geneva Conferences of 1954 and 1962. To this extent our representations must be deemed to have made an impression on the Soviet Government, however careful they might be to conceal this fact.

As regards other issues of international concern, we had been in broad accord with the Soviet attitude on the situation in the Middle East, where the Soviet Government, although still opposing any concession to Israel, appeared to be genuinely relieved that the conflict between Israel and the Arab States had been halted by the Resolution in the Security Council of the United Nations which we ourselves had sponsored. When the discussion had turned to Europe and the problem of European security, however, they had shown considerable apprehension about the development of a neo-Nazi movement in Western Germany. They had warned us to take this menace seriously and had purported to be surprised that, despite this renewed danger from Germany, we still felt able to remain a member of the North Atlantic Treaty Organisation (NATO) in which the Federal German Government played so prominent a part. In reply the Prime Minister had emphasised the defensive nature of NATO and had said that, if the Soviet fears of a revival of German militarism had any foundation in fact, they provided the strongest justification for our continuing support of NATO, since it was only within an organisation of this kind that German ambitions could be contained. He had felt able, however, to endorse the further Soviet suggestion that the Governments of the United Kingdom and the Soviet Union should consider commissioning some preparatory studies on the scope and character of a possible conference on European security, subject to the proviso—which he had been at pains to emphasise—that they could not arrogate to themselves a monopoly of concern and responsibility in this matter and that each Government must therefore be free to consult its allies at all stages. In this way we should be able to prevent the United States involvement in the defence of Europe from being put in jeopardy.

The discussions on topics of exclusively Anglo-Soviet concern had, for the most part, been more relaxed and constructive; and the Soviet leaders had shown genuine interest in the expansion of trade and technological collaboration between the two countries. They had also expressed the hope that the organisations responsible for economic planning in the United Kingdom and the Soviet Union respectively would remain in close contact, since the preparation of the next Soviet five-year economic plan—a process which would
start in about a year's time—might offer scope for a further enlargement of Anglo-Soviet trade, provided that the Soviet authorities knew in good time how far it would be worth their while to look to the United Kingdom rather than to, e.g., Japan, for industrial goods.

The one exception to the generally satisfactory outcome of these discussions on bilateral topics had been the case of Mr. Gerald Brooke. The Prime Minister had rejected the suggestion that Mr. Brooke should be exchanged for the two Soviet spies Kroger, who were now serving prison sentences in this country, on the ground that the two cases were in no way comparable. He had not sought to dispute the Soviet claim that Mr. Brooke had been properly tried and condemned by a Soviet court on a criminal charge; but he had insisted that Mr. Brooke’s sentence had been out of all proportion to his offence—indeed, he had been little more than the innocent but naïve tool of an irresponsible émigré organisation and British public opinion was unable to understand why, in these circumstances, he should have been treated with such severity. The episode was poisoning Anglo-Soviet relations; and the Prime Minister had therefore thought it right to address a strong plea for clemency to the Soviet Government, for which he had found an appropriate occasion during his formal visit to Mr. Podgorny, the Soviet Head of State. There had been no noticeable softening of the Soviet attitude in this matter; but there had perhaps been a slight indication by Mr. Podgorny that, provided that the Soviet Government were not subjected to what they regarded as unjustified pressure by the British Press, they might be prepared in due course to give further consideration to the release of Mr. Brooke.

The Cabinet—

(4) Took note, with approval, of the Prime Minister’s statement.

3. The Cabinet considered a memorandum by the Lord President (C (68) 25) about the Legislative Programme for the current Session.

The Lord President recalled that it had become clear by the previous November that unless Parliament were asked to sit beyond the end of July the Legislative Programme approved by the Cabinet could not be completed. The Cabinet had asked the Future Legislation Committee to consider whether any Bills should be deferred to the next Session, and, if so, which. The Committee had taken into account that there was a good economic case for restoring to the Programme a shortened Restrictive Trade Practices Bill and that it might be necessary to add further Bills on Immigration, Air Corporations and Family Allowances. It had since transpired that Air Corporations could wait until the next Session and in the light of the Government’s decisions on economic measures, a Family
Allowances Bill would probably not be necessary. On the other hand, Immigration might well be required and a Miscellaneous Provisions Bill would have to be introduced shortly to give effect to the Government's proposals for reducing public expenditure. Nevertheless, if the proposals of the Future Legislation Committee were adopted in their entirety and no further additions had to be made to the Programme, it was just possible that Parliament might be able to rise on 28th July. If, however, these conditions were not fulfilled there would have to be an additional period of 10-14 days sitting. The Future Legislation Committee had proposed that the Post Office, Vehicle Registration, London Transport, Mines and Quarries (Amendment) and Law Reform (Miscellaneous Provisions) II Bills should be deferred, though with some reservations about London Transport since postponement might impose further charges on the Exchequer. They also proposed that Bills on Hovercraft, National Theatre and Baltic Claims should be taken by the Second Reading Committee procedure instead of on the floor of the House and that if it became necessary to defer, in addition, the Immunities and Privileges Bill the provisions of that Bill which it was essential to pass in the current Session to take account of the change in the status of the European Coal and Steel Community (ECSC) should be introduced as a separate measure by the Second Reading Committee procedure. Since only a limited number of Bills could secure a passage by this means, Bills in the Second Reading Committee list should be introduced on the principle of “first come, first served”.

In discussion the following points were made:

(a) It was for consideration whether the Revenue Bill abolishing the Selective Employment Tax rebate and the export rebate should be combined with the Miscellaneous Provisions Bill.

(b) The postponement of the Post Office Bill would mean deferring the vesting day for four or five months, but this was acceptable.

(c) While it would clearly not be possible to pass both London Transport and Vehicle Registration, and there was a case for excluding both, further consideration should be given to the question whether one should be retained, and if so which. It was desirable not to defer Vehicle Registration because the existing system was becoming increasingly overloaded and deferment would delay the planning necessary to bring the new registration arrangements into operation in 1971. Moreover, it had been announced that the new centre for registration would be in Swansea and there would be considerable local disappointment if the prospect of more employment in that area were deferred. On the other hand, the postponement of London Transport might mean that the Exchequer would have to continue to pay grants to meet the London Transport Board's deficit longer than would otherwise be the case and there was a risk that the Greater London Council would resile from their agreement to take over the Board's functions.

(d) Although work on securing the safety of pit tips was being undertaken in advance of legislation, in view of the explicit recommendation of the report of the Tribunal on the Aberfan disaster...
that legislation should be introduced, it would have an unfortunate effect on public opinion in South Wales if Mines and Quarries were deferred. If the Bill were introduced in the current session it would probably be uncontroversial and it might therefore be taken through the Second Reading Committee procedure.

(e) There was no objection to the deferment of Law Reform (Miscellaneous Provisions) II, but one consequence would be that there would be greater pressure for the inclusion of law reform measures in the programmes for the remaining Sessions of the Parliament.

(f) It was arguable that National Theatre should be deferred until the next Session as a measure of economy. If it were placed in the list for the Second Reading Committee however it could be taken either this Session or early next Session in the light of whatever decision might be reached on its timing.

(g) It was desirable to include Immunities and Privileges in the current programme not only to provide for the changed status of the ECSC but to enable the Government to implement an agreement about the immunities to be accorded to the headquarters of the International Maritime Consultative Organisation (IMCO) in London.

(h) If an Immigration Bill were required, as now seemed probable, it would be necessary to take it through Parliament very quickly in order to avoid a rush of immigrants to enter the country before new barriers were introduced.

(i) The Theft Bill, for which it had been intended to use the Second Reading Committee procedure, had, by an error, been introduced in the House of Lords before the Opposition had been consulted and they had subsequently indicated that they were unwilling to agree to the use of that procedure. The Home Secretary had however discussed the position with Mr. Quintin Hogg and it was possible that the Opposition’s objection might be withdrawn. In general, however, a Bill intended for the Second Reading Committee procedure could not be given time on the floor of the House if that procedure were not adopted.

(j) It was essential that in future Sessions major Bills should be introduced at the beginning of the Session in order that the Standing Committees could be manned early; otherwise there would be a repetition of the serious difficulty experienced in the current Session of obtaining enough members to serve on Standing Committees after the Select Committees, service on which was considered more attractive, had been set up.

The Prime Minister, summing up the discussion, said that the Lord President should discuss with the Chancellor of the Exchequer and the Minister of Transport whether either the Vehicle Registration Bill or the London Transport Bill could be left in the programme and consider in consultation with the Foreign Secretary whether the agreement about the IMCO headquarters necessitated the passage
The Cabinet—

(1) Subject to the points made in the Prime Minister's summing up, approved the proposals in C (68) 25.

(2) Invited the Lord President—

(i) in consultation with the Chancellor of the Exchequer and the Minister of Transport, to consider whether either the Vehicle Registration Bill or the London Transport Bill should be retained in the present Session's programme;

(ii) in consultation with the Foreign Secretary, to consider whether it was necessary that the Immunities and Privileges Bill should be passed in the current Session.

(3) Invited the Chancellor of the Exchequer to consider whether the Revenue Bill could be combined with the Miscellaneous Provisions Bill.

(4) Invited the Ministers responsible for Bills deferred from the present Session and for other major Bills likely to be included in the programme for 1968–69, to note the importance of having their Bills ready for introduction at the beginning of that Session.

The Cabinet considered a memorandum by the Chief Secretary, Treasury (C (68) 3) on the salaries of members of the boards of nationalised industries.

The Chief Secretary, Treasury, recalled that the Cabinet had invited him, after consultation with the Ministers concerned, to put forward proposals on the level of salaries to be paid in future to members of the boards of nationalised industries. He had held discussions with his colleagues about this, but it had not proved possible to put forward agreed proposals; his memorandum set out the points of view which had been expressed. The essence of the problem was that the level of salaries for comparable posts in private industry was broadly double the level of salaries of Board members in the nationalised industries. In this situation a number of alternative courses were open to the Government. First, they could grant the large increases in salaries in the nationalised industries which would be needed to make them comparable with salaries in the private sector, and so enable them to compete effectively for the available managerial talent in respect of posts at both board and senior executive levels, where salary limits were determined by those
of board members. Second, the Government could agree to a modest increase in salaries of, say, 10 per cent; but this would have most of the presentational disadvantages of a bigger increase and would not go to the root of the problem; there was no support for this course. Third, the Government could refer the issue to an outside body with the standing necessary to command support for its recommendations. The obvious body would be the National Board for Prices and Incomes (NBPI), though some doubts had been expressed whether it would be appropriate for them to carry out this task since their recommendations might ultimately affect the pay of the members of the NBPI itself. Finally, the Government could take no action at present but leave the matter for further review in six months’ time. This was the course he recommended.

In his view, at a time when wage-earners generally were being asked to exercise restraint and in many cases to accept some deterioration in their standard of living, it would be out of the question to introduce increases in salaries of the order of £200 a week gross. Any increases in board salaries in the nationalised industries would have extensive repercussions on senior staff in the industries and on the higher civil service. If the Government were to refer the issue to an outside body at the present time, they would be accused of shelving responsibility for a decision they ought themselves to have taken, and their action would be interpreted as favouring substantial increases in the salaries in question: this would be bound to have damaging repercussions on the Government’s incomes policy. The present situation was tenable: there had been a considerable gap between salaries in the nationalised industries and those in the private sector for the last 20 years, and where there was a need to secure the services of a particular individual it was always possible to do this by paying a salary ad hominem.

In discussion there was general agreement that in the present situation there could be no question of granting immediate increases in board salaries. It was argued, however, that the right course was to refer the issue to the NBPI, which would be preferable to a reference to an ad hoc body. There could be no doubt about the need for a higher level of salaries in the nationalised industries. There was recurring difficulty in securing adequate replacements for chairmen and members of boards, and the creation of new bodies such as the National Freight Corporation and the National Bus Company would again raise this problem in an acute form. There was a constant loss of promising managerial talent to the private sector. Present salary levels were making it difficult to secure any mobility of management even within the nationalised industries themselves. The low level of board salaries was depressing the salaries of senior executives, creating severe anomalies and gravely damaging morale in the industries generally. Payment of salaries ad hominem was no solution since it left untouched the problem of inadequate salaries below board level. A high level of salaries was essential if we were to secure efficient management in industries
which were vital to the performance of the economy as a whole. Higher salaries would be a more effective, and less costly, incentive for management than any tax reductions. The gap between board salaries and comparable salaries in private industry had grown over the years and, with the disclosures of directors' salaries in the private sector under the new Companies Act, was increasingly becoming public knowledge. The problem should be tackled without delay and there should therefore be an immediate reference to the NBPI. Nothing would be gained by deferring this for six months since it was likely that the objections to making a reference now would apply even more strongly at that time. To enable the problem to be put in perspective and to make the reference more palatable to the trade unions, the NBPI should be asked to investigate the salaries of top management not only in the nationalised industries but also in the private sector. It would probably take the NBPI as much as nine months to carry out such a remit, and it would be open to the Government to delay action on the Board's recommendations when they were received.

On the other hand there was substantial support for the view that a reference to the NBPI should not be made at the present time. It would be seen as a sign that the Government favoured higher salaries, but lacked the courage to take decisions which were properly their responsibility. The increase in Ministerial and judicial salaries in 1964 was constantly referred to in wage negotiations affecting manual workers, and any impression that the Government favoured an increase in salaries for highly-paid posts would make it impossible to secure wage restraint, to which there was already greater resistance than at the time of the wage freeze in 1966. If the issue were referred to the NBPI, the Board would almost certainly recommend substantial increases in salaries; it would scarcely help if at the same time they were to recommend a reduction of excessive salaries now paid in the private sector since such a recommendation would have little effect. If the NBPI recommended increases in salaries at this level, the confidence of the trade unions in the Board would be gravely undermined. The Government would not be in a position to allow substantial salary increases in the nationalised industries at the time the NBPI could be expected to report, nor indeed for some considerable time after that; and it would therefore be wrong in these circumstances to make a reference now.

In further discussion the following points were made—

(a) the level of pensions for board members was an important factor in recruiting and retaining the right people in the nationalised industries. There should be an immediate review within the Government of pension provisions for senior staff in these industries.

(b) At present the Treasury were not prepared to allow payment of the final increments in certain salary scales for senior staff in the nationalised industries. The position would be somewhat eased if these increments could be paid.

(c) There might be a case for arrangements whereby recommendations on top salaries in the nationalised industries became the responsibility of an impartial body.
The Prime Minister, summing up the discussion, said that on balance the Cabinet agreed with the proposal by the Chief Secretary, Treasury, that no action should be taken at present but that the matter should be reconsidered in six months' time. It should accordingly be brought back to the Cabinet a few weeks before the Summer Recess. Meanwhile, the Ministerial Committee on Prices and Incomes should review pension provision for board members and senior executives in the nationalised industries.

The Cabinet—

Invited the Chancellor of the Exchequer—

(i) in consultation with the Ministers concerned, to arrange for the Ministerial Committee on Prices and Incomes to review pension provision for members of boards and senior executives in the nationalised industries;

(ii) to arrange for a further report on the salary levels of the members of boards in the nationalised industries to be brought forward for consideration by the Cabinet before the Summer Recess.

5. The Cabinet considered a memorandum by the Minister of Technology (C (68) 27) on the legislative provision required for financing production of the Concorde aircraft.

The Minister of Technology said that, following the Cabinet's decisions on 5th January about the Concorde project, he had discussed with the Chief Secretary, Treasury, the Attorney-General and the Legal Adviser to the Foreign Office, the question of the conditions we should seek to agree with the French Government for continuance of the project beyond the spring or early summer of 1969. Arrangements were in hand to communicate agreed conditions to the French. It had been decided that when the Industrial Expansion Bill was published, it should not include the clause authorising the provision of production finance for Concorde, since the additional financial commitment might have been ill received if it had been made public at a time when major cuts in public expenditure were being announced. He now recommended, however, in agreement with his colleagues, that the clause should be restored to the Bill at Committee stage. It was the opinion of the Law Officers that, as preparations for production of the aircraft gained momentum, constitutional practice and proprieties required specific legislative powers to be taken. There would be a number of financial advantages to be gained from the early introduction of such provision. The Attorney-General had advised that the enactment of a clause providing for production finance would not increase our legal
commitment to the project. For tactical reasons it would be preferable not to disclose a decision to include a clause in the Bill until the results of the forthcoming approach to the French Government were known. He would, however, propose to say on Second Reading that the Bill was so drafted as to enable provision for financing production of Concorde to be included, that discussions were proceeding with the French Government, and that he would make a statement to the House at a later stage about legislative provision.

In discussion there was general agreement that the clause should be restored to the Industrial Expansion Bill. It was suggested, however, that it would give rise to criticism in Parliament if the clause were restored at Committee stage without adequate warning. It would be important at Second Reading to be completely candid with the House about the Government's intentions. It would be desirable at that stage to make it clear that the Bill was drafted so as to enable provision for production finance to be included, to indicate the sum that would be involved, and to say that negotiations were proceeding with the French and that a statement would be made at a later stage—on the floor of the House as distinct from a statement in Committee—as to the inclusion of the relevant clause.

The Prime Minister, summing up the discussion, said that the Cabinet approved the course proposed by the Minister of Technology; the Minister should, however, consult the Chancellor of the Exchequer and the Lord President on a form of words foreshadowing the restoration of the clause on production finance to be used at Second Reading of the Industrial Expansion Bill.

The Cabinet—

(1) Agreed that the clause providing for production finance for the Concorde project should be restored to the Industrial Expansion Bill at Committee stage.

(2) Invited the Minister of Technology to consult the Chancellor of the Exchequer and the Lord President on a form of words about the inclusion of the clause to be used on the Second Reading of the Bill.

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Scotland

Storm
Damage

(Previous Reference: CC (68) 9th Conclusions, Minute 3)

6. The Secretary of State for Scotland said that in a statement in the House of Commons that afternoon he would inform the House that the damage to property caused by the storm on the night of 15th-16th January was now estimated at £9 million for property owned by local authorities and £7 million for private property. The Government financial assistance so far available amounted however to only £200,000. In the light of his previous undertakings to give Government help and of the fact that it was difficult to ensure rapid repairs so long as doubt persisted about responsibility for payment, this figure might be criticised as inadequate.
The Chief Secretary, Treasury, said that £200,000 was being paid from the Contingency Fund in response to a request for this amount as an advance payment and he would be willing to discuss with the Secretary of State for Scotland what further financial assistance was required.

The Cabinet—
(1) Took note of the statement by the Secretary of State for Scotland.
(2) Invited the Secretary of State for Scotland to discuss with the Chief Secretary, Treasury, what further financial help should be provided on an emergency basis for areas affected by the storm.

Cabinet Office, S.W.1,
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 1st February, 1968
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M P, Secretary of State for Education and Science
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. BARBARA CASTLE, M P, Minister of Transport
The Right Hon. CLEDWYN HUGHES, M P, Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology

The following were also present:
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury (Item 4)
The Right Hon. GEORGE DARLING, M P, Minister of State, Board of Trade (Item 4)

The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. W. A. NIELD
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. L. ERRINGTON
Mr. H. L. LAWRENCE-WILSON
Mr. K. BARNES
Mr. P. E. THORNTON

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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 President said that the Select Committee on the work of the Parliamentary Commissioner had taken exception to the proposal to debate the Commissioner's report on the Sachsenhausen Prison Camp before the Select Committee had themselves considered and reported upon it. The Parliamentary Commissioner's report was, however, a report to the House of Commons as a whole, and it would be unfortunate if the Select Committee considered it necessary to hold a further investigation and to produce a second report in a few months' time which would revive criticism and controversy. Since the Foreign Secretary had agreed that compensation should be paid to the officers from whom it had hitherto been withheld, it would in any event be necessary at least to make a statement, as the payments would appear in the Estimates.

The Prime Minister said that the Select Committee might be seeking to follow the procedure of the Public Accounts Committee which considered the Annual Report of the Comptroller and Auditor-General and reported to the House upon it. The adoption of this type of procedure would mean, however, that the Parliamentary Commissioner's report on the grievance of a private citizen could not be debated in the House of Commons until several months after the report had been made. This would be unsatisfactory, and the Lord President would be justified in drawing this distinction between the procedure of the Public Accounts Committee and that appropriate to the Select Committee concerned with the work of the Parliamentary Commissioner and in maintaining the right of the House of Commons to debate the Commissioner's reports without undue delay.

The Cabinet—
Invited the Lord President, in dealing with the matter, to adopt the line indicated by the Prime Minister.

2. The Foreign Secretary said that there were some hopeful signs that the incident of the seizure by North Korea of the United States Ship Pueblo might be on the way to solution. The Security Council of the United Nations had adjourned their debate and would probably not meet again. But there was considerable diplomatic activity behind the scenes in which the United Kingdom Representative at the United Nations, Lord Caradon, was playing a leading and valuable role. The United States were acting with caution and restraint; and the North Koreans appeared to be disposed to enter discussions.
Vietnam
(Previous Reference: CC (68) 10th Conclusions, Minute 2)

Middle East
(Previous Reference: CC (68) 10th Conclusions, Minute 2)

Approach to Europe
(Previous Reference: CC (68) 10th Conclusions, Minute 2)

SECRET

The Foreign Secretary said that the situation in Vietnam was not encouraging. It was too early to assess the full significance of the Communist offensive which had broken out all over South Vietnam within the last few days. It had been suggested that it might be a last desperate throw by North Vietnam before a decision to open negotiations, or an all-out effort to win the war. But it was not yet possible to say what was the real explanation or to forecast future developments.

The Foreign Secretary said that as a result of the recent incident in which Israeli forces had fired on Egyptian survey ships in the Suez Canal, work on the reopening of the southern end of the Canal had come to a halt. It did not appear that the Israelis were deliberately trying to sabotage the work. The ships appeared to have been fired on because they were sailing northwards, thus giving the impression that the intention was to reopen the northern section of the Canal. Although the Israelis had agreed to the clearance of the southern section, they had always opposed the clearance of the northern section of the Canal as well, since this would in effect constitute a reopening of the whole Canal, which they could not accept without prior agreement on the right of passage for Israeli ships. The situation was complicated by the fact that the Special Representative of the Secretary-General of the United Nations, Mr. Jarring, was making only slow progress in his conciliation mission.

The Foreign Secretary said that the outcome of the meeting of Western European Union (WEU) on 30th January, at which the Benelux proposals for continuing consultation and practical co-operation between the member States of the European Economic Community (EEC) and the United Kingdom and other Western European States had been discussed, had been a good deal better than we might have feared and indeed than we could reasonably have hoped. He had had good informal discussions with the Ministers present and with Sr. Martino, member of the Commission for external relations; in view of the apprehension that the Commission might view the Benelux initiative as a threat to the solidarity of the Communities and to its own prerogatives, he had explained the United Kingdom attitude and intentions fully to Sr. Martino, and the latter had in WEU welcomed the Benelux proposals “with prudent sympathy”. Herr Brandt, the Federal German Foreign Minister, had made clear from the outset his personal support for our attitude since the veto and in particular towards the Benelux proposals, but it was evident that there were considerable divergences of opinion, and resultant stresses, within the German Government on this and other issues. In the WEU discussion Herr Brandt had welcomed the basic principles on which the Benelux proposals were based, but had not of course been able to accept them in advance of the forthcoming meeting in Paris between the Federal German Chancellor, Dr. Kiesinger, and President de Gaulle. Sr. Fanfani, the Italian Foreign Minister, had also given firm support to the need for consultation and practical co-operation between the Community States and the United Kingdom and had
deferred a pronouncement on the Benelux proposals only until the outcome was known of the forthcoming talks between Dr. Kiesinger and President de Gaulle. Mr. Luns, the Dutch Foreign Minister, was as always firm in our support, indeed on this occasion a little too firm for Herr Brandt; however the differences which had arisen at the breakfast meeting of the Five on 30th January had been resolved before the formal discussion took place in WEU. The only disappointment was the attitude of M. Gregoire, the Luxembourg Foreign Minister, whose Government appeared to have been subjected to considerable pressure by the French. Surprisingly however M. Bettencourt, the French Minister of State for Foreign Affairs, had made a quiet, reserved and defensive intervention, to the effect that the French Government required more time in which to study the Benelux proposals.

The Five had decided that they would hold a further meeting between themselves immediately after Dr. Kiesinger's visit to Paris in February. It had also been decided that either one or more of the Benelux Governments, or the Italian Government, would call a meeting of officials from the 10 EEC and applicant States in order to prepare the ground for a meeting of the 10—or such of them as wished to be present—by considering in more detail possible fields for consultation and co-operative action outside, or on the fringe of, the activities pursued by member States under the Treaties establishing the Communities. Thus considerable progress had been made towards the twin objectives of Her Majesty's Government of having a continuing opportunity in consultations with members of the EEC to influence its future development and of participating in co-operative action of various kinds with the member States in ways which would maintain interest in, the momentum towards, our own eventual membership. Technological co-operation appeared to be the most promising field. After the WEU meeting Sr. Fanfani had particularly impressed upon him that the British Government should bring the greatest possible pressure to bear on the Federal German Government to ensure that the discussions between Dr. Kiesinger and President de Gaulle were not permitted to lead to long-drawn-out exchanges which would delay decisions on the Benelux proposals.

In discussion it was suggested that it was becoming particularly urgent to decide whether or not the United Kingdom was prepared to develop full technological collaboration—on the lines indicated in the Prime Minister's speech at the Guildhall in November—with EEC and other States in advance of negotiations for United Kingdom membership, which had been set as the essential pre-condition last November. It would be necessary to resume in the near future the discussions with the Confederation of British Industries (CBI), without commitment, on the future of the proposal to establish a European Institute of Technology, in accordance with the Cabinet's conclusions when they had last discussed this subject; and the CBI would certainly wish to know shortly whether the Government intended that the CBI should pursue this initiative at this time with
their counterparts in other European countries. The Foreign Secretary’s speech to WEU had drawn a useful distinction between what the United Kingdom might do as a member of an enlarged Community and what it might be able to do while we remained outside the Community, and as had been agreed at the Cabinet’s previous discussion, the future of the technological initiative would be further considered as part of the comprehensive review of foreign policy which the Cabinet had decided to hold later in the month.

The Prime Minister, summing up the discussion, said that the Cabinet would consider future policy in relation to Europe, including policy on future technological collaboration, in the course of their comprehensive review in February of foreign policy. Meanwhile, as part of the preparations for that review, the Ministerial and Official Committees on the Approach to Europe should consider the position we might take up at the proposed meetings of the 10, and in particular advise on the issues arising in respect of future British policy on technological collaboration with other Western European states. Meantime it would be helpful if the Foreign Secretary would circulate to the Cabinet the text of his speech to WEU on 30th January.

The Cabinet—

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

(2) Invited the Foreign Secretary

(i) to arrange for the Ministerial and Official Committees on the Approach to Europe to consider and report on the position we might take up in the preparatory and Ministerial meetings of the 10 which had been proposed at the meeting of WEU on 29th and 30th January;

(ii) to circulate to the Cabinet the text of his speech on 30th January to the WEU on the United Kingdom attitude towards the Benelux proposals for co-operation and collaboration.
representatives should be prepared to go in order to achieve agreement with the Conservative Opposition. As now proposed, the reformed House would comprise a working nucleus of upwards of 200 peers of first creation with voting rights which would be conditional on regular attendance. Among these the Government of the day would have a majority over all Opposition parties, though not an overall majority. Additionally the House would include peers who had a right to speak but not to vote, including the remaining peers of first creation, together with all existing peers by succession. The Conservative representatives had abandoned their initial claim that speaking rights should be hereditary.

The proposals for restricting the powers of the House of Lords to delay legislation, however, differed from those previously considered by the Cabinet, which had contemplated that a Bill which was rejected by the Lords in one Session could be enacted in the following Session if again passed by the Commons. This had been unacceptable to the Conservatives, and instead it was now proposed that where a Bill was rejected by the Lords (who would be allowed up to two months to consider it), it should automatically become law at the end of a period of six months, subject only to a resolution of the Commons and notwithstanding that the period ran into a new Session or even a new Parliament. In this way the potential threat to a Labour Government's legislative programme in the last Session of a Parliament would be removed. Further, the Commons would be given power to override the rejection by the Lords of any statutory instrument, thus removing the Lords' present power to veto subordinate legislation.

Reform of the House of Lords on these lines would enable the Government to achieve its declared objectives in relation to the Lords' powers, and at the same time to eliminate the hereditary basis of the Second Chamber and ensure the Government of the day a reasonable working majority. There had been general agreement among the party representatives in the Inter-Party Conference that such reform would make possible development of the Lords' functions as a scrutinising and reviewing Chamber, complementary but subordinate to the Commons, in a way which would increase the efficiency of Parliament as a whole and relieve the Commons of some of their routine work. He sought the Cabinet's approval to the proposals accordingly as a basis for further discussion by the Inter-Party Conference, and their agreement that the Conference should have in view the publication of a White Paper some time after the Budget. There still remained much work to be done on the detail of the scheme, but if there was agreement between the parties on the legislation, there would be less urgency to introduce it in the current Session.

In discussion it was suggested that, notwithstanding the extent to which the hereditary principle would be retained in determining the membership of the new House and the degree of patronage with which the Prime Minister of the day would be endowed—features
which would themselves be sources of criticism and misunderstanding—the establishment of the House of Lords on the more rational basis proposed would strengthen its authority so that it would be more likely to use its powers to the full. Moreover, the Government would have insufficient control over its own supporters since their voting rights would be enjoyed for life, subject to any retirement age. In any event, since the Government would not have an overall majority of the House, the cross-benchers would hold the balance and would become a new constitutional force outside Government control. It was likely also that the proposals would have the effect of strengthening the active membership of the Conservative Opposition in the Lords. In these circumstances it was suggested that the powers of the Lords to delay legislation should be further reduced. In particular it was unacceptable as a constitutional principle, and contrary to the conception of the Lords as a subordinate partner in Parliament, that they should be given power to delay legislation which had been passed by the elected Chamber in order to enable public opinion to form on it. The extent of the delaying power might cause difficulty in practice in relation to an urgent and important Bill which reached the House of Lords late in the Session, and the reserve power of the Prime Minister to swamp the House by fresh creations would be ineffective in such circumstances.

On the other hand, it was pointed out that the Cabinet had already decided in principle that the composition of the House of Lords should be reformed and that it was inherent in any such reform that the authority, though not the formal powers, of that House would thereby be increased. The extent to which the Lords could delay legislation depended more on the composition than on the formal powers of the House, and under the proposals before the Cabinet the Government would have reasonable assurance of a majority. There was in practice little tendency for peers to change their party allegiance, and the cross-benchers tended to support the Government; any contrary tendency could be corrected by new creations. It was further pointed out that, while a reformed House of Lords should be permitted to exercise useful scrutinising functions, subject to the overriding power of the House of Commons, the principal and most indefensible power at present possessed by the Lords—that to veto subordinate legislation—would be abolished. In its practical effect the power to delay the enactment of Bills for six months was unlikely to cause difficulty, and the Government would be assured of enactment at the end of the period without the need to pass the Bill a second time through the normal stages. Further, the present power of the Lords to prevent the passage of a Bill introduced in the final Session of a Parliament would be abolished. The proposals represented the only basis on which reform of the House of Lords could proceed with inter-party agreement, and represented a reasonable compromise which none the less was likely to work to the Government’s advantage on balance, and would enable the functions of the Lords to be developed by agreement in a way that would benefit the Commons and the working of Parliament as a whole. In particular, reform by agreement on the lines proposed
would ensure that the hereditary principle as the basis of the House of Lords would be permanently eliminated and would not rule out the possibility of subsequent more radical reform to sever altogether the connection between the peerage as such and membership of the Second Chamber.

In further discussion the following main points were made:

(a) The average age of the reformed House of Lords was likely to be high and, especially, if a retirement age were adopted, it should be possible to accommodate the new creations that would be necessary on a change of Government without unduly enlarging the size of the House.

(b) The provision whereby a Bill might be enacted at the end of a period of six months following disagreement, notwithstanding that this period overran a Session or even a Parliament, would not form a precedent for carrying Bills which had failed to complete their Parliamentary stages in one Session over to the next.

(c) Although provision which enabled the period of delay to run from one Parliament to the next would have the effect that any Bill which was carried over in this way would become an election issue, this would not be avoided by provision to enact a disagreed Bill at the end of a Parliament, since the question of its repeal would then be canvassed.

(d) It would be undesirable for the introduction of legislation to reform the House of Lords to be deferred beyond the point at which it could, if necessary, be forced through under the Parliament Acts in the current Parliament.

(e) The question of Scottish representation was still to be considered by the Inter-Party Conference and consideration should also be given to adequate regional representation generally, without, however, providing for any formal allocation. There were, however, practical difficulties in combining regional representation with a requirement of minimum attendance.

(f) Episcopal representation in the reformed House might raise difficulties in relation to Scotland and Wales.

The Prime Minister, summing up the discussion, said that, provided that inter-party agreement on the reform of the House of Lords could thereby be achieved—and the conclusions of the Opposition parties on the proposals were still awaited—the majority of the Cabinet supported the proposals set out in C(68) 26 as a basis on which the Government representatives should pursue their discussions in the Inter-Party Conference with a view to the publication of a White Paper in the spring. The Cabinet should consider the White Paper in draft before the detailed proposals were finally agreed with the Opposition representatives, and should then consider also the timing of the introduction of the legislation. The Government representatives on the Inter-Party Conference should in the meantime consult the Cabinet if any major difficulty arose in
The negotiations, or if they required guidance on any issue of substance, such as might arise in relation to the position of the bishops. The Government representatives were to be congratulated on the progress which the negotiations had made.

The Cabinet—

(1) Approved the proposals for reform of the House of Lords set out in C (68) 26 as a basis for further discussion with the Opposition leaders with a view to publication of a White Paper in the spring.

(2) Invited the Lord Chancellor to arrange for the negotiations with the Opposition leaders to be conducted in accordance with Conclusion (1), and to bring before them detailed proposals in the form of a draft White Paper, and any major point of doubt or difficulty which arose in the negotiations.

(3) Agreed to consider the timing of legislation to reform the House of Lords when they had before them the draft White Paper in accordance with Conclusion (2).

4. The Cabinet considered a memorandum by the First Secretary of State (C (68) 30) on the Farm Price Review for 1968.

The First Secretary of State said it had not proved possible for the Committee on Agricultural Policy to reach agreement on the limits to which Agricultural Ministers should go in negotiations on the Farm Price Review. His memorandum set out the background to the Review and his own recommendations. The Committee had taken into account a report by a Sub-Committee of the Official Steering Committee on Economic Policy on the extent to which the objectives of the present selective expansion programme for agriculture might need to be modified in the light of devaluation; they had also considered comments by the Economic Advisers on the Sub-Committee's report. The agreed conclusions emerging from these studies were that it would be wrong at the present time to make any radical change in agricultural policy, but that for the purposes of the present Review the emphasis should be placed so far as possible on stimulating production of those commodities which would produce import savings over the next two years, as against those where the response to additional incentives would operate more slowly.

The Treasury had advocated a total award of some £33 million and the Agricultural Departments an award of £75 million, while the Department of Economic Affairs had supported an intermediate amount of £53·5 million. In his view, there were sound reasons for an award of the order of that recommended by the Department of Economic Affairs. Since the last Review, farmers' costs had increased by £68·5 million. Gains to the farmers arising from
increased productivity were put at £30 million. On the basis of the Treasury recommendation, all the gains from productivity would be required to meet increased costs and there would be no net benefit to the farmers. This would not accord with the Government's general approach under the incomes policy towards gains from higher productivity in industry generally. On the other hand, an award of the size recommended by the Agricultural Departments would mean a net gain to the farmers which would be excessive in the present economic situation. The effect of the award which he recommended would be to leave the farmers with half of their expected gains from higher productivity, after meeting increased costs. This net increase to farm income could not be regarded in the same light as a wage increase, since it had to cover the farmer's return on past investment and his finance for new investment as well as his own reward for management. To leave the farmers with a net increase in farm income of some £15 million, as under his proposal, was a reasonable solution.

As regards particular commodities, he recommended an increase of 1s. 6d. per cwt. in the guaranteed price for wheat, and an increase of 1s. per score in the guaranteed price for pigs. Since these commodities offered the prospect of securing substantial import saving over the next two years, there was a case for additional incentives. As regards beef production and the related expansion of the dairy herd, there were conflicting considerations. On the one hand, because of the long production cycle for beef there was less prospect of early import saving than in the case of wheat and pigs. On the other hand, having regard to the losses through the epidemic of foot-and-mouth disease there was a strong case for an award which would restore confidence in the livestock sector. He recommended an increase in the guaranteed price of 12s. 6d. per cwt.

If the Cabinet reached decisions on the total size of the award and the negotiating limits for the commodities to which he had referred, he proposed that the distribution of the balance between the remaining elements of the award should be worked out by the Departments concerned, with reference to the Committee on Agricultural Policy if agreement could not be reached. There were, however, two further issues which he invited the Cabinet to resolve. The Agricultural Departments recommended first that the industry should be given an assurance that the guaranteed price of beef would not be reduced at the next two Annual Reviews; and second that the standard quantity, which governed the payment of the guaranteed price for wheat, should be abolished. The argument for these proposals was basically that they would increase confidence in the industry and thus encourage the necessary expansion: as regards beef in particular, it was claimed that farmers would not undertake the necessary investment unless they had an assurance about market conditions for three years ahead. The argument against the proposals was that, while they would not involve any appreciable Exchequer expenditure in the immediate future, they represented a substantial contingent liability in the longer term.
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If the Cabinet reached decisions on the total size of the award and the negotiating limits for the commodities to which he had referred, he proposed that the distribution of the balance between the remaining elements of the award should be worked out by the Departments concerned, with reference to the Committee on Agricultural Policy if agreement could not be reached. There were, however, two further issues which he invited the Cabinet to resolve. The Agricultural Departments recommended first that the industry should be given an assurance that the guaranteed price of beef would not be reduced at the next two Annual Reviews; and second that the standard quantity, which governed the payment of the guaranteed price for wheat, should be abolished. The argument for these proposals was basically that they would increase confidence in the industry and thus encourage the necessary expansion: as regards beef in particular, it was claimed that farmers would not undertake the necessary investment unless they had an assurance about market conditions for three years ahead. The argument against the proposals was that, while they would not involve any appreciable Exchequer expenditure in the immediate future, they represented a substantial contingent liability in the longer term.
The Minister of Agriculture said that the size of the award should be determined by reference to the degree of expansion which the Government wished to see. The Official Sub-Committee and the Economic Advisers had taken the view that it would be wrong to make any radical change in support policies at the present time. The Sub-Committee had held that the selective expansion programme, subject to minor modifications, continued to offer the right guidelines for future policy. The degree of expansion in home production which was technically feasible up to 1970-71 was no greater than the rate of expansion which had been achieved in the past and represented a realistic objective for most commodities. The selective expansion programme had been accepted by the Government and the industry, and recent Government pronouncements had emphasised the new opportunities for import saving in agriculture which arose from devaluation. The present system of agricultural support had produced an industry which was efficient by comparison with that of other countries. The Ministerial Steering Committee on Economic Policy had agreed that a further assessment should be made of the Exchequer and resource costs of agricultural expansion and of the case for a change in the present system of support. While it might be desirable to change that system at a later date, this was not at issue for purposes of the present Review, which should be conducted within the framework of the selective expansion programme. Unless the present award were consistent with the objectives of that programme, there would be a danger of stagnant or even declining production which would be contrary to the pledges given by the Government and would mean forfeiture of valuable import saving. Moreover, a firm home market for agricultural products was essential as a basis for exports of food products and agricultural machinery which were becoming increasingly important.

A substantial award was necessary this year because of the rise in farm costs, much of which resulted from devaluation. The Government had recognised that manufacturing industry would need in many cases to pass on cost increases resulting from devaluation to the consumer in the form of higher prices; because of the nature of the support system for agriculture, it was not open to farmers to pass on cost increases in this way, and it was therefore essential that the Review award should take full account of them. A substantial award was also necessary in order to ensure adequate provision for new investment. It was insufficient to leave the farmers with only half of their expected gains from higher productivity, as under the First Secretary’s proposal. Past awards which had not allowed the industry to recoup its costs had damaged confidence and had led to stagnant production. The 1967 award had rectified this and production had begun to expand. An award of the size recommended by the Agricultural Departments would be less generous than the 1967 award, but would ensure that this expansion was maintained.

It would be right to give an assurance that the guaranteed price of beef would not be reduced at the next two Reviews, in order to give the industry the necessary confidence to undertake new investment. It was desirable to expand the production of cereals.
especially wheat, and the abolition of the standard quantity for wheat would make a useful contribution. The amount of the standard quantity had corresponded to the actual level of production in recent years, and abolition of the present arrangement would not create difficulties either in regulating home production or in our relations with overseas suppliers.

The Chancellor of the Exchequer said that the award recommended by the First Secretary of State was too generous. It would mean that the cost to the Exchequer would be greater in 1968–69 than in 1967–68 by an amount in excess of £50 million, after allowance had been made for all the relevant factors including the savings to the Exchequer resulting from devaluation. This would represent an increase of 20 per cent. The Government had recently taken a large number of painful decisions in order to restrain the growth of public expenditure as a whole. Unless proposed expenditure for particular sectors were scrutinised with corresponding severity, there was a danger that the savings which had been decided on would be frittered away and the whole purpose of the recent measures would be defeated. It was therefore essential to consider the size of the present award against this background.

It was suggested in the memorandum by the First Secretary of State that an award of £53.5 million would represent an increase of 3 per cent in total net farm income, but this was probably an under-estimate if account were taken of the continuing decline in the number of full-time farmers, the probable increase in production and the likelihood that in the face of heavy increases in costs the gains from higher productivity would be higher than the estimated £30 million. The increased expenditure on beef production which the First Secretary of State recommended would be excessive in relation to the results secured: it would involve expenditure of some £50 million over the next three years to secure import savings estimated at only £15 million per annum. Experience showed that, whatever award the Cabinet now decided on, there would be great pressure as the Review proceeded for them to concede some further increase in order to secure the agreement of the Farmers' Unions. For all these reasons, while there might be a case for an award somewhat greater than the £33 million originally proposed by the Treasury, the figure should be substantially below that now proposed by the First Secretary of State.

In discussion, it was argued that an award substantially below that recommended by the First Secretary of State would be tantamount to repudiation of the selective expansion programme to which the Government was committed and would contravene the assurance given to the farmers that their gains from higher productivity would be used to finance additional investment and to improve the farmer's standard of living as well as to meet increased costs. Indeed, an award somewhat higher than that proposed by the First Secretary of State would be justified. Expenditure on agricultural support should not be considered on the same footing
as the generality of public expenditure since it was directly related to import saving. On the other hand, it was pointed out that the cost of agricultural support now amounted to about £1 million a day; the industry was already prosperous as a result of the generous award in 1967; there was no case for increasing this prosperity still further by an award which would augment total net farm income. This would necessarily increase personal income to the farmer since replacement of capital equipment could largely be financed from provision for depreciation, which was excluded from the total of net farm income as calculated for purposes of the Review.

There was, however, wide support for an award in the region of that recommended by the First Secretary of State, on the basis that this would be a final limit and in no sense an opening bid in the negotiations with the Farmers' Unions. An award of this order would maintain the momentum of expansion without treating farmers more generously than other sections of the community. It was, however, desirable that before decisions came to be taken on the next Reviews, there should be a searching analysis of the cost-effectiveness of the present support system and of the cost in resources and Exchequer expenditure of the expansion envisaged under the existing programme.

It was argued that an increase of 12s. 6d. in the guaranteed price of beef would be excessive. Experience showed that very large Exchequer subsidies on beef produced only modest results: between 1964 and 1967 the total cost of Exchequer support for beef production had amounted to no less than £200 million in return for an increase in production of the same order as that envisaged by the Agricultural Departments between 1968 and 1970–71. An increase of 7s. 6d. in the guaranteed price, which would be sufficient to prevent a fall in profitability, was the most that would be justified. On the other hand there was support for the view that an award on beef less than that recommended by the First Secretary of State would prejudice future expansion in this sector. The benefits of such expansion to the balance of payments could not be ignored simply because they would take time to materialise. Beef production had only recently begun to expand and it would be wrong to bring this to a halt before a proper assessment of the costs and benefits involved could be made. It was possible that our policy on imports of beef might need to be modified in the future as a result of the foot-and-mouth epidemic, and sustained growth in home production would be a worthwhile insurance.

In further discussion the following points were made:

(a) It was suggested that in view of the world surplus in milk products and the damage to our trading relations with Commonwealth suppliers which would be caused by an increase in home production, there was no justification for increasing the guaranteed price of milk by more than 1d. per gallon. On the other hand it was pointed out that Commonwealth countries had accepted that expansion of beef production in the United Kingdom would necessarily entail an increase in milk products; moreover, on the basis of the increase in the guaranteed price for milk proposed
by the First Secretary of State, it was expected that our output of milk products would still leave room for an increase in imports of butter by some 15,000 tons this year.

(b) There were strong arguments both for and against abolishing the standard quantity for wheat and giving an assurance on the future guaranteed price for beef. The guaranteed prices determined for these commodities in the present Review would have a bearing on the desirability of adopting these proposals, and a final decision should therefore be taken when it was clear what these determinations would be.

(c) If the required expansion in beef production were to be secured, it was important that the breeding section of the industry should be given adequate incentives. There was therefore a case for allowing some increase in the hill cow and beef cow subsidies, rather than devoting the whole of the award for beef to an increase in the guaranteed price.

(d) Any increase in the guaranteed price for sugar beet would be unwelcome to those Commonwealth countries which were heavily dependent on sugar production.

The Prime Minister, summing up the discussion, said that it had shown that the Cabinet strongly supported the need for a more rigorous examination of the cost-effectiveness of the present system of agricultural support and for fuller information on the cost in resources and Exchequer money of the expansion envisaged under the existing programme. These matters would be the subject of the further studies commissioned by the Ministerial Steering Committee on Economic Policy, to be carried out after the present Review. The Cabinet agreed that the total size of the award in the present Review should in no circumstances exceed £52½ million. The Minister of Agriculture should begin his negotiations with the Farmers' Unions on the basis of a total award some £10 million below this figure, and should aim to secure a settlement at a total of £50 million. If he thought it necessary to go beyond that figure, he should consult the First Secretary of State, and refer to the Committee on Agricultural Policy if the First Secretary of State judged that to be desirable. The Cabinet endorsed the proposals by the First Secretary of State in respect of negotiating limits for beef, milk, wheat and pigs, and agreed that the Departments concerned should work out the distribution of the balance of the award between the remaining elements, with reference to the Committee on Agricultural Policy if agreement could not be reached. The Minister of Agriculture should refer the proposals for an assurance on the future level of the guaranteed price for beef and for the abolition of the standard quantity for wheat to the Committee on Agricultural Policy when it became clear what the determinations in the present Review would be for the guaranteed prices of these commodities; the Cabinet agreed that the Committee should be authorised to settle these issues, referring back to the Cabinet only if it were not possible to reach agreement.
The Cabinet—

(1) Agreed that the total award in the Farm Price Review for 1968 should in no circumstances exceed £52·1 million.

(2) Approved the negotiating limits for beef, milk, wheat and pigs set out in paragraph 17 of C (68) 30.

(3) Invited the Minister of Agriculture—

(i) to arrange for the Departments concerned to work out negotiating limits for the remaining elements of the award and to refer to the Committee on Agricultural Policy any points which could not be agreed;

(ii) to conduct the forthcoming negotiations with the Farmers' Unions, as regards the total size of the award, on the basis indicated in the Prime Minister's summing up;

(iii) to refer to the Committee on Agricultural Policy the proposals for an assurance on the future level of the guaranteed price for beef and for abolition of the standard quantity for wheat when it was clear what the determinations in the present Review would be for the guaranteed prices of these commodities.

5. The Cabinet considered a memorandum by the Secretary of State for Defence (C (68) 29) covering the draft White Paper on the Defence Estimates, 1968.

The Cabinet were informed that the draft White Paper took account of the amendments agreed by the Defence and Oversea Policy Committee at a meeting in the previous week. It was the intention to discuss the disbandment of the Territorial and Auxiliary Volunteer Reserve Class III (T and AVR III) at the next meeting of the Cabinet and a reformulation of paragraph 5 of Chapter V of the draft Statement which dealt with this subject might then be necessary.

In discussion some minor amendments to the White Paper were agreed; Ministers having further drafting amendments to suggest were invited to send them to the Defence Secretary.

The Cabinet—

Approved for publication the draft White Paper on the Defence Estimates 1968 subject to the points made in discussion.

Cabinet Office, S.W.1,
1st February, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 6th February, 1968, at 11 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister

The Right Hon. Michael Stewart, M.P., First Secretary of State

The Right Hon. Lord G Ardiner, Lord Chancellor

The Right Hon. Richard Crossman, M.P., Lord President of the Council

The Right Hon. William Ross, M.P., Secretary of State for Scotland

The Right Hon. George Thomson, M.P., Secretary of State for Commonwealth Affairs

The Right Hon. Anthony Greenwood, M.P., Minister of Housing and Local Government

The Right Hon. Fred Peatt, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. Lord Shackleton, Lord Privy Seal

The Right Hon. Richard Marsh, M.P., Minister of Power

The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department

The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer

The Right Hon. Denis Healey, M.P., Secretary of State for Defence

The Right Hon. Patrick Gordon Walker, M.P., Secretary of State for Education and Science

The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs

The Right Hon. R. J. Gunter, M.P., Minister of Labour

The Right Hon. Barbara Castle, M.P., Minister of Transport

The Right Hon. Cledwyn Hughes, M.P., Secretary of State for Wales

The Right Hon. Anthony Wedgwood Benn, M.P., Minister of Technology

The following were also present:

The Right Hon. Kenneth Robinson, M.P., Minister of Health (Item 2)

The Right Hon. Sir Elwyn Jones, O.C., M.P., Attorney-General (Item 1)

The Right Hon. Frederick Mulley, M.P., Minister of State for Foreign Affairs

The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Miss J. J. Nunn
Mr. E. M. Rose
Mr. L. Errington
Mr. H. L. Lawrence-Wilson
Mr. P. E. Thornton

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

(ii) The Defence Secretary said that, when the Cabinet at their previous meeting considered the draft Statement on the Defence Estimates, 1968, the only point left to be settled was the precise terms of the reference to be made in it to the Territorial and Army Volunteer Reserve Category III (T & AVR III). This Volunteer force had been formed a year ago with a planned strength of 23,000 and with the role of supporting the civil power in general war. Its annual cost at full strength would be £3 million of which £300,000 would be borne on the Defence Budget and the balance on Home Office votes. Recruiting had been good and, by April this year, it had been expected that the strength of the force would be about 14,500. When the force had been formed it had been announced that its continuing existence would be reviewed after three years; the expectation had been that it would then be disbanded on the grounds that it served no useful purpose. In the recent review of Home Defence expenditure, the decision had been taken that this force, together with the Civil Defence Corps and the Auxiliary Fire Service, should be disbanded and this had been announced in the White Paper on Public Expenditure 1968-69 and 1969-70 (Cmd. 3515). As expected, the decision to disband the force had provoked objections, and Ministerial assurances had subsequently been given in Parliament that no steps would be taken to disband the force until there had been consultations with the Council of Territorial and Auxiliary Forces Associations.

The defence interests in T & AVR III were that it was a useful source of recruits for the regular forces, particularly when regular recruiting was as poor as at present, and that we wished to keep in being the remaining elements of the army volunteer reserves, and so had a strong interest in maintaining good relations with the Council. He therefore proposed that, in the Statement on the Defence Estimates, 1968, a form of words should be used about the T & AVR III which would leave some room for manoeuvre in discussions with the Council about its future. It might be that a worthwhile scheme could be worked out which would enable the force to be retained in some form for a period though at a reduced cost to be borne wholly on defence votes; the objective would in any event remain complete disbandment later. If, on further consideration, he wished to adopt this course he would put forward specific proposals for decision. To deal with the matter in this fashion did not seem inconsistent with the decision to place Home Defence preparations as a whole on a care and maintenance basis, particularly as it had been decided to make only a small reduction in the Royal Observer Corps and Monitoring organisation.
Although there was some support for the Defence Secretary's proposal, the general view of the Cabinet was that the decision to disband T & AVR III should be maintained. Although the force had some merit, it was of very low priority from the defence viewpoint and, in terms of Home Defence and peacetime emergencies, was much less valuable than the Auxiliary Fire Service which was also to be disbanded. If we were to give way to a small pressure group on this element of the expenditure cuts, it would not merely be necessary to review the package of reductions that had been agreed on Home Defence generally; the determination of the Government to stand by the expenditure cuts as a whole would be put in doubt. The statement on Defence Estimates, 1968, should therefore state clearly that T & AVR III was to be disbanded.

The Cabinet—

(I) Agreed that the statement on the Defence Estimates, 1968, should state that we were discussing with the Council of the Territorial and Auxiliary Forces Association the disbandment of the T & AVR Category III.

(iii) The Cabinet considered a memorandum (C (68) 33) by the Lord President on the evidence to be given to Select Committees.

Select Committee on the Parliamentary Commissioner for Administration

The Lord President said that the Select Committee on the Parliamentary Commissioner had intended themselves to conduct a detailed investigation, including the re-examination of Foreign Office officials, into the matters already covered by the recent report of the Parliamentary Commissioner for Administration on the refusal to pay compensation to certain survivors of Sachsenhausen concentration camp. Although such an inquiry was strictly within the Committee's terms of reference, it had not been envisaged when the Committee was appointed that it would in effect retry individual cases already considered by the Commissioner, and the Ministerial Committee on Parliamentary Procedure were agreed that it would be open to the strongest objection as undermining the doctrine of Ministerial responsibility and the position of the Parliamentary Commissioner himself. They had accordingly agreed that if the Select Committee embarked on such an inquiry the confidential information and the attendance of departmental witnesses essential to it should be refused.

The Select Committee had now however been informed by the Parliamentary Commissioner that it would not be possible for him to give them access to the confidential departmental papers on which he had based his report, and in these circumstances it was unlikely that the Select Committee would pursue a detailed re-examination of the cases concerned. However, the Foreign Secretary's statement in the House of Commons on the previous day had shown that he differed from the Parliamentary Commissioner on questions of judgment, and it was likely that the Select Committee would now
wish to pursue this issue. Government spokesmen had made it clear when the establishment of the Committee was under discussion in the House of Commons that it should keep under review the scope of the Parliamentary Commissioner’s functions and concern itself with the implementation of his reports and with the correction of maladministration. It would be difficult to contend that an examination of the points on which there was disagreement between the Government and the Parliamentary Commissioner was outside its proper function so long as such examination fell short of a reinvestigation of the cases and examination of the officials concerned.

In discussion there was general agreement that, if the Select Committee sought to conduct its own detailed investigation of the cases covered by the Parliamentary Commissioner’s report, the confidential information and the attendance of witnesses necessary to such an investigation should be refused. However, even if the Committee confined its inquiry to investigating the points on which the Foreign Secretary had expressed disagreement with the Parliamentary Commissioner, which involved matters of judgment, it would be desirable to establish clearly that, as in the case of the Public Accounts Committee, official evidence on behalf of the Foreign Office would be given only by the Permanent Under-Secretary of State, as the officer responsible for the conduct of the Department, or by other senior officials nominated by him. The same rule should apply where other specialist Select Committees wished to examine departmental witnesses. Where the permanent head of a Department nominated some other senior officer to give evidence, it would be desirable that he should himself accompany the witness.

In further discussion the following main points were made:

(a) It would be important to maintain the Government’s right to disagree with reports of the Parliamentary Commissioner, particularly on issues of judgment where expenditure was involved. The proper function of the Select Committee in relation to individual reports was limited to the question of their implementation, on which the Committee could call Ministers to account, and it was for consideration whether, on reappointment in the following Session, the Committee’s terms of reference should be redrafted so as to prevent it from conducting a further inquiry on issues of fact.

(b) The analogy with the Public Accounts Committee in relation to witnesses was not exact, since the Select Committee might need to take evidence from Ministers to ascertain the basis on which they had taken decisions.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were agreed that, if the Select Committee on the Parliamentary Commissioner asked for confidential information and the attendance of departmental witnesses for the purpose of conducting a detailed reinvestigation of the cases covered by the Parliamentary Commissioner’s Sachsenhausen report, such
information and attendance should be refused. Subject to this, it should be a clearly established rule that official evidence on behalf of Departments before this, and any other, specialist Select Committee should be given only by the permanent head of the Department or by other senior officials nominated by him for the purpose.

The Cabinet—

(2) Agreed that any request by the Select Committee on the Parliamentary Commissioner for confidential information and the attendance of departmental witnesses for the purpose of a reinvestigation of the cases covered by the Parliamentary Commissioner's Sachsenhausen report should be refused.

(3) Agreed that official evidence before the specialist Select Committees should be given only by permanent heads of Departments or other senior officials nominated by them for the purpose.

Select Committee on Agriculture

The Lord President said that the Select Committee on Agriculture proposed to enquire into the Ministry's departmental assessment of food requirements over the next few years, the extent to which it would be practicable and in the national interest to increase home production, and the methods of ascertaining costs of production, returns to producers and all associated matters. They had asked for extensive information covering the very wide issues of policy which arose in this field. The Ministerial Committee on Parliamentary Procedure were agreed that considerable restraint would be necessary in providing the Select Committee with the information which they wanted. In addition to the objections of principle to giving information of this sort, its provision would place a substantial burden on the Departments concerned. The Ministerial Committee were agreed that Ministers should exercise their own discretion in giving Select Committees confidential material, bearing in mind the risk that the new Committees might not observe the conventions which had been established by the older Committees, and might insist on the publication of material contrary to departmental requests. Ministers should therefore have regard to the degree of damage which might result from publication of confidential material in any particular case, and exercise special caution in relation to confidential material of a commercial nature. In view of the number of Departments concerned with the information requested by the Select Committee on Agriculture, the Ministerial Committee considered that the Economic Ministers should consider collectively the extent to which this information should be given. In the meantime, the Minister of Agriculture should write to the Chairman of the Select Committee explaining that the Government required more time to consider the provision of the information for which the Committee had asked, in view of its very wide scope.
The Minister of Agriculture, Fisheries and Food said that the Government was in effect being asked to disclose the assumptions and forecasts on which the whole future economic policy of the country, and not merely future policy for agriculture, would be decided, including the allocation and use of resources, taxation and investment policy and availability of land. There were risks of embarrassment if the forecasts were falsified by events, and there was a particular risk to our international commercial negotiations and trading relations if the information for which the Committee asked were published. In writing to the Chairman of the Committee he would make clear the Government's desire to help, but that they could not be committed to giving the Committee all the information requested.

In discussion it was pointed out that there were strong objections in principle to giving to the Committee the forecasts of future economic trends and the other assumptions on which the Government's economic policy was based. There was a special difficulty of timing, since the Government were currently considering the annual farm price review and were reviewing their future policy for agriculture as a whole: it would be wrong to give the Select Committee information bearing on the formulation of these policies until they had been settled and announced to Parliament. Moreover, requests for information by Select Committees on this scale could not be met without increasing departmental staffs or sacrificing work of greater priority. It would be preferable to make clear to the Select Committee at the outset the limitations which the Government must impose for these reasons on the information which could be given to the Committee. The Committee could be told however that it would be open to it, once Government policy had been announced, to ask for the information on which the policy had been based.

In further discussion the following main points were made:

(c) The Select Committee was likely to obtain, and seek the Ministry's views on, statistical information from the National Farmers' Union and other bodies, but it would be necessary to refrain from commenting on such information to the extent of providing the Committee with the Government's own statistics and forecasts.

(d) There was a risk of embarrassment if the Select Committee were to take evidence from foreign agricultural attaches or to travel abroad to take evidence from foreign agricultural Ministers. Arrangements had, however, been made for closer liaison between the Foreign Office and the Committee Clerks, which would help to avoid the difficulties which had arisen in the previous Session over the Committee's foreign travel; in addition, it would now be for the Committee Chairmen themselves to decide how the limited sum which had been made available for the purpose of foreign travel should be apportioned between the various Select Committees.
(c) Consideration should be given to some limitation of the cost which Departments might agree to incur in providing information for the specialist Select Committees.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were agreed on grounds of principle, timing, and the burden which such work would throw on Departments, that information bearing on the current farm price review and the Government's review of their policy for agriculture, should not be given to the Select Committee until policy on these questions had been decided and announced. The Minister of Agriculture, in consultation with the Lord President, the Foreign Secretary, the Commonwealth Secretary and the other Economic Ministers, should write to the Chairman of the Select Committee accordingly. The Lord President should attend any meeting of the Select Committee at which the matter was discussed in order to convey the Government's view.

The Cabinet—

(4) Agreed that information bearing on the current farm price review and the Government's review of their policy for agriculture should not be given to the Select Committee on Agriculture until policy on these questions had been decided and announced.

(5) Invited the Minister of Agriculture, in consultation with the Lord President, the Foreign Secretary, the Commonwealth Secretary and the other Economic Ministers, to inform the Chairman of the Select Committee of the Government's view in accordance with the summing up by the Prime Minister of their discussion.

(6) Invited the Chancellor of the Exchequer, in consultation with the Lord President, to consider whether any limitation should be imposed on the cost which might be incurred by Departments in furnishing information to the specialist Select Committees.

Gaming Bill

(iv) The Home Secretary said that, in the light of the recent decision of the Court of Appeal in the case of R. v. Commissioner of Police ex parte Blackburn, he had considered whether it would be right to proceed with the Gaming Bill introduced in the House of Commons before Christmas. He had reached the conclusion that the policy embodied in the Bill was sound, but that some useful amendments could be made in Committee. The Betting and Gaming Act, 1960 had been intended to permit the milder forms of gaming while excluding commercial exploitation of gaming for high stakes, but it had had the unforeseen consequence that because of the uncertainty of the law a large number of commercial gaming establishments had sprung up and flourished. The Court of Appeal had now insisted that the Act should be strictly enforced, but their belief that this would effectively prevent the commercial exploitation of gaming underestimated the ingenuity of the proprietors of gaming establishments in inventing means of taking money from their patrons.
which could be shown to be illegal only after lengthy proceedings before the courts. The police were about to prosecute a number of clubs using such devices, but, even if convictions were obtained, it would not be difficult for the proprietors to introduce others and constantly keep one move ahead of the law. Stronger measures were therefore necessary, and he considered that the licensing system to be introduced under the Gaming Bill was essential. He proposed, indeed, that the system should be used to make a substantial reduction in the number of gaming establishments, of which it was estimated that there were over 600 in this country, compared with 150 in France. He proposed also that power should be taken to prevent gaming from being offered in conjunction with other forms of entertainment. He would make clear in the debate on the Second Reading of the Bill the opportunities which the growth of gaming was giving to criminal elements in this country, as it had in the United States, not only to make high profits but to acquire the means of exerting political pressure.

He proposed at the same time to relax the restrictions on bingo clubs by enabling membership of one club to admit to others throughout the country and by increasing the value of the prize which a registered members' club could give so as to enable working men's clubs, for example, to withstand the competition of the commercial organisations. At the same time he proposed to prohibit "linked" games, which enabled audiences in different parts of the country to participate in a single game. This increase in scale altered the character of the entertainment by making much higher prizes available and by eliminating the safeguard against dishonest promotion provided by local knowledge of the winners. He would also take power to prohibit the provision of other forms of gaming on the same premises as bingo. If bingo was to be regarded as an acceptable form of family entertainment its patrons should not be encouraged to participate in other forms of gaming offering higher inducements, and hence the risk of greater losses. Finally, he was concerned about the growth of the use of gaming machines, the capital for which was provided entirely from American sources, often of a dubious character. He proposed to discuss with the Treasury the possibility of requiring a minimum participation of British capital in the undertakings providing the machines.

In discussion there was general agreement with the proposal to proceed with the Gaming Bill. In view of the expansion of commercial gaming since 1960 it would be impossible to revert to reliance on the Betting, Gaming and Lotteries Act without exposing the country to increased danger from the association between gaming and crime, which experience elsewhere had shown to be unavoidable. Moreover, it was socially undesirable to allow the demand for commercial gaming to grow unchecked, and in particular to give any encouragement to people who were at present content with the moderate stakes and moderate prizes of bingo to experiment with other forms of gaming in which the risks were greater. There might
be practical difficulties, however, in determining how and on what criteria the number of clubs were to be reduced, whether the licences were granted by local justices of the peace, or, as might be preferable, by the Gaming Board itself. If discretion lay with the justices of the peace it was arguable that, as an additional safeguard against the penetration of gaming clubs by criminals operating through persons of good character, the police should be given a right to appeal against the grant of the licence. Consideration should also be given to the possibility of insisting on some British participation in the undertakings providing gaming machines.

The Prime Minister, summing up the discussion said that the Cabinet agreed that the Gaming Bill should proceed, with amendments on the lines proposed by the Home Secretary. The question whether the police should be given the right to appeal against the grant of a licence, and any other details that required resolution by Ministers collectively, should be considered by the Home Affairs Committee.

The Cabinet—

(7) Agreed that it would be right to proceed with the Gaming Bill, subject to amendments on the lines proposed by the Home Secretary.

(8) Invited the First Secretary of State to arrange for outstanding questions on the Bill to be considered by the Home Affairs Committee.

2. The Cabinet considered a memorandum (C (68) 31) by the First Secretary of State about the inclusion of two new questions in the 1968 pre-test of the 1971 census of population.

The First Secretary of State said that a small majority of the Home Affairs Committee had been in favour of including questions about income and about parents' country of origin in the schedule to be used in the pre-test in April for the 1971 census of population; but apart from the division of opinion in the Committee he thought it right to bring the issue to the Cabinet's attention because of the important presentational issues involved. Participation in the pre-test, which would cover a sample of 40,000 households in England and Wales and 3,600 in Scotland, would be voluntary and there would be no statutory compulsion to complete the forms. The inclusion of the two additional questions for this pre-test would enable reactions to them to be assessed, without pre-judging their inclusion in 1971 census schedule, to which answers were statutorily required; but if the questions were excluded from the pre-test they would also have to be excluded from the census itself. The inclusion of the question about income had been advocated by a number of Departments—particularly the economic Departments—as a means of obtaining valuable information about individual and household incomes and correlating it with other census data such as particulars of education and employment. It had to be accepted that all the
replies would not be accurate but experience of previous governmental surveys suggested that they would probably be reasonably so. It had been suggested that the response would be more accurate—and the published census totals less likely to be misunderstood or misrepresented—if the recipient indicated his income bracket from a series on the form. The proposed question about parents’ country of origin would also provide information required by the Government about the extent of social and economic integration of the children of coloured immigrants. The 1961 census form had asked for the place of birth of the respondent. Without the new information the Government would not be able to measure the progress, or lack of it, towards successful integration of the immigrant population—and, particularly important, their children—in a wide variety of fields. The main objections which had been raised in the Home Affairs Committee to the inclusion of these questions were that they would be resented as “snooping” by the Government, that the reasons for asking them would be misunderstood, and that these objections outweighed the possible advantages of collecting information—to some degree inaccurate—about incomes and ethnic origin.

He recommended that the two questions should be included in the pre-test schedules and that considerable care should be taken in publicly presenting the reasons for their inclusion. The public must be persuaded to recognise that in modern society Governments required more and better information on which to base a whole range of social and economic programmes.

The Minister of Health said that he was satisfied that the two questions would provide useful information which could not otherwise be obtained. He recognised that a number of Ministers had strong misgivings about asking one or both of them; but these misgivings could be put to a practical test only by including the questions in the voluntary pre-test schedules. The questions would be asked of only half the sample of households, themselves a very small proportion of the population. He agreed that proper public presentation was important.

In discussion it was suggested that census information about income was long overdue and essential for the formulation of policy in many fields. Experience of other surveys in this country and of the United States census indicated that the response would be likely to be reasonably accurate. The information need not be disclosed either to the head of the household or to the enumerator but could be sent direct to the census officer. The collection of census information about incomes should not however delay consideration of the extent to which the Inland Revenue could make available to other Departments—and publish—much more information about incomes. While public objection might be reduced by asking only for the income bracket this would also reduce the usefulness of the information obtained. On the other hand, it was argued that there would be widespread opposition to compulsory collection of details.
of incomes and that a voluntary pre-test would not be a reliable
guide to public reaction to a statutory requirement. The public
were already required to give details of their incomes for tax purposes,
rates relief, educational grants and other forms of social assistance
and would resent further intrusion into their private affairs. The
information would not only be inaccurate but out of date long before
it was published.

As to parents' origin, it was pointed out that until information
about ethnic origin was available and correlated with other census
data the problems involved would be approached on a basis of
prejudice and ignorance. Although the parents' country of origin
would not in every case be a guide to their ethnic origin, the two
would generally be the same and the question would provide useful
information. It was important, for example, to ascertain the extent
to which the second generation of coloured immigrants, who had
been educated in this country, had been able to find satisfactory
employment. If the Government were too sensitive about possible
reactions to ask this question they would deny themselves the
opportunity of obtaining information required to help coloured
immigrants and their children. On the other hand, it was argued that
it was a serious—and repugnant—step to make a distinction between
coloured and other citizens in official statistics. Whatever resultant
benefits might be gained for the coloured population would be offset
by the psychological impetus against integration which would stem
from making the distinction. It had already been pointed out that
the question would not in fact provide accurate information about
ethnic origin.

The Prime Minister, summing up the discussion, said that a
substantial majority were in favour of including both questions in
the voluntary pre-test schedule. The Minister of Health should
examine in consultation with the Secretary of State for Scotland
whether the census results could not be published much more rapidly
than in the past; if for example the results of the 1971 census were
made available in 1972 this would significantly reduce public
criticism and opposition. And the Lord President should consider
with the Home Publicity Committee the public presentation of the
April pre-test in general and of the two new questions in particular.

The Cabinet—

(1) Invited the Secretary of State for Scotland and the Minister
    of Health to arrange for the inclusion of the questions, on
    the lines indicated in the annex to C (68) 31, about income
    and parents' country of origin in the schedules to be used
    in the census pre-test in April.

(2) Invited the Lord President to consider and advise the
    Secretary of State for Scotland and the Minister of Health
    on the public presentation of the census pre-test in April
    and of the two new questions which would be included in
    it.

Cabinet Office, S.W.1,
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 15th February, 1968, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PATRICE GORDON WALKER, M P, Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M P, Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Housing and Local Government
The Right Hon. FRED PEAET, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. CLEWDYN HUGHES, M P, Secretary of State for Wales
The Right Hon. MICHAEL STEWART, M P, First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M P, Lord President of the Council
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M P, President of the Board of Trade
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. RICHARD MARSH, M P, Minister of Power

The following were also present:
The Right Hon. KENNETH ROBINSON, M P, Minister of Health (item 4)
The Right Hon. SIR ELWYN JONES, Q C, M P, Attorney-General (item 4)
The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. H. L. LAWRENCE-WILSON

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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 he had considered, in consultation with the Lord President, means of co-ordinating the timing and presentation of White Papers and statements of Government policy. He asked Ministers to inform the Lord President of their intention to publish a White Paper before they were publicly committed to doing so. The Lord President would then arrange for the Home Publicity Committee to consider with the Minister the timing of the publication and any questions of presentation which ought to be taken into account when the relevant Ministerial Committee, and subsequently the Cabinet, were considering the substance of the White Paper. It would not be necessary for the Home Publicity Committee to go through the text in detail since detailed examination would be undertaken elsewhere, but before the White Paper reached its final form the Committee should have an opportunity to take any points of presentation which might arise on the text, as well as to offer final advice on the arrangements for publication. Similar procedure should apply so far as possible to statements of Government policy: some would of necessity be made at short notice, but major statements would normally be foreseen long enough in advance to permit consultation with the Committee.

The Cabinet—

Took note, with approval, of the statement by the Prime Minister.

3. The Prime Minister said that his recent visit to Washington had been unexpectedly successful. The arrangements made by the Americans had been deliberately designed to create a friendly atmosphere. He had the impression that the United States needed our friendship and support at least as much as we needed theirs. His meeting with President Johnson on 8th February had lasted four hours instead of one and a half hours as planned; and they had had further talks the following day. In spite of the recent attacks by the Vietcong on South Vietnamese cities he had found the President relaxed and confident but also anxious to start peace talks with the North Vietnamese. The President had not even raised the question of our planned military withdrawal from the Far East and the Persian Gulf. There had been some discussion of the North Atlantic Treaty Organisation and relations with France. The Prime Minister

* Previously recorded in a Confidential Annex.
had made clear to the President that we expected the United States not to pre-empt all Germany’s available resources of foreign exchange so that there would be none left to offset the cost of maintaining British forces in Germany. The President had expressed his concern about the world economic situation; and they had discussed the measures which the United States proposed to take to restore their balance of payments.

The Prime Minister said that there had been certain confidential contacts between the United States and North Vietnam even before President Johnson, in his speech at San Antonio on 29th September, had offered to stop bombing North Vietnam provided that it would lead promptly to productive discussions and that North Vietnam would not take military advantage of the bombing halt. Subsequent elucidation had made clear that by “promptly” the President meant a period of days, not months; that “productive” was intended not to prescribe results but merely to refer to a genuine determination to negotiate; that the talks would be called off only if the North Vietnamese were obviously exploiting the bombing halt for a major attack; and that North Vietnam could, if it wished, write the agenda for the talks. It was now evident, as had been stated publicly by the United States Secretary of State, Mr. Dean Rusk, on 14th February, that these peace efforts had so far failed to produce any positive reaction from North Vietnam. It was difficult to say whether this was because the North Vietnamese did not wish to open talks or whether they merely wished to avoid giving the impression during the present crisis that they were being driven to the conference table by lack of military success. It was encouraging that, in spite of the apparent failure of their peace efforts and the recent attacks on South Vietnamese cities, the United States were not adopting a more intransigent line. On the contrary, their attitude had become more conciliatory in the course of the last year, especially in regard to the conditions on which the bombing of North Vietnam might be halted. It was now hard to claim that they were standing in the way of a peace settlement. The United States had shown equally remarkable restraint—as, indeed, had the Russians—in their handling of the incident resulting from the seizure by North Korean naval forces of the United States ship Pueblo. The United States attached great importance to the part which the Soviet Union and the United Kingdom might in due course play as Co-Chairmen of the Geneva Conference. The first stage of negotiations for a settlement would have to be direct talks between the United States and North Vietnam; but it might well be desirable to reconvene the Geneva Conference in the second stage which would follow.

The Prime Minister recalled that he had already reported to the Cabinet on the long-drawn-out discussions on North Vietnam which he had had during this visit to Moscow from 22nd to 24th January. The Soviet leaders had taken the familiar line that the bombing of North Vietnam should stop unconditionally because the United

SECRET
States were attacking North Vietnam while North Vietnam was not attacking the United States. They had expressed doubt about the genuineness of the contacts between the United States and North Vietnam and had described them as a "charade". Nevertheless, he had the impression that the Soviet Government had been doing what they could to bring pressure to bear on North Vietnam. It was doubtful, however, whether they still had much influence there; and the Soviet leaders had certainly been less confident than a year earlier.

It was an open question how events would now develop and whether the North Vietnamese really wanted peace talks. If they did, the gap between their position and that of the United States was now narrow and the only difficulty lay in initially bridging it. It was possible, however, that they merely wished to drag things out in order to gain the maximum propaganda advantage. North Vietnam had its pro-Russian and its pro-Chinese factions. The power of the Soviet Union to use its influence in favour of a peace settlement was inhibited by the pressure of the Chinese Government in the opposite direction. There was little doubt that the Chinese would intervene actively if there was any risk of North Vietnam being defeated; and they might even do so if the North Vietnamese tried to make a settlement with the United States. It was doubtful if there would be any significant progress towards a settlement in the immediate future.

Meanwhile it seemed very unlikely that the attempts of the Secretary General of the United Nations, U Thant, to get talks going would make any headway. U Thant had compromised his status as a possible mediator by his biassed and anti-American attitude. On his way back from a visit to India he had passed through London on 13th and 14th February, coming from Moscow where he had clearly been subjected to heavy pressure by the Soviet leaders. He had put a number of questions to the North Vietnamese Consul General in New Delhi and, while in London, had received, through a channel which was clearly meant to come to our notice, a message to the effect that the answers were waiting for him in Paris. The questions were such as might have been asked by any journalist and the answers followed the standard Communist line.

The Prime Minister said that on the whole he did not think the United States were being over optimistic about the situation in Vietnam. The Vietcong had suffered enormous losses during the recent attacks on South Vietnamese cities: there had been no rising of the civil population of South Vietnam against the Government: and none of their forces had deserted. He did not have the impression that the United States Government believed they could in the foreseeable future impose a military solution on Vietnam: but, equally, they were determined that a military solution should not be imposed by the other side. As a result of the recent attacks on South Vietnamese cities public opinion in the United States was running in
the President’s favour. The Russians, and probably the Vietnamese, seriously underestimated the strength of American public opinion in support of the war. The “hawks” who wished to escalate the war were in the ascendant; but the President was strongly resisting them. A lot would depend on what happened if there were a second round of Vietcong attacks in South Vietnam; whether many Americans were killed; and whether there was a successful rising in South Vietnam itself. It was not out of the question that the President himself might, before the Presidential election in November, make a dramatic bid for peace, just as President Eisenhower had done in Korea before the Presidential election of 1952. In the speech which he had made after dinner at the White House on 8th February, the Prime Minister said he had sounded a warning note against the dangers of escalation. The speech had been well received by his audience and by the President, who had evidently been glad to have things said which he could not say himself. There was little more we could now do except to keep in close touch with the United States Government with a view to preventing any change in their present mood.

The Foreign Secretary said that it was difficult to make any reliable assessment of the military situation in Vietnam until it was clear whether there was going to be a second round of attacks on South Vietnamese cities and what the results would be. There was no doubt that the Vietcong had suffered considerable losses; but they were still in control of parts of Saigon, Cholon and Hue. If there were a second wave of attacks, the United States forces might be in serious danger; and the United States Marines’ position at Khe Sanh might be overrun. From a military point of view the Vietcong were playing from a strong hand. The authority and morale of the South Vietnamese Government were low and their pacification programme had been disrupted. On the other hand the Americans now had the advantage of knowing what they were up against. The enemy had come out into the open and the United States forces had got to grips with them. If there were a second round of attacks on South Vietnamese cities, the Americans would be prepared and would not be taken relatively by surprise as they had been in the first round.

The situation in Laos and Cambodia was also giving grounds for concern. There was a serious risk that the United States forces would pursue North Vietnamese and Vietcong guerrillas into Laos or Cambodia and thus provoke another international crisis. The Soviet Government had refused to agree to the reinforcement of the International Control Commission either by the provision of helicopters or by an increase in the number of observers; and there was reason to believe that they might welcome the prospect of the United States becoming embroiled in this way with Laos and Cambodia.

The Foreign Secretary said that he was doing everything possible to get work started on clearing the Suez Canal. But it was necessary to recognise that the re-opening of the Canal now appeared to be a long way off.
The Foreign Secretary said that we were entering a difficult period in our relations with the Government of the People's Republic of Southern Yemen. The Government had sentenced the Amir Hood to death, but as a result of his own intervention, the sentence had been commuted to 15 years' imprisonment. Three other Sultans were in the Government's hands; and the charges against them specifically referred to their association with us.

The Cabinet—

Took note of the statements by the Prime Minister and the Foreign Secretary.

4. The Cabinet considered memoranda on immigration legislation by the Home Secretary (C (68) 34), the Commonwealth Secretary (C (68) 35) and the Attorney-General (C (68) 36).

The Home Secretary said that he was seeking the approval of the Cabinet to introduce legislation on four aspects of Commonwealth immigration. Three of his proposals had been endorsed by the appropriate Ministerial Committee. The first of these was designed to deal with the clandestine entry of immigrants, mainly Pakistanis, who, as the law stood at present, were able to avoid immigration control altogether if they succeeded in doing so for 24 hours. Secondly, he proposed that power should be taken to prevent the entry of children under the age of 16 who came to join a single immigrant parent in this country; this was intended primarily to deal with the problem of boys, particularly from Pakistan, near to working age, who came to join all-male households, thus evading the voucher system and creating social problems. The powers would be discretionary and would be used to keep family units together rather than to keep them apart. Thirdly, he proposed that, in order to meet the strongly expressed wishes of the health authorities, the wives and children of immigrants should have to undergo a medical examination on entry. It was not intended to put them on the same basis as voucher holders, who could be refused entry on health grounds, but to compel them to go for treatment after entry should this be necessary.

His fourth proposal, which was both urgent and controversial, was that immigration control should be extended to citizens of the United Kingdom and Colonies who did not belong to this country in the sense of having any direct family connection with it or having been naturalised or adopted here. There were about 400,000 such people who at present had the right to come permanently to this country if they wished; about 200,000 lived in East Africa, mainly in Kenya. In addition, there were about one million persons of dual nationality with similar rights who would be affected by the proposed legislation, but these did not pose as serious a practical or moral problem. Until 1966 immigrants from East Africa had been entering this country at the rate of about 6,000 annually, but there had been a
sharp increase in the summer of 1967. Although Ministers had then considered whether action should be taken to deal with the problem, a decision had been deferred. It was now clear that the increased flow was continuing and might become a flood. It was due to the Africanisation policy of the Kenya Government who, although they were not actually expelling Asians, were making it increasingly difficult for them to obtain employment in certain trades and professions. The influx was being stimulated by publicity.

The problem was extremely difficult. On the one hand there were the obligations which we had undertaken when Kenya and other colonial territories had achieved independence that their citizens who did not opt for local nationality would retain the rights of citizens of the United Kingdom and Colonies. There were also the various international conventions which we had signed or ratified which made it difficult for us to deny entry to these people, although such conventions had not in his view been intended to deal with the kind of problem which we now faced. On the other hand, there was the fact that, unless we took action now, we might this year have to accept a total of 150,000 immigrants from this source and under the Commonwealth Immigration Act; this would be more even than in 1961 when immigrants had flooded in before that Act came into force. So large an influx was more than we could absorb, especially since Asian immigrants tended to concentrate in particular localities in this country; and, unless the influx could be greatly reduced, there was a very real risk that our efforts to create a multi-racial society in this country would fail. Some of the provisions of the forthcoming Race Relations Bill, which was aimed at creating such a society, would in any event encounter serious opposition; the passage of the Bill would be jeopardised if nothing were done to reduce the present flow of Asian immigrants from Kenya. In these circumstances the only practical and fair course was to legislate in the way that he proposed, and in doing so to eliminate the contingent liability that problems similar to that which had arisen in Kenya might create in other countries having large numbers of citizens of the United Kingdom and Colonies or dual citizens. We should at the same time allot a generous quota of vouchers to this new class of controlled immigrants which would be in addition to those already granted under the Commonwealth Immigration Act. Although we should do what we could to persuade the Government of Kenya to moderate its actions against Asians in that country and also seek the agreement of the Governments of India and Pakistan to accept some of them should they wish to go to those countries, we could not afford to delay legislation which to be effective must be passed very quickly.

The Commonwealth Secretary said that he accepted the need for legislation to deal with the clandestine entry of immigrants, with the entry of dependent children of immigrants and with the medical examination of wives and families. He was, however, strongly opposed to depriving citizens of the United Kingdom and Colonies of the right to enter this country freely. Although he recognised the difficult problems that would be created by a continued influx of a large number of Asians from Kenya, to pass such legislation would...
be wrong in principle, clearly discriminatory on grounds of colour, and contrary to everything that we stood for. We should be going back on legal and contractual obligations which we had undertaken as recently as 1963 and which had been an essential element in the process by which we had been able to hand over our responsibilities in Kenya and the other colonies concerned. We should effectively deprive large numbers of people of any citizenship at all or, at best, turn them into second-class citizens. Although these people were not yet being expelled from Kenya, under Kenyan laws they were not allowed to remain in the country unless they had work permits and these were not being granted. If we were to pass the proposed legislation we should face strong criticism both at home and abroad, particularly when, as was inevitable, large numbers of people arrived at our ports with British passports but were refused entry.

We should therefore seek other ways of reducing the flow of immigrants to manageable proportions so that our policy of integration could succeed. The Home Secretary’s proposals on dependents’ clandestine entry would go some way to reducing the flow but, in addition, he would support a policy under which the flow of immigrants from other sources, and particularly India and Pakistan, which were not facing their responsibilities in this matter, was reduced, and priority for immigration was given to those entitled to British passports. At the same time we should bring pressure to bear on Kenya to control the number of emigrants. Although there was no prospect that President Kenyatta could be persuaded to drop his policy of Africanisation, there were growing indications that some members of the Government of Kenya were becoming alarmed at the effects on the economy of the large exodus of relatively well-educated, highly qualified and prosperous Asians. We should therefore decide against legislation in this matter and Mr. Malcolm MacDonald, our Special Representative in East and Central Africa, should visit President Kenyatta urgently and attempt to persuade him to control the emigration of Asians from East Africa.

The Attorney-General said that, if we were to pass legislation depriving citizens of the United Kingdom and Colonies of the right to enter this country, our position in relation to the relevant international agreements and declarations would be difficult but not impossible. In the case of the Universal Declaration of Human Rights, the United Nations Convention on Racial Discrimination and the International Convention on Civil and Political Rights, we might justify our action on the grounds, among others, that the people concerned did not in any real sense belong to this country. The European Convention on Human Rights presented greater difficulties. Article 3 of the Fourth Protocol of this Convention provided that no-one should be deprived of the right to enter the territory of the State of which he was a national, and it would be difficult to argue that refusal of entry to an Asian immigrant from East Africa would not be in breach of this provision. But although
we had signed this Protocol we had not yet ratified it. A problem also arose in relation to the proposed restriction on the right of entry of dependent children, since Article 8 of the same Convention, provided that everyone had the right to respect for his family life; it could be contended that refusal of entry to the dependent child of one parent already in this country was contrary to this provision. There were already two cases before the European Commission in which it was being alleged that we were in breach of the European Convention, and we had accepted the right of individuals to petition the Commission and the compulsory jurisdiction of the European Court of Human Rights. It would be a serious matter to refuse to obey the decision of the Court or of the Committee of Ministers since parties to the Convention had undertaken to accept their decisions as binding.

In discussion there was general agreement that legislation should be introduced to deal with the clandestine entry of immigrants, to restrict the right of entry of dependent children of immigrants and to make the medical examination of their wives and children compulsory. On the proposal to deprive citizens of the United Kingdom and Colonies of the right to enter this country freely, opinion was divided. On the one hand it was argued that for reasons of moral principle, because of the effect that such action would have on our international standing and because of the practical difficulties that we should face, we should not legislate in this matter. Although we should not be depriving these people of citizenship we should be taking away its most essential feature and creating a new class of refugees. At the very least a decision should be delayed until the practical and legal problems had been further examined and an attempt made to reach a solution in consultation with the Governments of Kenya, India and Pakistan. We had given solemn pledges to these people in 1963 and, very recently, compounded the situation by giving assurances to people similarly placed in Aden. If holders of United Kingdom passports presented themselves here and were turned away, having nowhere else to go, the Government might be faced with a public outcry in this country and serious criticism abroad.

On the other hand it was argued that in our present economic situation and with the great pressure on the social services, particularly on education, we could not afford to allow the unrestricted entry of the Asians from East Africa. The situation in the schools in some localities was already very grave and becoming worse, with increasingly high proportions of immigrant children in individual schools—some schools might soon be used wholly by immigrant children. There was opposition in the trade union movement to some of the measures which it was proposed to include in the Race Relations Bill and this would become more serious if the numbers of coloured immigrants entering the country were allowed to rise. The proposed legislation would undoubtedly represent a major change in policy, but we had already made a similar break with tradition when the Commonwealth Immigration Act was passed.
Although we had given assurances to these people when Kenya became independent, we could not now afford to honour them, and in these circumstances the right course was to give them a share of vouchers within whatever total we could afford to allocate to immigrants as a whole. This would mean that they would know that they could, if they wished, join a queue and in due course enter this country. Urgent examination was necessary of the total numbers of immigrants we could afford to accept and what the share for Asians from East Africa should be. It was urged, however, that delay would be dangerous because we might be faced with an uncontrollable flow of immigrants. We should either legislate quickly—and arrangements could be made to pass the Bill through Parliament in a day and a half—or we should announce that we were not going to legislate to exclude holders of United Kingdom passports and thus reduce the incentive to come here in the immediate future.

The Prime Minister, summing up the discussion, said that the Cabinet were agreed that legislation should be introduced to deal with clandestine immigration, to restrict the right of entry of dependent children of immigrants, and to make compulsory the medical examination of immigrants’ wives and children. The Cabinet were not at present prepared to take a decision either to introduce legislation to deprive citizens of the United Kingdom and Colonies of the right of free entry into this country or to announce that no such legislation would be introduced. It was, however, essential that an early decision should be taken and they should therefore consider the matter again at their meeting on 22nd February, when a final decision must be taken. In the meantime the Commonwealth Secretary should arrange urgently for Mr. Malcolm MacDonald to visit President Kenyatta in an effort to persuade him to control the rate of Asian emigration from Kenya; before this visit Mr. MacDonald should be briefed on all aspects of the problem. An approach should also be made to the Governments of India and Pakistan. The Home Secretary should arrange for officials to examine and report on what reduction in the total number of Commonwealth immigrants was likely to result from the restrictive measures which the Cabinet had approved; the appropriate allocation of vouchers to citizens of the United Kingdom and Colonies on the assumption that these were deprived of the right of normal entry to this country; the extent to which the present allocation of vouchers to Commonwealth countries might be reduced to allow for this; and what criteria should be adopted for the allocation of the new class of vouchers. Mr. Duncan Sandys intended to seek leave to introduce a Bill on Asian immigration from East Africa under the 10-minute rule on 28th February or earlier but arrangements should if possible be made for the time to be taken by another Member. The Home Secretary would, however, have to indicate, in reply to Questions later in the day, that the problem of Asian immigrants was being considered.
The Cabinet—

(1) Agreed that legislation should be introduced to deal with clandestine immigration, with restrictions on the right of entry of dependent children of immigrants and with the compulsory medical examination of their wives and children.

(2) Invited the Commonwealth Secretary, in consultation with the Home Secretary, to arrange for Mr. Malcolm MacDonald to visit President Kenyatta on the basis indicated in the Prime Minister's summing up and to report the results of this visit before their meeting on 22nd February.

(3) Invited the Commonwealth Secretary to arrange for consultations with the Governments of India and Pakistan on the problem of Asian immigration from Kenya and to report their outcome on 22nd February.

(4) Invited the Home Secretary to arrange for officials to carry out the examination indicated by the Prime Minister in his summing up of their discussion and report by 22nd February.

Cabinet Office, S.W.1.

15th February, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 22nd February, 1968,
at 10 am.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department (Items 1-5)
The Right Hon. ROY JENKINS, 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. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. FRED FEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. ROY JENKINS, M.P., Secretary of State for Scotland
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. RICHARD MARSH, M.P., Minister of Power
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Items 2-3)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 5)
The Right Hon. JUDITH HART, M.P., Minister of Social Security (Item 5)
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (Items 2-6)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury
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CC 14 (68)

Oversea Affairs

Approach to Europe
(Previous Reference: CC (68) 11th Conclusions, Minute 2)

People's Republic of the Southern Yemen
(Previous Reference: CC (68) 13th Conclusions, Minute 3)

1. The Foreign Secretary said that the Cabinet would be discussing future foreign policy comprehensively, and in particular future relations with Western Europe, at their meeting on Tuesday, 27th February. He would not, therefore, comment at this stage on the substance of recent developments. His colleagues would however wish to know that the Prime Minister and he had had useful discussions on 19th and 20th February with the Dutch Prime Minister, Mr. de Jong, and the Foreign Minister, Dr. Luns, with whom they had found themselves in general agreement. They had shared a scepticism about the value of the Franco/German Declaration which had been issued in Paris at the conclusion of the Federal German Chancellor's visit on 16th February. There were at present no concrete proposals underlying the Declaration. Despite their common scepticism they had agreed with the Dutch Ministers that the Declaration should not be dismissed out of hand and that it should be made clear to the German Government that the onus now rested on them to produce some substantive proposals; if they managed to do so the British Government would be ready to examine them. Meanwhile, they also shared with the Dutch Ministers the conviction that the Benelux proposals offered the firmest and most hopeful basis for developing economic and political collaboration in Europe after the veto. Since the meeting with the Dutch Ministers, he had heard from the Italian Foreign Minister, Sr. Fanfani, who had expressed strong disapproval of the German attitude in Paris and who continued to support the Benelux proposals. He had also discussed the Franco/German Declaration on the previous day at some length with Herr Duckwitz, State Secretary at the German Foreign Ministry, who had confirmed that there were no substantive proposals underlying it. He had not yet heard the outcome of discussions which Dr. Luns had had on the previous day with the Federal German Foreign Minister, Herr Brandt.

The Foreign Secretary said that the situation in the Southern Yemen looked dangerous. The court trying the former Federal Ministers had held secret and open sessions. The charges accused the former Ministers of co-operating with us and were so framed as to put us in the dock as well. Letters from Members of Parliament (one a former Minister) had been quoted in court as evidence. He had done everything he could to bring home to the President of the People's Republic of the Southern Yemen, Qahtan-al-Shaabi, the dangerous situation which would arise if death sentences were passed and carried out. He had also invited the Secretary-General of the United Nations to use his good offices; but there was no question of delaying the admission of the Southern Yemen to the United Nations since she was already a member. It was not certain that any death sentences would be carried out; but if these men were executed for collaborating with us while we were responsible for the government of the territory, it would be...
impossible for us to continue aid or even perhaps to maintain diplomatic relations with the Southern Yemen. It would not be necessary immediately to discontinue aid since the instalments due up to the end of March had already been paid. But negotiations for future aid should begin shortly and any indication that none would be available might create a situation in which it would be necessary to evacuate the British community. The Defence Secretary had made the necessary naval dispositions; and an operation could be mounted at any time.

The Cabinet—

Took note of the statements by the Foreign Secretary.

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2. The Cabinet considered a memorandum by the Home Secretary on immigration legislation (C (68) 39).

The Home Secretary recalled that the Cabinet had deferred a decision on the restriction of the immigration of citizens of the United Kingdom and Colonies pending consultation with the Governments of Kenya, India and Pakistan and examination by officials of the number of Asian immigrants from Kenya who could be admitted if it were decided to legislate. He said that, despite the difficult administrative and other problems that would be involved, he remained of the opinion that it was essential and urgent for us to legislate to restrict the flow of immigrants from Kenya to this country who were now arriving at a rate of from 200 to 300 a day. If this rate of entry were to continue, the pressures on the social services would be such that large additional expenditure would be required, particularly on education and housing, and our race relations policy would be in jeopardy. Further examination had shown that the measures which were to be taken against clandestine immigration and to restrict the right of entry of the dependent children and fathers of immigrants were unlikely to reduce immigration by 5,000 annually as indicated in his memorandum; the reduction was more likely to be 1,000 to 2,000. Consultations with the Government of Kenya had shown that they were not willing to take any action publicly to reassure Asians who were not citizens of Kenya about their future; and, although there were indications that the Government of Kenya might be prepared, in their own interests, to take some action administratively to reduce the pressure on these people if we were to deprive them of the automatic right of entry into this country but at the same time allow a reasonable number to enter annually, this would not stem the flow of immigrants. Nor were the Governments of India and Pakistan ready to give positive help with the problem. We should therefore legislate so as to deprive citizens of the United Kingdom and Colonies who did not belong to this country, not of their citizenship but of the automatic right to enter this country, and at the same time fix a rate of entry for them that was reasonable in relation to the problem itself, to our own social and economic difficulties and to the level of
immigration generally. Wide support could be expected in this country for a policy on these lines and, although there would be objections in other Commonwealth countries, they would in fact understand our difficulties.

He suggested that we might appropriately allow 1,000 heads of households to enter annually which, allowing for dependants, might mean a total entry of perhaps 5,000; the necessary arrangements could be made quickly in Kenya for operating a quota system. Although there was a case for at least some part of the quota to be deducted from the total number of vouchers issued to citizens of independent Commonwealth countries and to the dependent territories and Malta, the resulting reduction in total immigration would not, in the short run at any rate, make this step worth while, given the problems that it would cause for our relations with Commonwealth countries and in the administration of the voucher scheme. If his proposals were approved he would make a statement in Parliament later that day and the necessary Bill would then be tabled. He would also announce then the proposals to deal with clandestine immigration, with restrictions on the right of entry of the dependent children and fathers of immigrants and with the compulsory medical examination of the wives and children of immigrants.

The Commonwealth Secretary said that it was clear that there was no prospect of persuading the Government of Kenya to take any action publicly that would help to solve our problem; and that the administrative action that the Government might take to encourage non-citizens who were valuable to the economy of Kenya to stay there would not adequately reassure them. It was also clear that people who were not citizens of Kenya who left and then attempted to return would not be readmitted; nor were the attitudes of the Governments of India and Pakistan helpful. Nevertheless, despite the problems that the flow of immigrants from Kenya posed for us, it would be both wrong and self-defeating to deprive these people of their right to enter this country freely. We should be breaking our pledges to them; our action would be contrary to customary international law and to our whole tradition in this field; and in practice we should find it impossible, on political as well as on administrative grounds, to refuse entry into this country to people who had nowhere else to go. We should be forced to make concessions to people who arrived without authority and were unable to return; and these concessions would be widened progressively so that all who wished to enter would have to be admitted. The result would be that we should incur odium without solving the problem; we should therefore decide not to legislate in the matter.

In discussion the balance of opinion in the Cabinet was strongly in favour of legislation to extend our immigration control so as to include citizens of the United Kingdom and Colonies with no substantial connection with this country. Although the moral and legal objections to this course, and the problems which it would
raise for us internationally and administratively, were recognised, these were thought to be outweighed by the consequences for the social services, in terms of additional expenditure, and for our race relations policy, if the flow of immigrants from Kenya was allowed to continue unchecked. It was also accepted that there should be a special quota for these people and, on balance, that it should be wholly additional to the total of vouchers normally issued to Commonwealth immigrants. It was argued that a quota of 1,000 heads of households would be unduly restrictive, since it could be expected to reduce the flow of immigrants from Kenya well below what had been normal before the recent crisis. There was some support for a figure of 2,500 but it was agreed that, initially at any rate, a figure of 1,500 would be right. It was suggested that the criteria for selecting entrants should not, in this instance, be those which were normally applied under the voucher scheme but should be related to the pattern of migration that was resulting from the actions of the Government of Kenya.

In further discussion it was argued that there would be advantage if the proposed legislation, which would be restrictive in nature, were to provide also for an appeals procedure on the lines recommended by the Departmental Committee on Immigration Appeals (the Wilson Committee) even if it would not be possible to implement these procedures quickly. It was agreed, however, both on financial grounds and because any further widening of the scope of the proposed Bill would be likely to prevent its early enactment, that it should not provide for an appeals procedure. No more could be said at this stage than that this would not be dealt with during the present Session.

The Prime Minister, summing up the discussion, said that the Cabinet were, on balance, agreed that legislation should be introduced immediately to extend our immigration control to include citizens of the United Kingdom and Colonies with no substantial connection with this country. The necessary Bill should be tabled that afternoon; the need to secure its passage as a matter of urgency precluded the prior notification of Commonwealth Governments. The Bill should also include the proposals which the Cabinet had approved at their previous meeting to deal with the clandestine entry of immigrants, with restrictions on the right of entry of dependent children and with the compulsory medical examination of immigrants' wives and families. The Home Secretary would make a statement in Parliament later that day about the proposals, and announce also the administrative action that was to be taken to restrict the right of entry of the dependent fathers of immigrants. There was also agreement that, provisionally, the quota for citizens of the United Kingdom and Colonies not belonging to this country should be 1,500 annually (plus dependants) and that this quota should be additional to the number of vouchers normally issued to Commonwealth immigrants, although further consideration of the numbers might be necessary in the light of reactions in Parliament and elsewhere. Further consideration should be given urgently by
the Home Secretary, in consultation with the Commonwealth Secretary and the Minister of Labour, to the criteria to be used for the admission of immigrants from Kenya.

The Cabinet—

(1) Agreed that legislation should be introduced immediately to extend our immigration control to include citizens of the United Kingdom and Colonies with no substantial connection with this country.

(2) Agreed that there should be a special annual quota of 1,500 for citizens of the United Kingdom and Colonies with no substantial connection with this country.

(3) Invited the Home Secretary to announce in the House of Commons that afternoon the main lines of the Government's proposals.

(4) Invited the Home Secretary, in consultation with the Commonwealth Secretary and the Minister of Labour, to give further consideration to the criteria to be used in allocating this quota.

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

_The Lord President_ indicated that, in view of the Cabinet's decision that day to introduce legislation to restrict the flow of Asian immigrants from East Africa who were citizens of the United Kingdom and Colonies, arrangements would be made to take the Second Reading of the Immigration Bill on 27th February and the remaining stages on 28th February, in order that the House of Lords might consider the Bill on 29th February and its passage be secured with the minimum of delay.

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4. The Cabinet considered a memorandum by the President of the Board of Trade and the Minister of Housing and Local Government (C (68) 37) about the third London airport.

_The Minister of Housing_ said that a major difficulty had arisen in pursuing the Cabinet's previous decision that the third London airport should be sited at Stansted. The next step was to secure the passage through the House of Lords of a Special Development Order (SDO). When this was discussed last summer, it was thought that the passage of an SDO could be secured if the Order were introduced in the autumn. However, opinion in the House of Lords had hardened and it was now clear that an SDO, whenever it was laid, had negligible chances of being passed.
There had been a number of other developments since the Cabinet's previous consideration of this matter. Consultations with the local authorities concerned about the proposed realignment of runways at Stansted had shown that this change of plan had in no way mitigated opposition to the Stansted project in the localities affected. Proposals had recently been put forward for the construction of an international airport together with port facilities on reclaimed land off Foulness and had aroused substantial interest in the Press and elsewhere. Further, it was now estimated that traffic capacity at the Heathrow airport could be increased in the early 1970s to an extent which would defer by two more years (i.e., until 1976) the date by which a third London airport would be needed.

In all the circumstances, the President of the Board of Trade and he agreed that the right course would now be to reopen the decision on Stansted and to full inquiry into the location of the third London airport. A decision on this had become especially urgent because the Council on Tribunals proposed to issue a statement that day recommending that he should exercise his discretionary power under existing legislation to institute an inquiry into the effects on the areas concerned of the proposal to realign the runways at Stansted. There was some doubt whether the Council was acting within its proper jurisdiction in making this recommendation; there were important constitutional implications which he would wish to explore further with the Lord Chancellor and the Law Officers.

The Town and Country Planning Bill, which had received its Second Reading in the House of Commons, made provision for the establishment of planning inquiry commissions with the special function of investigating planning applications of precisely the scale and nature of the airport project. This provision had been generally welcomed and suggestions had been made in Parliament that this machinery should be used to examine the Stansted project. He proposed that this course should be followed. It would not be possible formally to constitute a planning inquiry commission until the Bill was enacted, but he proposed that an *ad hoc* commission should be established before then to carry out preliminary work and examine all the relevant documents. When the Bill had received Royal Assent, the British Airports Authority would be invited to make a planning application for the Stansted airport, which he would call in. The *ad hoc* commission would then be formally constituted as a planning inquiry commission, and should be directed to inquire at large into the location of the third airport. He proposed, if the Cabinet approved his recommendation, to announce the decision in Parliament that day.

*The President of the Board of Trade* said he fully supported the proposal for an inquiry. He had, however, strong reservations about the form of inquiry proposed by the Minister of Housing. Though the revised estimate of traffic capacity at Heathrow had removed some of the urgency, it was still important to avoid delay in reaching a firm decision. A planning inquiry commission would take
too long. Three stages would be involved: first, the commission
would carry out a general examination before selecting a number of
sites for further inquiry—this would take at least a year; second,
there would have to be separate local inquiries in respect of each
of the selected sites, and since these could not be held simultaneously
this stage would probably take a further year; third, reports from the
local inquiries would come back to the commission which would then
have to consider its final recommendation. It would be preferable
to set up a commission of inquiry unrelated to the machinery of
the Town and Country Planning Bill, with instructions to recommend
a single site. Such a body should be able to complete its work in
about a year less than would be taken by a planning inquiry
commission. If, however, the Cabinet were not ready to decide the
form of the inquiry immediately, the statement that day should say
that this was still under consideration and should offer consultations
with the Opposition about it. As all previous major statements
on this matter had been made by the then President of the Board
of Trade, and since aviation and defence policy were involved as
well as planning issues, it would be desirable that any statement
should be made by himself.

In discussion it was argued that an inquiry at this stage, whatever
its form, would involve too much delay even after taking account
of the estimate of increased capacity at Heathrow. When the
Cabinet had previously considered this matter, they had been
informed that an inquiry might take up to three years and there was
still no evidence to invalidate this estimate. After completion of
the inquiry a further six years would be needed for construction
work before the new airport could come into operation. If therefore
there were to be an inquiry it was unlikely that the airport would be
operational in time to cope with the expected increase in traffic. It
would take less time to secure the passage of an SDO (or a hybrid
Bill) through the House of Lords.

It was, however, the general view that an inquiry could
reasonably be expected to complete its work in two years and that
this delay would be acceptable. It was important to avoid a clash
with the House of Lords in view of the repercussions on the current
negotiations for reform of that House. Nothing short of an
authoritative inquiry would satisfy opinion in Parliament and among
the public that the Government had made the right choice. An
inquiry should therefore be commissioned.

There were divided views on the form which the inquiry should
take. In favour of a planning inquiry commission, it was argued
that there would be great presentational advantages in relating the
decision to reopen the choice of site to the new provisions of the
Town and Country Planning Bill; if the decision were not so related,
it would be difficult to avoid the impression that the Government
had yielded to pressure from the interests opposed to the choice
of Stansted. It would be wrong to adopt a procedure which omitted
local inquiries into any alternative sites which might be proposed,
since it would be essential to examine exhaustively the repercussions on the localities affected. On the other hand, it was argued that if the Government related their decision to the new machinery of the Town and Country Planning Bill, this would be criticised as a transparent device to disguise a change of mind. If the Government announced their intention to use the machinery of the Bill, they would be accused of taking for granted Parliamentary approval of the Bill's provisions. They would also be open to criticism if they made appointments to an ad hoc commission, which would later be reconstituted as a planning inquiry commission, and incurred expenditure in that respect before the enactment of the Bill. It would be necessary to amend the Bill to ensure that such a procedure could not subsequently be challenged on legal grounds. The charge might also be made that the Government were adopting the procedure of a planning inquiry commission in order to avoid further Parliamentary intervention.

In further discussion the following points were made:

(a) It was unsatisfactory that significantly different estimates should be brought forward at this stage on such a basic feature as the traffic capacity of Heathrow. The President of the Board of Trade would investigate the reasons for this; it was possible that part of the explanation lay in developments in flight-control techniques.

(b) The Government's decision should not be attributed publicly to difficulties in securing the passage of an SDO through the House of Lords. It might also be desirable to make it clear that the Government's decision was in no way a response to the recommendation by the Council of Tribunals, and to say that the Council's recommendation raised constitutional issues which would have to be further considered.

(c) The proposals which had recently been made for the construction of an international airport at Foulness envisaged also the creation of port and industrial facilities there. It would probably be undesirable for the inquiry to go into all these matters. This should be borne in mind when the terms of reference were formulated and the Minister of Transport should be consulted.

(d) It would be necessary to consider carefully the nature of the evidence which would have to be presented to the inquiry on behalf of the Government. It would be important to avoid any suggestion that the Government expected the inquiry to recommend Stansted. It would also be necessary to avoid the submission of conflicting evidence by different Government Departments: from this point of view, the case was not on all fours with the presentation of Government evidence to the Royal Commission on Local Government, since in the present case the Government had previously reached a decision on the subject of the inquiry, which they were now reopening. It would be preferable for evidence by Departments to be strictly confined to factual material, which would need to be concerted among them.

(e) The reductions in the defence programme which had been agreed since the Cabinet's previous discussion would not alter the
considerations which had led to a decision in favour of Stansted. It would, however, be necessary to present to the inquiry evidence on defence matters which for security reasons it would not be possible to publish. The inquiry could be expected to be held in public, but it would be open to the commission to sit in private where security considerations so required. It would also be possible for the commission to refrain on grounds of security from publishing some of the evidence submitted to it.

(f) In view of the need for impartiality on the part of the commission, it might be well received if it were to be headed by a lawyer of the rank of High Court Judge.

The Prime Minister, summing up the discussion, said that the Cabinet agreed to the setting up of an inquiry into the location of the third London airport. This should be announced in Parliament that day by the President of the Board of Trade, who should take account of the points made in discussion and should consult the Minister of Housing and the Government spokesman in the House of Lords on the terms of his statement. The Cabinet were not yet ready to take a decision on the form of the inquiry; the statement should say that the Government were still considering this and should offer to consult the Opposition about it. The statement should say that one possible form of inquiry would be a planning inquiry commission as provided for in the Town and Country Planning Bill, but should avoid prejudging the issue. The First Secretary of State should convene a group of the Ministers concerned to consider, in the light of any consultations which might be arranged with the Opposition, the form the inquiry should take, its terms of reference and composition, and the problems which would arise in the presentation of evidence by Government Departments.

The Cabinet—

(1) Agreed that there should be an inquiry into the location of the third London airport.

(2) Invited the President of the Board of Trade to announce their decision as indicated in the Prime Minister's summing up.

(3) Invited the First Secretary of State to convene a group of the Ministers concerned to consider the problems relating to the inquiry referred to by the Prime Minister in his summing up.

5. The Cabinet considered a memorandum by the First Secretary of State on exemptions from prescription charges (C 68) 38).

The Prime Minister said that he had been asked to receive a deputation by Mr. Pavitt, M.P., and other signatories to a petition opposing the reintroduction of prescription charges. In particular...
they were likely to seek an assurance that the charges would be introduced only as a temporary measure, and the Cabinet should consider what reply might be given on this point.

The Minister of Health said that a number of the arguments advanced by the petitioners were invalid. His Department had not received any very large number of letters of protest against the reintroduction of the charges, and it now seemed likely that satisfactory arrangements could be made for exemptions. The scheme would thus be very different from the scheme operated by the previous Administration and would make it no easier for any future Government to introduce further charges into the National Health Service. It would, however, be desirable to avoid any commitment as to the future of the prescription charges and it might be said that, when the economy improved to the point at which substantial additional resources could be made available to the Health Service, the Government of the day would no doubt apply those resources in the light of the priorities obtaining at the time.

In discussion there was general agreement that commitment on the future of the prescription charges should be avoided and that the issue should be handled on the lines suggested by the Minister of Health.

The Prime Minister, summing up this part of the discussion, said that the Cabinet agreed that the future of the prescription charges should be left open. He would himself settle the terms of the reply to be given to Mr. Pavitt in consultation with the First Secretary of State, the Chancellor of the Exchequer, the Lord President and the Health Ministers.

The Cabinet—

(1) Took note with approval of the summing up of this part of their discussion by the Prime Minister.

The Minister of Health said that the White Paper on Public Expenditure had indicated that he would discuss with the medical profession a system for exempting particular categories of patient when prescription charges were reintroduced and that the Government had in mind those over 65 or under 15, expectant and nursing mothers and the chronic sick. It had become clear in the course of his negotiations with representatives of the General Medical Services Committee of the British Medical Association that the doctors were unlikely to agree, except as a strictly interim measure, to identify the old and the young by signing special prescription forms, both because of the additional work involved and because they feared it would harm the doctor-patient relationship. They had proposed instead that the chemists should identify those entitled to exemption on the basis of a card, similar to a credit card, embossed with the patient's identifying particulars which would be stamped by the chemist on the prescription forms (a "card system"). These cards would be issued by Executive Councils on application by those entitled to exemptions. The doctors would, however, have to supply
Executive Councils with the necessary certification in relation to expectant and nursing mothers and the chronic sick, and it now seemed possible that they would agree to do this provided that a narrow definition of chronic sickness was adopted; it might be limited, for example, to those who were bedfast or housebound, those suffering from diseases on a very limited list and those likely to require continuous medication for the foreseeable future. Such arrangements might be supplemented by more general provision whereby other patients might purchase exemption cards entitling them to exemption for a specified period; on the basis of the number of prescriptions issued to the average patient the charges might be £1 for three months’ exemptions or £3 for a year. Arrangements on these lines would cost about £1 million to introduce and could not be brought into operation for 8–12 months; about 700–800 extra staff would be temporarily required. The arrangements would be unwelcome to the chemists, to whom some additional remuneration might have to be conceded in due course. None the less such arrangements would constitute a practicable and acceptable system of protecting the categories that the Cabinet had earlier decided should be exempted, and offered adequate protection against fraud. It was unlikely that any alternative could be found acceptable to the doctors, whose co-operation was essential to the interim arrangements and for continued identification of the chronic sick in the longer term. Although the arrangement to enable people to purchase exemption for a period would not avoid making a charge on them for which legislative provision would have to be made, such an arrangement would be valuable in avoiding hardship for a wide variety of people who needed prescriptions fairly frequently but could not be brought within the narrow definition of chronic sickness contemplated, or any other satisfactory definition. Provision would also be made for the Supplementary Benefits Commission to refund the cost of prescriptions, including any payment for exemption over a period, to those on supplementary benefit or whose incomes were brought below supplementary benefit level; an advance could be made where this was necessary.

If the doctors and chemists agreed to arrangements on these lines and if the doctors were assured that they would be introduced as soon as possible, it was likely that the doctors would also be persuaded in the interim to identify on prescription forms the individuals entitled to exemption; such interim arrangements might operate from the beginning of June but could not include provision for the purchase of exemption for a period.

The First Secretary of State said that the Social Services Committee had accepted that the proposed arrangements were practicable and the best that were likely to be possible if the essential co-operation of the doctors was to be secured; and they were agreed that the Health Ministers should seek to reach agreement with the doctors and chemists accordingly so that an appropriate statement might be made at the time of the Budget. In particular, the
Committee had concluded that provision for the purchase of exemption cards, coupled with a narrow definition of the chronic sick entitled to complete exemption, offered the best solution to the difficult problem of the chronic sick. The Committee were, however, firmly of the view that prescription charges should not be reintroduced until the interim arrangements for exemptions could be brought into operation at the beginning of June. They also considered that children should be exempted up to their 16th birthday, notwithstanding the Cabinet's earlier decision that the exemption should be limited to those under 15, since children did not leave school until after their 15th birthday. Finally, although there was no absolute link between the date of the proposed increase in the National Health Service contribution and the reintroduction of prescription charges, the two were connected and there should be as short an interval as possible. He suggested therefore that the introduction of the increased National Health Service and national insurance contributions should be deferred until 20th May.

In discussion there was general support for the arrangements for exemption proposed by the Minister of Health, as the only arrangements likely to be accepted by the doctors; pressure of public opinion would make it unlikely that the chemists could maintain a refusal to co-operate. The possibility of a cheaper "card system", using existing medical cards, might, however, be further considered, although earlier study had indicated that their use would offer insufficient protection against fraud.

In further discussion the following main points were made:

(a) Consideration was being given to the possibility of extending the proposed "card system" for exemption to those receiving supplementary benefit and those with incomes below supplementary benefit level, who were previously entitled to a refund of prescription charges.

(b) It would be impracticable for the local offices of the Ministry of Social Security to deal with claims for refund of prescription charges by those over 65 and under 15, on the scale that would occur if the introduction of prescription charges was not deferred until the arrangements for exempting these classes came into operation.

(c) While it might be undesirable presentationally to relate the age of exemption for children to existing school-leaving age, and while the establishment of a single school-leaving age would increase the numbers who left school between 15 and 16, the Government had already announced that children would be exempt only up to the age of 15, and to increase the age of deferment by a year would cost £1 million a year.

(d) Deferral of the increase in the National Health Service contribution would require similar deferment of the national insurance contribution increase at a combined cost of £1½ million a week. For this reason it would be desirable to increase the contribution from 6th May, which was the earliest practicable date.
(e) Time might not permit the addition to the Health Services Bill of a provision enabling persons to purchase exemption cards, and the provision might have to be included in the Finance Bill.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were agreed that the reintroduction of prescription charges should be deferred until the interim arrangements for exemption could be introduced on the basis that this would be possible in the first week of June. They had, however, concluded that it would be undesirable to reduce further the yield from the charges by increasing the age limit for exemption of children and therefore adhered to their earlier conclusion that children should be exempted up to their 15th birthday; similarly the increase of National Health Service and national insurance contributions should not be deferred but should come into operation from 6th May. Subject to these points, the Cabinet agreed that the Minister of Health should seek to reach agreement with the doctors and chemists on the lines of the arrangements set out in C(68) 38 in time to enable an announcement to be made in connection with the Budget. If it appeared that agreement would not be reached or could not be implemented at the beginning of June, he should bring the matter back to the Cabinet.

The Cabinet—

(2) Agreed that prescription charges should not be reintroduced in advance of arrangements for exemptions, on the assumption that such arrangements would operate in the first week of June; that children should be exempt from payment of prescription charges only up to their 15th birthday; and that National Health Service and national insurance contributions should be increased from 6th May.

(3) Invited the Minister of Health, in consultation with the Chief Secretary, Treasury, to consider further the possibility of using medical cards to identify those entitled to exemption.

(4) Subject to conclusions (1) and (2), invited the Minister of Health to seek to negotiate with the representatives of the doctors and chemists arrangements for exemption on the lines set out in C(68) 38.

(5) Invited the Minister of Social Security to consider whether the arrangements for exemption could be extended to persons in receipt of supplementary benefit or whose incomes were below supplementary benefit level.
6. The Cabinet considered a memorandum by the First Secretary of State (C (68) 32) on the age of majority.

The First Secretary of State recalled that the Cabinet, when they considered the report of the Committee on the Age of Majority under the chairmanship of Mr. Justice Latey (the Latey Committee), had on balance been in favour of the principal proposals of the majority of the Committee that the age of full legal capacity should be reduced to 18, but had deferred a final decision pending debates in Parliament and the consideration by the Home Affairs Committee of the implications for the age of voting and the wages of young people of reducing the age of majority.

The debates had not thrown much light on the question, though there had been support, mainly from the Government's side of both Houses, for the recommendations of the majority of the Latey Committee. On wages, it was estimated that if pressure to pay adult rates to 18-year-olds occurred and were successful the potential cost would be £100 million, or 0.5 per cent of the national wages and salaries bill; but it seemed unlikely that this would in fact be the result. The wages of non-manual workers were for the most part tied to an incremental scale which already took account of age up to and beyond 21, and in manual occupations the age at which apprenticeship was completed was likely to be more important than the age of majority, though a reduction in the latter would give some support to existing pressure for shorter apprenticeship. Experience in Scotland, where the age of majority was 21, but minors had long enjoyed certain rights not paralleled in England, suggested that a reduction of the age of majority would not necessarily lead to pressure for the payment of adult rates at 18. Some members of the Home Affairs Committee had thought that any risk of pressure for increased wages should in the present situation be avoided, but the majority had thought that the risk was not in itself a sufficient ground for rejecting the recommendations of the majority of the Latey Committee.

On the voting age, the Home Affairs Committee had been informed that a succession of public opinion surveys suggested greater public readiness to accept a reduction in the age to 18, but, while the 18 to 21 age group seemed to support the Government and Opposition Parties in fairly equal proportions, there were indications that a substantial percentage would not exercise the vote if they had it. The Home Affairs Committee considered that acceptance of the Latey Committee's recommendations would not commit the Government to reducing the voting age to 18, and that the two issues could be considered separately.

In discussion it was suggested that there was little public interest in the age of majority, and that by introducing legislation to reduce the age the Government would expose themselves to criticism for using scarce legislative time which might have been devoted to more valuable measures. A reduction in the age of majority might well stimulate pressure for a reduction of the voting age to 18; but the fact that the Speaker's Conference had rejected this age in favour
of 20 would make any such pressure easier to resist, and acceptance of the Latey Committee's recommendations on the age of majority need not be deferred until the Cabinet had reached a decision on the age of voting.

In further discussion it was pointed out that among the ancillary recommendations of the Latey Committee which would require further consideration was the recommendation that infancy should cease for fiscal purposes at 18. This would have undesirable consequences in the taxation field and might prove more difficult to resist if the Committee's principal recommendations were accepted.

The Prime Minister, summing up the discussion, said that the Cabinet, in the light of their further consideration, were now prepared to accept the recommendation that the age of full legal capacity should be reduced to 18. The proposal that infancy should cease for fiscal purposes at the same age should now be examined by the Home Affairs Committee; the reduction of the age of voting should be considered with the other recommendations of the Speaker's Conference on Electoral Law; and proposals should be brought to the Cabinet in due course.

The Cabinet—

(1) Agreed that the age of full legal capacity should be reduced to 18.

(2) Invited the Chancellor of the Exchequer to give further consideration to the proposal of the Committee on the Age of Majority that infancy should cease for fiscal purposes at 18, and to bring his conclusions before the Home Affairs Committee.

(3) Invited the Lord President to arrange for the Sub-Committee of the Home Affairs Committee on Electoral Reform to consider the recommendations of the Speaker's Conference, and to bring proposals before the Cabinet.

The Prime Minister said that the Minister of Technology had drawn his attention to an article in the Observer of 11th February about the Concorde aircraft, which appeared to be based on confidential information. This could not be other than damaging in terms both of its impact on our relations with the French Government at this juncture and of its effect on the morale of those engaged on the project. Members of the Cabinet should therefore take particular care to maintain complete discretion about our intentions as regards the Concorde; and they should also warn their junior Ministers accordingly.

The Cabinet—

Took note of the Prime Minister's statement.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 27th February, 1968, at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport
The Right Hon. CLIDWYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. MICHAEL STEWART, M.P., First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. RICHARD MARSH, M.P., Minister of Power

Also present:
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. W. A. NEILD
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. H. L. LAWRENCE-WILSON
Mr. P. E. THORNTON

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1. The Home Secretary said that he was under pressure in Parliament to introduce legislation immediately to implement the recommendations of the Departmental Committee on Immigration Appeals under the chairmanship of Sir Roy Wilson. He was prepared in principle to introduce an appeal system, but it would be impracticable to legislate in the current Session, and, apart from the need to defer a measure which would necessitate an appreciable expenditure of money and manpower, some time would be needed after the passage of legislation to bring the appeals machinery into operation. He proposed, however, to say in the debates on the Commonwealth Immigrants Bill that during the period before a formal appeal system could be introduced he would send two experienced lawyers to Kenya to hear appeals against refusal of an entry certificate on the grounds that the applicant was not entitled to come in otherwise than on the quota, for example as a dependent or a student, and he would undertake to consider himself bound by the appeal team's decision.

In discussion it was suggested that it would make a substantial difference to the feeling in the House of Commons if the legislation conferring a right of appeal could be introduced in the current Session; but the House of Commons had been told that neither the staff nor the funds were available for the immediate introduction of an appeal system, and to promise legislation now would appear to be a reversal, under pressure, of a measure of postponement which the Government had considered necessary on economic grounds. Moreover, there was reason to think that some of the critics of the Commonwealth Immigrants Bill would be satisfied with a promise to introduce legislation on appeals as soon as possible. The content of the legislative programme for 1968-69 had still to be considered by the Future Legislation Committee, but when the legislation on appeals had been deferred from the current Session there had been no reason to think that it could not be accommodated in the programme for 1968-69.

In further discussion it was suggested that there was anxiety among Asians in East Africa outside Kenya lest the proposed quota of 1,500 should not be open to them, and it might be desirable for the appeal team to visit centres outside Kenya. In view of complaints that the proposed quota for Asians from East Africa was too small, it might also help to allay criticism if the Government could undertake at once to increase the number; but no figure was specified in the Bill and it could be made clear that the total would be kept under review.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the Home Secretary should announce in the debates on the Commonwealth Immigrants Bill that the Government intended to introduce early legislation to give immigrants a right of appeal against refusal of entry to this country, and that in the meantime he was arranging for experienced lawyers to hear appeals informally in East Africa. He should explain that, in view of the
pressure on the current Session’s legislative timetable, it was not practicable to introduce the Bill in the present Session, but should refrain from giving an explicit undertaking in respect of next Session which would anticipate The Queen’s Speech on the Opening of Parliament. The Home Secretary should consider, in consultation with the Commonwealth Secretary, what arrangements might be made for the informal appeals team to consider appeals from Asians resident in East Africa elsewhere than in Kenya.

The Cabinet—

Invited the Home Secretary—

(i) to deal with the question of legislation to implement the report of the Committee on Immigration Appeals on the lines indicated in the Prime Minister’s summing up;

(ii) to consider, in consultation with the Commonwealth Secretary, interim arrangements for hearing appeals in East Africa from Asians outside Kenya.

2. The Cabinet considered a note by the Foreign Secretary to which was attached a paper on foreign policy (C (68) 42).

The Foreign Secretary said that the paper was designed to serve as the basis for the reassessment of our external position and policy for which the Cabinet had called at their meeting on 18th January. Part I of the paper suggested that the decisions which had already been taken—in particular the decision to withdraw from East of Suez by the end of 1971—had gone far to shape the options open to the United Kingdom and to direct us towards a Europe-based policy. The paper pointed out that nevertheless there would be serious risks to our national interest round the world as a consequence of our withdrawal, and that for example the Soviet Union might in consequence gain indirect control of the Middle East oil supplies to the West. In order to continue to defend our many interests throughout the world to the best of our ability we needed now to maintain and extend our existing political and economic links with the Commonwealth and other countries and use all non-military means open to us to build up a stronger British influence. But, for the longer term, we should aim to become part of a more cohesive Western Europe which would provide a power structure able to exert world-wide influence in defence of its interests. Part II of the paper considered three possible variants of such a Europe-based policy. The alternatives of attempting indefinitely to “go it alone” or to become part of a cohesive Western Europe which sought to hold the balance, as a third force, between the United States and the Soviet Union, held no attractions, since neither offered a real prospect of giving the United Kingdom the opportunity of influencing future world developments or of protecting its world-wide interests. Thus the logic of events presented us with no satisfactory alternative policy to seeking to play an influential part, as soon as we could, in a
cohesive Western European grouping, acting generally in harmony
with the United States. If this were our agreed objective we must
meanwhile prevent as far as we were able the existing European
Economic Community (EEC) from developing in directions which
would make it more difficult if not impossible for us eventually to
join it. The next tactical moves in our relations with Europe
were considered in other papers before the Cabinet, notably C (68) 43
which discussed the Franco-German Declaration and the Benelux
proposals and proceeded on the basis that our eventual objective was
that which he had just stated.

The Defence Secretary said that in general he agreed with the
paper's conclusions, and in particular that our policy must be
Europe-based, though in his view it was necessary to consider more
closely what should be our objectives in that part of the Northern
hemisphere from the United States to the Soviet Union which,
following the Cabinet's decisions in January, would become our main
area of interest, and how East-West relations might best be improved
so as to give us the maximum security at the lowest cost. Our prime
objectives should be to sustain economic growth in the United
Kingdom comparable to that of our European neighbours, and to
reduce the future cost of European defence. To these ends we needed
to examine carefully what would be the best balance of our political
and economic relations with the member States of the European Free
Trade Association and with the countries of Eastern Europe as well
as with the members of EEC. In this context we should take into
account the substantial reduction in Russian power and influence
over Rumania and other Eastern European countries. Finally, we
had to consider what sort of relations between Europe and the United
States were best calculated to lead to a satisfactory settlement of the
problem of European security. It would be premature at this stage
to take decisions on these questions, but careful thought should be
given to them. We had hitherto been too much concerned with our
desire to join the EEC: the economic relations between its members
would, he thought, prevent its development into a power structure
through which we could influence world affairs. We should therefore
pay more attention to our long-term objectives, and less to the
problems of entry to the EEC, which should be regarded as one means
to the attainment of these objectives.

In discussion the general view was that the broad lines of the
analysis of our external position and prospects put forward in the
Foreign Secretary's memorandum were acceptable. The course of
events culminating in the Cabinet's recent decision to accelerate our
withdrawal from the Near and Middle East pointed clearly to the
need for us to regard ourselves as a Europe-based Power, and as such
concerned with the development of political stability and economic
progress on both sides of the North Atlantic Ocean. It must,
however, be recognised that for the immediate future, and particularly
while we were excluded from participation in a wider European
grouping, the recovery of our economic strength and stability, and
consequently the pursuit of our national interest to that end, must take first priority. We still retained, however, substantial and widespread interests in other parts of the world, despite the contraction of our military presence there, and the measures to be taken to maintain and enhance our influence throughout the world by non-military means therefore required urgent consideration. This should cover the possibilities open to us in all possible fields, including commercial, cultural and aid activities, the pursuit of a more positive policy in support of the peace-keeping role of the United Nations, and the development of world economic co-operation through the United Nations Conference on Trade and Development.

In further discussion it was urged that United Kingdom membership of the EEC was now blocked for some years and was not necessarily the best option open to us. Further consideration was needed of the forms of European and Atlantic association which would be most suitable for us in the political, defence and economic fields, more particularly since the Kennedy Round should greatly reduce the EEC’s external tariff wall, which had been a major reason for seeking membership of that body. Our failure to make progress towards membership of an enlarged Community carried the risk that, while having none of the advantages of membership for the foreseeable future, we should continually be treated by other countries as if we were about to join. This would be to the disadvantage of our worldwide trade interests, including notably our trade with the countries of the Commonwealth, the European Free Trade Area (EFTA) and Eastern Europe, which it was in our interest to develop.

On the other hand it was argued that it would be wrong to allow our exclusion from the EEC to cause us to take too pessimistic a view of our external situation. There was no serious danger that our friends in the EEC would allow it to develop in ways disadvantageous to us; and there were pressures within the EEC which were likely in the foreseeable future to lead to the relaxation of its policies, notably in respect of agriculture and of the Yaoundé Convention. Nor was there, as perhaps discussions had shown, any viable alternative grouping with which we might associate—neither EFTA nor the Commonwealth could be sufficiently strengthened for that purpose. It would also be wrong to exaggerate the possibilities of détente with Eastern Europe—progress towards that goal must inevitably be gradual, and it could not in any event be achieved until a solution had been found to the problem of the division of Germany. It was further pointed out that the memorandum before the Cabinet was not concerned so much with the narrower issue of achieving entry into the EEC as with the broader objective of constructing a wider and more outward-looking Europe of which we should be a part, and which would constitute a power structure which would be influential for good in world affairs.

In further discussion the following additional points were made:

(a) In seeking, as was proposed in C (68) 42, to strengthen the North Atlantic Treaty Organisation (NATO) we must not act in such a manner as to reduce our prospects of obtaining satisfactory financial support for the cost of our forces in Europe.
The prospect of a Russian threat to Middle East oil supplies seemed remote, and any threat was more likely to come from local disorders after our withdrawal. It was pointed out in this connection that we were already encouraging and participating in discussions between the Rulers of the Gulf States to achieve a more suitable organisation and peaceful atmosphere in that area before our withdrawal in 1971.

The Cabinet then turned to consider a note by the Secretary of State for Foreign Affairs, to which was attached a paper on the Franco-German Declaration of 16th February and the Benelux proposals (C (68) 43), and a further note by the Foreign Secretary to which was attached a translation of a memorandum by the Italian Government (C (68) 44).

The Foreign Secretary said that the papers considered the immediate tactical situation with which we were faced in Europe. Now the French Government had pronounced a veto on negotiations for our entry into the EEC we had had to recognise that there was no prospect of United Kingdom membership for some time to come. In these circumstances we had decided not to withdraw our application for membership, but instead to find ways forward either on the basis of acting in concert with the Five member States which had supported our application, or with the Six member States if this could be arranged in circumstances in which France could not exercise a veto. Our discussions with our friends in Europe had led to the Benelux proposals, which provided for consultation and collaboration over a wide area without establishing new institutions which would in any way risk disruption of the existing institutions of the Community and without inhibiting our own economic development or our trade and political links with other parts of the world; and for collaboration with other European countries, in addition to the applicants for membership of the EEC, notably in the technological field. The Government had decided that these proposals offered the best prospects of achieving progress and had accordingly welcomed them. The proposals had since been accepted or welcomed by all Governments directly concerned except the French Government, which had been seriously concerned at this development. Accordingly, in his recent discussions in Paris with the Federal German Chancellor, President de Gaulle had agreed to the Franco-German Declaration with the express intention of avoiding further development of the Benelux proposals. The Declaration itself was empty and devoid of substance; indeed French Government spokesmen had gone out of their way to make clear to the British Government and to other European Governments that it represented no change whatever in their previous views. The French Government had told us that there might be some possibility of a trade arrangement covering industrial products, but only on condition that we were prepared to buy substantial quantities of agricultural products from the Community.

He did not believe that the Franco-German Declaration could be developed in any satisfactory sense. Nevertheless, it would be
gravely embarrassing, in our relations with Germany, to reject out of hand the Franco-German Declaration and the prospect of some consequent trade arrangement. We had accordingly informed the German Government that we would be prepared to examine any concrete proposals which they were able to put before us. At the same time we had reminded them that they had earlier stated that there was no conflict between the Franco-German Declaration and the Benelux proposals, and that we assumed therefore that they would not object to work going forward on both simultaneously.

Since then the Italian Government had circulated a memorandum which was a very useful initiative. It proposed that at the EEC meeting on 29th February the Six should discuss both the Benelux proposals and the Franco-German Declaration; ensure that developments of the Community took account of the views of the applicant States and vice versa; and promoted a meeting of the Foreign Ministers of the Six and the four applicants to agree on procedures for closer co-operation leading to political and economic unification of Europe. He hoped that after the meeting of the EEC on 29th February it might be possible to move forward to consultation between ourselves and other applicant States on the one hand and the Six or the Five on the other—first at expert and later at Ministerial level. If, as he hoped, these meetings could be arranged and could lead to agreement on practical areas for immediate consultation and collaboration, then progress towards the economic and political development of a cohesive Western Europe could continue even while General de Gaulle continued to deny us membership of the Community. We had hitherto taken an uncompromising "all or nothing" attitude because, if we had not done so, the progress represented by the Benelux and Italian proposals would not have been achieved. He therefore asked for the authority of his colleagues to seek to make as much progress as possible on the lines indicated in the Benelux proposals and the Italian memorandum; and to consider on merits any concrete proposals which might emerge from the Franco-German Declaration of 16th February.

In discussion there was general agreement with the Foreign Secretary's proposals. It would, however, be necessary to consider our position carefully if the Federal German Government proved unwilling to support the Benelux initiative; it would be important to preserve good relations with that Government, whose co-operation was necessary for us in other fields, notably that of international monetary policy. It would also be important to avoid prejudice to the unity and stability of EFTA, which was important to us, and whose member countries, both those which had not applied for membership of the EEC and those which had, would be anxious to participate in schemes for European collaboration which might arise from the Benelux proposals, notably in technological and industrial development. Moreover, we must be on our guard against being drawn into arrangements which would be to our disadvantage—this would be particularly important in respect of free trade arrangements which might arise out of the Franco-German Declaration involving our
purchase of European agricultural surpluses in return for freer trading arrangements in industrial goods.

Subject to these provisos, it would be right for the Foreign Secretary to seek to develop consultation and collaboration with our friends in Europe on the lines he had proposed, and in the light of the outcome of the meeting of the Ministerial Council of the EEC on 29th February at which the Benelux proposals, the Franco-German Declaration, and the Italian memorandum would be considered. It would, however, be prudent not to set too high our expectations of what might result from that meeting, since the French Government had been at pains to make clear its hostility to our being drawn into meaningful consultation and collaboration on a collective basis with the member countries of the EEC, and the attitude of the Government of the Federal German Republic had so far offered little assurance of effective support for our cause. On the other hand, we had to recognise that we were no longer a very great Power, and this required us, while keeping in mind our eventual objectives, to judge each situation as it arose, rather than to seek to bring other countries to comply with our wishes.

The Cabinet then considered two memoranda by the Minister of Technology. Technological collaboration with Europe after the veto (C(68)40) and the European Technological Institute (C(68)41).

*The Minister of Technology* said that, although our proposals for technological collaboration with Europe and for the establishment of a European Technological Community, including a European Institute of Technology, had been made by the Prime Minister in his speech at the Guildhall on 13th November, 1967, in the context of our attempt to enter the EEC, failure of this attempt had not reduced the importance for us and for Europe of moving towards closer scientific and technological collaboration. Unless this was done effectively, we could not hope to narrow the technological gap between Europe and the United States and avoid the increasing dominance of European industry by large United States corporations. Although France was against any development that would create new institutions, our proposals had aroused much interest among other members of the EEC. But they were not yet fully understood; in particular there were indications that some European countries believed mistakenly that we were ready to share our industrial secrets with them and that technological progress would best be made by means of large projects such as Concorde or the European 300 GeV accelerator. We should have to make it plain that our willingness to participate in bilateral or multilateral projects would depend strictly on merits in each case, and projects would have to be worthwhile in themselves and involve an area of technology that was itself worth pursuing. Our objective should be to establish on a European basis the means of assessing, in the light of probable European requirements 10 years or so ahead, the areas of technology in which firms and Governments could most advantageously concentrate their effort and the social and industrial consequences of the changes that would be
needed. Such assessments were already being made by United States
industry and it would be among the main purposes of the proposed
European Technological Institute to do the same for Europe. The
main problem in this country and in Europe lay in developing the
industrial base in directions and on a scale that would be competitive
with the United States; and we should pursue policies to this end.
This would involve collaboration between employers and trades
unions in this country and in Europe.

In discussion it was argued that any arrangements that were
made for collaboration in research should extend to European
countries outside the EEC, in particular Scandinavia, and that it
would be more advantageous for us to concentrate our efforts in this
field in the Research Committee of the Organisation for Economic
Co-operation and Development (OECD), which included the United
States, Canada and Japan, than to pursue such collaboration on a
European basis only. As regards industry, we had yet to face the
problems created in a democratic society by large industrial
corporations not subject to Government control, and these would be
much more severe on a European scale. Nevertheless the
preponderant view was that technological collaboration with a strong
industrial bias was an essential part of the development of our
relations with our friends in Europe; this was also the view of the
Confederation of British Industry, and there was no reason why we
should not explore its possibilities, including the establishment of a
European Technological Institute with our friends in Europe. The
policy recommended by the Minister of Technology should therefore
be adopted.

The Prime Minister, summing up the discussion, said that the
Cabinet generally supported the conclusions of the Foreign
Secretary's paper as a basis for our future policy towards Europe.
We could not expect to make much progress towards membership
of the EEC so long as President de Gaulle was in power. But it was
the view of the Cabinet that we should pursue the Benelux proposals,
and welcome the Italian initiative. We should not decline to consider,
nor should we set any great hopes on, the Franco-German
Declaration of 16th February. However events developed, our first
priority must be to build up our own economic strength; and we
should also consider how we might strengthen our influence, in those
areas outside Europe from which we had decided to withdraw
militarily, by non-military means such as economic aid, trade
development, information work and cultural activities. The Cabinet
also agreed in general with the proposals of the Minister of
Technology for technological collaboration with other European
countries, on the understanding that they would not entail
participation in uneconomic projects involving large expenditure.

The Cabinet—

(1) Took note, with approval, and subject to the points made in
discussion, of the memorandum on Foreign Policy
annexed to the Note by the Foreign Secretary (C (68) 42).

(2) Invited the Foreign Secretary, in consultation with the
Commonwealth Secretary and the other Ministers
principally concerned, to arrange for the preparation and consideration by the Defence and Oversea Policy Committee, of a memorandum examining the non-military means by which our influence might be maintained and strengthened in those areas outside Europe from which we had decided to withdraw our forces.

(3) Invited the Minister of Technology, in consultation with the Foreign Secretary and the other Ministers principally concerned, to pursue the proposals put forward in the two memoranda on technological collaboration with Europe (C (68) 40) and European Technological Institute (C (68) 41).

3. The Minister of Technology said that the Cabinet should be aware that the report of the Committee of Inquiry under the chairmanship of Sir Roy Wilson into the pricing of certain contracts made with Bristol Siddeley Engines Ltd. during 1959-63 would be laid before Parliament as a Command Paper on the following day. The report stated, in terms, that the conduct of the persons negotiating the contracts on behalf of the company amounted to intentional misrepresentation by which the negotiators on the Government side were deceived. The persons concerned were not named, but the occupants of the relevant posts could be identified from published material. Any references to the report outside the House of Commons should therefore be confined to quotation from the text of the Command Paper, since statements going beyond this might be actionable. In announcing the publication of the report he proposed to say that the papers had been submitted to the Attorney-General, who had found no grounds for criminal proceedings. He would decline, however, to say whether the Government would press for further repayment in respect of the excess charges in view of the conclusion in the report that the repayment of £3.96 million obtained in the previous year had itself been based on the fraudulent material. Since then the issue had been complicated by the fact that Bristol Siddeley Engines Ltd. had been taken over by Rolls Royce Ltd., to whom the Government were paying a subsidy in respect of the development of engines for the Airbus.

The Cabinet—

Took note of the statement by the Minister of Technology.

Cabinet Office, S.W.1,

27th February, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 29th February, 1968,
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, Secretary of State for Foreign Affairs (items 3 and 4)
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department (items 3 and 4)
The Right Hon. Roy Jenkins, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PATRICK GORDON-WALKER, M P, Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M P, Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Housing and Local Government
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. LORD SHACKLETON, Lord Privy Seal (items 1 and 2)
The Right Hon. RICHARD MARSH, M P, Minister of Power

The following were also present:
The Right Hon. FREDERICK LEE, M P, Chancellor of the Duchy of Lancaster (item 3)
The Right Hon. JUDITH HART, M P, Minister of Social Security (item 3)
The Right Hon. LORD CHALFONT, Minister of State for Foreign Affairs (items 1 and 2)
The Right Hon. KENNETH ROBINSON, M P, Minister of Health (item 3)
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury (items 3 and 4)
The Right Hon. LADY CHALFONT, Member of the Board of Trade
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology (items 1-3)
The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

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Secretariat:
Sir BURKE TREND
Mr. W. A. NIELD
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. L. ERRINGTON
Mr. K. BARNES
Mr. P. E. THORNTON

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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 Chief Whip said that 43 peers had indicated their intention to speak on the Commonwealth Immigrants Bill that afternoon and if the Bill were amended in the House of Lords it was possible that it would not be returned to the House of Commons in time to secure Royal Assent on the following day. If, however, the House of Lords were likely to pass the Bill during the night it might be possible to suspend the House of Commons sitting until the House received the Bill.

The Lord Privy Seal said that it was probable that the House of Lords would pass the Bill in the early hours of Friday morning and that there would be no amendments. This could not, however, be guaranteed.

In discussion it was suggested that it would be more convenient to the House of Commons if the sitting were suspended until 9 a.m. on Friday, when the Lords amendments could if necessary be considered before the normal sitting began. If the discussion were prolonged in either House, the Caravan Sites Bill, introduced by Mr. Eric Lubbock, would be at risk, and this might deter opponents of the Commonwealth Immigrants Bill from employing dilatory tactics.

The Prime Minister, summing up the discussion, said that, subject to confirmation that these arrangements were acceptable to the authorities of the House, it would no doubt be for the convenience of Members if, rather than keeping them in the House until the Bill came back from the House of Lords, the sitting were suspended until 9 a.m., and the Chief Whip should pursue the necessary consultations to this end.

The Cabinet—

Invited the Lord President to make arrangements, in the light of consultation with the authorities of the House of Commons, to ensure that the House of Commons could, if necessary, consider Lords amendments to the Commonwealth Immigrants Bill on the morning of the following day.

2. The Minister of State for Foreign Affairs (Lord Chalfont) said that the outcome of the trial of the former Federal Ministers was now unlikely to be known for another week or more. Our warnings with regard to the dangerous situation which might arise if death sentences were passed and carried out, seemed to have had some effect on the moderate members of the South Yemen Government. Meanwhile, the Southern Yemen Minister of Defence had ordered the dismissal and expulsion of the 32 British military personnel who were serving with the Southern Yemen forces under contracts.
concluded with the former Federal Government. There were no grounds to dispute this decision, but the Ambassador had protested against the manner of it and the accompanying anti-British statements. The dismissals were probably related to an intention on the part of the Southern Yemen Government to intervene militarily in the Northern Yemen where the policy of the British Government was one of non-involvement, and embarrassment might consequently result from the presence of British personnel in the Southern Yemen forces. The continued presence of these men had already been an issue between the extremists and relative moderates in the Southern Yemen Government. The Ambassador had warned business firms of the risks inherent in the situation, but had not yet reported any immediate danger to the British community.

The Commonwealth Secretary said that a serious situation was developing in Malta. The financial situation of the dockyard was critical and it was faced with the possibility of closure in 10 days’ time. The consequent unemployment would create a potentially dangerous internal security situation. The leader of the Malta Labour Party, Mr. Mintoff, was planning to use his influence with the Malta General Workers’ Union as a means of bringing about the downfall of the Government of Dr. Borg Olivier. The crisis over the dockyard had been brewing for some time; and it was unfortunate that it should come to a head just at the time when the first discharge notices under the redundancy scheme for the Services’ rundown in Malta (which would not in themselves have serious repercussions) were due to be issued. His advice from the High Commissioner was that in view of their divided loyalties neither the Police nor the Malta Land Force could be relied on in a crisis. It was doubtful how Dr. Borg Olivier would react to disorders, i.e., whether he would resign or appeal for assistance by British forces in restoring order. Under an exchange of letters of September 1964 we were obliged to consider a request from the Malta Government for assistance in the event of a threat to internal security, but not necessarily to meet it. Nevertheless the High Commissioner and the Heads of the Services in Malta considered that it might be in our interest to give assistance and had recommended that contingency planning should be undertaken. The only hope of avoiding a crisis was to keep the dockyard open; and the Lord Privy Seal, who had been examining this problem with a small group of Ministers, was ready, subject to the agreement of the Treasury, to make recommendations to this end. Meanwhile he hoped that it would be possible for him at once to invite the Prime Minister of Malta to come to London for urgent discussions, with a view to reaching a solution of the dockyard problem and avoiding a very serious internal security situation.

The Lord Privy Seal said he would be making urgent recommendations on the way we should proceed to seek a solution to the problem of the ownership of the dockyard.

In discussion the Cabinet were informed that contingency plans were being made for military intervention if necessary and for the evacuation of British subjects. Doubt was expressed whether, even if we were asked to do so, we should be wise to intervene militarily.
in order, in effect, to defend the Government of Malta against the Malta Opposition, especially since we had no commitment to do so. On the other hand, it was pointed out that if the present Malta Government were to fall and be replaced by a Government under Mr. Mintoff, Malta, with its strategic position in the Mediterranean, might become neutralist or perhaps worse; this would also entail the end of our Defence Agreement with Malta and the loss of the important defence facilities at present enjoyed by the North Atlantic Treaty Organisation.

The Prime Minister, summing up the discussion, said that there was a clear risk that a critical situation might arise in Malta over the week-end; and arrangements should be made whereby he and the Ministers immediately concerned could be kept in close touch with the situation. There was general agreement that the arrangements proposed by the Lord Privy Seal’s group for keeping the dockyard open should be adopted subject to the agreement of the Chancellor of the Exchequer to their financial implications.

The Cabinet—

Took note with approval of the statement by the Commonwealth Secretary and of the Prime Minister’s summing up of their discussion.

3. The Cabinet considered memoranda by the Secretary of State for Economic Affairs on Future Productivity, Prices and Incomes Policy (C (68) 45), by the President of the Board of Trade on Prices (C (68) 46), and by the First Secretary of State on Incomes Policy—Assistance to Low-Paid Workers (C (68) 50).

The Prime Minister said that the Cabinet’s discussion of productivity, prices and incomes policy had again been preceded by Press speculation about the Government’s intentions; and this might well have had a prejudicial influence on the discussion of this subject in the conference of executives of the Unions affiliated to the Trades Union Congress (TUC) held on the previous day. This was regrettable, the more so because it put the Cabinet under pressure to reach early decisions on their policy in this field and limited to some extent their freedom of action. It was particularly important, therefore, to preserve the confidential character of the Cabinet’s deliberations on this sensitive topic.

The Secretary of State for Economic Affairs said that, in consultation with those of his colleagues most closely concerned, he had reached the conclusion that it was essential to take further statutory powers to control increases in pay and prices, including rents, for the year from August 1968 and renewable annually in order to retain the beneficial effect of devaluation on costs and on our competitive position, and to avoid the development of wage/price
inflation. While the increase of wages and salaries between July 1967 and July 1968 seemed likely to amount to 6% per cent if incomes policy continued on its present basis, the effect of devaluation on the cost of living made it very probable that the increase in income per head would in fact be as much as 7% or even 9% per cent over the following year, taking account also of increases in the demand for labour and in company liquidity. The situation could not be contained by fiscal measures alone; and, in the light of the very small majority vote in favour of a voluntary incomes policy in the Trades Union Congress (TUC) General Council on the previous day, the Government could no longer rely on a policy of voluntary restraint. A stronger policy and increased statutory powers were thus essential if the increase in pay and prices was to be limited to the extent necessary.

He recommended that the basis of this stronger policy should be a ceiling of 3½ per cent for wage and salary increases, to be applied as an annual rate from the terminal date of the previous increase, and that this should apply to all the main elements in remuneration. All increases up to this ceiling should be justified against the existing criteria and any larger increases must be staged over a period. If the pressure to allow increases above the ceiling was to be successfully resisted, it was essential that there should be no exceptions, except in relation to genuine productivity agreements which conformed to the guidelines laid down by the National Board for Prices and Incomes (NBPI). It would be impracticable to allow exceptions in the case of lower-paid workers because of the pressure to extend such increases to the higher paid in order to maintain differentials. A complementary policy should be pursued in relation to prices. To enforce these policies, the existing powers in the prices and incomes field should be continued and extended in order to enable the Government, without any requirement to refer cases to the NBPI, to direct employers not to give pay increases contrary to their policy or to stop paying an increase already given. Similarly, the Government should have power to defer the implementation of the awards of statutory wage-fixing bodies; to defer proposed price increases; and to require reversion of increases already made. The maximum period of delay that could be imposed on pay or price increases should be extended to 12 months; and retrospective payments to be made after the end of the period of deferment should be prohibited. The Government should also be enabled to impose price reductions if the NBPI so recommended. It would be desirable that these powers should be renewable annually by affirmative resolution.

Prices and incomes policy had become at once the central and the most sensitive element in the Government's political and economic strategy; and there would be formidable political difficulties in implementing these recommendations. The Government could not rely on any substantial degree of support from the TUC; and the announced desire of the Confederation of British Industry (CBI) for stronger measures was likely to prove counter-productive in this respect. Further, it would be clear to the public that their standard
of living would be frozen, and, in the case of some groups, reduced; and, if the cost of living were increased by any other factors, resistance to the incomes policy would be correspondingly strengthened. In his view, his recommendations could be successfully implemented only on three conditions. First, increases in prices and charges should be handled as firmly as possible. Proposals for price increases of economic significance must be seen to be rigorously examined, including increases in the retail field; and the existing criteria for increases must be strictly applied. The voluntary early warning arrangements for prices, and the statutory notification of price increases, should be extended. Further, rents must be brought within the machinery for delay and control. While the rent of private houses was in general already controlled or regulated, and while there were difficulties in intervening in rent-fixing by local authorities especially if local authorities were not to be discouraged from fulfilling their house-building programmes, the Housing Ministers had under consideration the possibility of phasing larger rent increases in both the public and private sectors. Second, it would be essential to seek to restrict increases in property incomes in symmetry with the restriction of earned incomes. Third, provision must be made to avoid hardship among the lower-paid workers, who would not be excepted from the 3½ per cent ceiling on pay increases generally. Examination had shown that the only possibility of assisting lower-paid workers in the coming year in a manner likely to promote the incomes policy was through an increase in family allowances.

The Minister of Labour said that he was in general agreement with the proposals outlined by the Secretary of State for Economic Affairs. In his view it was now no longer possible to rely on a voluntary incomes policy based on the vetting of claims by the TUC. The effect of devaluation would put an increasing strain on any continued voluntary arrangements; for example, it seemed likely that the index of food prices, which were a main item in the retail prices index, was likely to increase from 113·5 to 125·5 in the 12 months ending in June. Further, there had been a shift of power at the centre of the TUC; and powerful unions, such as the Transport and General Workers’ and the Amalgamated Engineering and Foundryworkers’ Unions, were opposed to the TUC policy and would be likely either to refuse to submit pay claims to the TUC or to ignore TUC recommendations on such claims. Moreover, the attitude of the CBI had changed; and it could no longer be relied upon to give the TUC the co-operation that was essential to the success of a voluntary incomes policy. The stronger policy now proposed would involve intervention in wage negotiations at factory level; this would throw a heavy burden of additional work on his Department, but was essential if control over national agreements was to be adequately reinforced.

The President of the Board of Trade said that while he did not consider that the case for a policy as severe as that now proposed
had been fully set out, in all the circumstances he accepted that, if fresh powers were taken to control incomes, some reasonable parallel action would be needed in relation to prices. It was important, however, that the Government should not promise more than they could perform. If, for example, they gave the impression of adopting a much stronger policy towards prices and if, as was certain, prices subsequently increased substantially as a result of devaluation, their policy would appear to have failed. In relation to the statutory notification of price increases, he considered that his present reserve powers were already sufficient. There was no need for general compulsory notification, which would result in a wasteful use of staff and destroy the co-operation which was at present forthcoming from industry and trade. In relation to the statutory powers to reduce prices and defer price increases, he would be content with power to enforce a recommendation of the NBPI that a price should be reduced or an increase deferred. But the criteria which had to be applied to price increases were very different from, and more complex than, those applicable to pay increases; and his Department had neither the knowledge nor the resources to enable them to make decisions of this kind and to defend them without reference to the NBPI. Accordingly, he wished to reserve his position on these two aspects of the proposals of the Secretary of State for Economic Affairs.

The Attorney-General said that the Cabinet should consider the consequences in terms of enforcement of taking the new powers proposed. There were inherent dangers in bringing the criminal law into the field of employer/employee relationships and contractual agreements, not least where public authorities and Wage Councils were involved. If the powers proposed were taken, it would be difficult to avoid using them in face of any clear breach of the legislation; and a challenge to the unions in the courts would therefore be inevitable. The Cabinet should consider the consequences for the wages policy if such action in the courts resulted in industrial action. Additionally, there would be attempts to evade the powers by action which fell short of strike action, for example by working to rule or working “without enthusiasm”; and in these circumstances an offence might be difficult to prove. There might be similar difficulty in relation to the proposed power to prevent retrospective payment of wage increases.

In discussion the Cabinet first considered incomes policy. It was argued that the Government would be unwise to proceed with the proposals recommended by the Secretary of State for Economic Affairs. To attempt a drastic policy of this kind, backed by extensive statutory powers, would be liable to create disunity amongst the Government’s supporters and could be expected to lead in a short time to confrontations with some of the major unions, with a likelihood of extensive strikes. This would raise acute problems of enforcement; and the resulting political and economic repercussions could be extremely serious. In the various phases of the incomes policy since July 1966, the Government had drawn heavily on the loyalty and co-operation of the trade unions and of their supporters generally; they could not continue to do this indefinitely. The case
for such a drastic policy had not been made out: there was insufficient
evidence of the degree of inflation which would be likely to result
from the continuance of the incomes policy on a mainly voluntary
basis, particularly in relation to the likely position in our competitor
countries abroad. Apart from the period of complete standstill on
wages in the second half of 1966, the incomes policy in its various
forms had not hitherto been effective; in particular, no real progress
had been made in putting right anomalies in wage structures and in
improving the position of the lowest paid.

On the other hand it was argued that a more stringent policy
and stronger statutory powers were essential in the economic situation
which the country now faced. The average increase in incomes per
head since July 1967 had been about 6 per cent. In the absence of
a stronger policy, the increase over the next 12 months could be
expected to be even larger because of rising prices, an increasing
demand for labour and greater company liquidity. There was no
prospect that productivity would increase on such a scale as to offset
the inflationary effects of wage increases of this order. The narrow
majority secured by the TUC General Council for their proposals
on incomes policy at the conference of trade union executives on the
previous day had underlined the fact that a largely voluntary incomes
policy would be inadequate to cope with the situation. It was
misleading to say that the incomes policy had hitherto been
ineffective: once the Government had taken the measure of the
economic importance of the policy, results had been achieved in the
periods of standstill and severe restraint which could not have been
secured by voluntary means. Nor could we take comfort from the
possibility that our competitors abroad would experience the same
degree of inflation as we could expect in the absence of a stricter
policy: our competitors did not face a comparable post-devaluation
situation nor had they our burden of accumulated international debt.
Our whole economic future depended on securing the benefits of
devaluation for the balance of payments. If we were to allow
extensive wage increases, it might be possible to some extent to
mitigate the effects on demand by fiscal measures; but these could
not deal with the equally serious problems of the effects on industry’s
costs. It was essential to consider the proposals on incomes policy
against the background of recent experience: wages in 1967 had
risen by some 6 per cent, while prices had gone up by only 2 per cent,
and the resulting increase in real wages had not been matched by
increases in productivity; this was bound to have adverse
repercussions on the movement of real wages in 1968.

In further discussion it was argued that there could be no
assurance that Parliament would approve legislation on the lines
recommended in C (68) 45; nor would it be satisfactory if its passage
was secured only by a small majority. If adequate Parliamentary
support was to be forthcoming, it would be essential for the policy
on wages to be matched by equally severe measures to restrain
property incomes and dividends; and the Government’s fiscal policy
would need to be seen to be directed towards a more deliberate
redistribution of wealth.
The Cabinet next discussed prices policy. There was support for the view that, while it would be essential for the Government to take strong action in respect of selected price increases where these were not fully justified by increased costs, it would be unwise to give the public the impression that more could be done towards keeping prices stable than would in fact be possible. Price increases were inevitable following devaluation; indeed, there were sound economic reasons for allowing them to take place wherever they were justified by cost increases. In this situation, it would be wrong to set up extensive machinery for price control, since it could not, and should not, prevent substantial price increases and would therefore be bound to be condemned as ineffective. Nor would it be sensible to attempt to frame statutory powers over prices so as to make them exactly parallel with the proposed powers over incomes. On the other hand, it was argued that rigorous action on prices was essential to the success of incomes policy. The recent report by the NBPI on distributors’ margins (Cmnd. 3546) had shown that, if no action were taken, the maintenance of traditional percentage margins by distributors would be likely to lead to unnecessarily high retail prices. This was only one example of the scope for Government action to restrain price increases; and it was essential that such action should be pursued vigorously.

The Cabinet then turned to consider rents. The Minister of Housing said that he supported the proposals to take powers over rent increases set out in the annex to C (68) 43. Rents of private accommodation were, with unimportant exceptions, already subject either to rent control or rent regulation. In the former case rents were in effect frozen. Under rent regulation, fair rents were determined by rent officers or rent assessment committees on principles quite different from those of prices and incomes policy; and these determinations sometimes resulted in sharp increases. It was the large, sudden increases which were particularly damaging from the point of view of prices and incomes policy; and it was therefore proposed that the Housing Ministers should be empowered to prescribe a system whereby large increases in private rents would be subject to staging over a period of not more than three years. The details would need further consideration: for example, it would be necessary to decide whether staging should be applied to rent determinations in respect of luxury flats. As regards local authority rents, it was proposed that powers should be taken to require authorities to give early warning of rent increases, to require the staging of rent increases so as to limit the size of increases in any one year and to direct in particular cases the date from which the increase should take effect. There were a number of difficulties about these proposals. Many local authority rents were bound to increase as new houses came to be let; since the recent guidance on rent policy issued by the Housing Ministers, there had already been some moderation of rent increases and the larger increases had in some cases been staged over a period; if, through Government intervention, local authorities were faced with the need for a greater contribution from the rates to the housing revenue account, this might lead to

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reductions in housing programmes or other desirable forms of expenditure; and local authorities would resent Government intrusion into a field which was traditionally their responsibility. But despite these considerations, the need to bring local authority rents within the scope of the prices and incomes policy was overriding; and he therefore supported the proposals, subject to further examination of the details by the Housing Committee. It would be desirable for the Housing Ministers to begin consultations with the local authority associations as soon as possible.

The Secretary of State for Scotland said that the proposals created a special problem in Scotland, where local authority rents were in many cases unreasonably low and where the Government's policy had been to encourage increases. He had some reservations about the specific proposals in the annex to C (68) 45 and would welcome further discussion in the Housing Committee.

In discussion there was general support in principle for the proposed powers over private and local authority rents, subject to further consideration of the details by the Housing Committee.

The Prime Minister said that there would not be time for the Cabinet to complete their consideration of future policy on productivity, prices and incomes at the present meeting. So far as the discussion had gone, the majority view had favoured acceptance in principle of the memorandum by the Secretary of State for Economic Affairs (C (68) 45). But further consideration would have to be given to some of the issues which had been raised in discussion, including the proposals to increase family allowances (in relation to the criteria governing the pay of lower-paid workers); the alternative possibilities in respect of future policy on prices; the problems of enforcement of the proposed powers in respect of prices and incomes; and a more detailed assessment by the Ministerial Committee on Housing of the proposed policy to restrain increases in rents.

The Cabinet—
(1) Took note, with approval, of the Prime Minister's summing up of their discussion.
(2) Invited the Chancellor of the Exchequer to arrange for the Ministerial Committee on Prices and Incomes to circulate, for consideration at an early meeting, an assessment of the alternative possibilities in respect of future policy on prices.
(3) Invited the Secretary of State for Economic Affairs to consider further, in consultation with the Law Officers and in the light of the Cabinet's discussion, the problems of enforcement of the powers proposed in his memorandum C (68) 45, based so far as possible on drafting instructions for the necessary legislation; and to report further to the Cabinet, if necessary.
(4) Invited the First Secretary of State to arrange for the
Ministerial Committee on Housing to consider, in more
detail, the application of the proposals for restraint of
rent increases.

4. The Cabinet considered a memorandum by the First
Secretary of State (C (68) 48) reporting the position reached with the
National Farmers’ Union (NFU).

The First Secretary of State said that the Minister of Agriculture,
having found that it would not be possible to reach agreement with
the NFU on the basis of a total award of £50 million, had, with his
consent, explored the possibility of reaching an agreed settlement
within the ceiling of £52½ million which the Cabinet had imposed.
The Committee on Agricultural Policy, under his chairmanship, had
agreed at their meeting on 26th February that the Minister of
Agriculture should be authorised to offer the abolition of the standard
quantity for wheat as well as an increase of 1s. 6d. per cwt. The
Committee, while agreeing to an increase in the guaranteed price for
beef of 12s. 6d. per cwt., did not agree with a proposal by the Minister
of Agriculture that he should also give an assurance that the new
higher price would not be reduced for the next two reviews.

The Prime Minister said that the President of the NFU had
called on him on the previous evening and had suggested that an
agreed settlement should be possible at about £58 million provided
one or two relatively minor points could also be settled. He had
given the President of the NFU no encouragement whatever to think
that the Government would be prepared to consider so large an
award.

The Minister of Agriculture said that the negotiations had been
difficult. The farmers were facing cost increases of £68½ million since
the last review and had originally asked for an award which fully
recouped these additional costs. They had pointed out that the
benefits from the last review, which had been deliberately generous in
order to encourage increased production and import saving, had
been largely eroded by exceptionally large cost increases since that
review. He had told them that in the present economic situation,
bearing in mind the Government’s prices and incomes policy and the
cuts which had been necessary in public expenditure, the farmers
must absorb a substantial part of the additional costs. In the light
of his discussions he considered that it would not be possible to
reach an agreed settlement at £52½ million but that agreement might
well be possible at £55 million. The addition was required for
assistance to livestock rearing, particularly on hill farms, including
those in Scotland, Wales and Northern Ireland. If the guaranteed
price of milk were raised by 3d. to a 1¾d. a gallon this would produce
the extra £2½ million required without any additional call on the
Exchequer: it would lead to an increase to 10½d. a pint in the retail
price of milk from 1st June next instead of 1st July. If this were
agreed, he would propose to redistribute somewhat the remaining
£52½ million in order to increase the hill cow and beef cow subsidies.
An agreed settlement would thus cost relatively little—nothing to the Exchequer—but would have a disproportionately favourable effect on the farmers' general attitude and, therefore, on agricultural output.

The Secretary of State for Scotland and the Secretary of State for Wales, supporting the proposals of the Minister of Agriculture, emphasised the importance of stimulating livestock rearing as a means of using relatively poor land for import saving.

The Chancellor of the Exchequer said that an important principle was at stake. An award of £52½ million would involve an increase of £40 million in public expenditure or 0·3 per cent over the increase of 3½ per cent for 1968–69 which had been announced after the public expenditure cuts in January. An increase in family allowances as well would raise the figure to 4·3 per cent; and there were further requests on the way. The Government must hold the line. Last year's agricultural settlement had been recognised by the farmers and others as unusually generous; and £52½ million should be the absolute limit for 1968–69.

In discussion it was suggested that failure to reach an agreed settlement would not, in itself, affect the level of future agricultural production. Indeed, the NFU representatives might themselves prefer to be seen by their constituents to be in disagreement from time to time about the level of the awards. On the other hand, it was argued that agricultural production had levelled off in recent years and that the recovery expected as a result of last year's rather generous review would not materialise unless the Government were now prepared to offset somewhat more of the substantial increases in farmers' costs since then.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the total award should not exceed £52½ million and endorsed the decisions of the Committee on Agricultural Policy that the standard quantity for wheat should be abolished and that no further assurances should be given about beef prices in future years. They recognised that this decision would put the Minister of Agriculture in a difficult position; but a number of other Ministers had also recently had to accept difficult decisions because of the overriding need to restrain public expenditure.

The Cabinet—

(1) Invited the Minister of Agriculture to limit the total award to £52½ million in the farm price settlement for 1968.

The Cabinet considered a memorandum by the First Secretary of State (C (68) 47) about the compensation for losses from the epidemic of foot-and-mouth disease.

The First Secretary of State said that the Agricultural Policy Committee had been unable to reach agreement on a proposal by the Minister of Agriculture relating to compensation for farmers who had suffered losses resulting from the epidemic of foot-and-mouth disease. Compensation was based on the market value of the
cattle at the time when they were slaughtered: cattle prices had increased by 25 per cent since the early weeks of the epidemic, and consequently farmers affected in the early stages had found their compensation insufficient to re-stock at the market prices now prevailing. They had also suffered by being put out of business for several months by the restrictions on re-stocking. The Minister of Agriculture had proposed that their compensation should be brought up to the level received by farmers whose stock had been affected later. He estimated that the cost would be between £800,000 and £900,000. It was relevant that existing compensation was subject to tax, a fact that was said to be causing resentment among the farming community; that farmers who had suffered losses had already been helped by ploughing grants to encourage a switch to arable farming and a grant for replacing dairy cattle by “dry stock”, at a total cost of £500,000; and that it was open to farmers to insure against foot-and-mouth disease, though few did so.

It had been argued against the proposal that to depart from the existing basis of compensation would be dangerous, that in equity the farmers who had benefited from the rise in prices should meet the cost of compensation for those who had suffered from it and that farmers who had been paid compensation early had been able to obtain some return on the money before re-stocking. On the other hand, it had been said that a departure from the usual formula was justified by the exceptional length of the epidemic, that a levy would not be practicable, and that the return on the compensation payments was negligible. There had been some support in the Committee for a middle course, which he recommended to the Cabinet, that additional compensation should be paid, but only to the extent of £500,000, some of which would return to the Exchequer in tax.

The Chancellor of the Exchequer said that there was no justification for providing the amount of assistance from the Exchequer which the Minister of Agriculture had proposed. The equitable way of helping the farmers whose stock had been affected in the early stages of the epidemic was to encourage the industry to introduce a self-balancing levy scheme to which the Exchequer could make a contribution on a pound-for-pound basis up to, say, £250,000.

In discussion it was pointed out that the Cabinet, having only recently taken painful decisions in order to reduce public expenditure, should be reluctant to agree to proposals for further subventions to the farmers in addition to the help which had already been given to them in compensation and by other measures. A levy system might not prove practicable, and would possibly be no more acceptable to the farmers than the levies proposed to finance training schemes and the Meat and Livestock Commission. Nevertheless, in view of the profits which some farmers had been able to make from the sale of cattle for re-stocking, this offered the most equitable method of assisting the farmers for whom additional help was sought.

The Prime Minister, summing up the discussion, said that the Cabinet were agreed that further assistance from the Exchequer must
be strictly limited and should be given only in the context of a levy system to which the farming community would make an equal contribution. The Minister of Agriculture should therefore discuss with the National Farmers’ Union the introduction of such a scheme, to which the Exchequer should contribute on a pound-for-pound basis up to £250,000. If the farmers were unwilling to co-operate in these proposals, the responsibility for failing to help those who had suffered at the beginning of the epidemic would rest on the industry itself.

The Cabinet—

(2) Invited the Minister of Agriculture to enter into discussions with the National Farmers’ Union on the basis indicated in the Prime Minister’s summing up.

The Cabinet considered a memorandum by the First Secretary of State (C (68) 49) about future policy in relation to meat imports.

The First Secretary of State said that he had been considering, with the Ministers directly concerned, future policy in relation to meat imports. It would be necessary for the Minister of Agriculture to announce on 4th March whether the ban on imports from potentially dangerous sources, temporarily imposed on 4th December last, should now be maintained or removed. The Ministers directly involved had been unable to reach agreement about this or to find any suitable compromise. He had formed the opinion that the balance of the arguments, which were set out in his paper, weighed in favour of lifting the ban now, though he recognised that the Government would certainly then be subjected to criticism when the next outbreak of foot-and-mouth disease occurred. We had hitherto accepted that the risk involved in importing Latin American meat was acceptable because of the countervailing advantages. He believed that this was still the case and that the consequences of continuing to ban imports from Latin America would be serious both for our export trade and for the cost of living.

The Minister of Agriculture said that he did not regard the proposal to maintain the ban on imports as a decisive change from existing policy: it should be remembered that we had banned imports of Argentine pig meat since 1961 because it had been responsible for outbreaks of foot-and-mouth disease in this country. The recent, unparalleled, epidemic had been a severe shock to British agriculture. If another major outbreak occurred after the present import ban had been lifted it would have the most serious consequences for agriculture, and for the Government. The United States (in common with many other countries) banned imports of meat from the Argentine while enjoying a substantial export trade with her. It seemed extremely doubtful whether the Argentine Government would in fact retaliate if the ban were maintained. Argentina had a large favourable balance of trade with us, covering many other products in addition to meat, which they would not wish to place in jeopardy. He therefore recommended that the ban
should continue at least until the Committee under the chairmanship of the Duke of Northumberland, which had recently been established to review future policy for dealing with foot-and-mouth disease, had reported. The Committee could be asked for an interim report on meat imports within a matter of a few months.

In discussion it was suggested that, since the Northumberland Committee would not be examining the full economic and political implications of restricting imports but only the animal health aspects, its report would not be likely to assist the Government in reaching a decision. Moreover, the longer the ban was maintained the more difficult it would be to remove it. We should be breaking a firm undertaking to the Argentine Government if we maintained the ban for even another few months; and there were good reasons for believing that such a breach of faith, combined with the loss of a very important traditional market and the consequences for Argentine trade elsewhere of the aspersions cast on Argentine meat, would bring a sharp reaction. The new Argentine Government were bringing the economy under control for the first time for many years and were also pursuing a deliberate policy of transferring a substantial part of their purchases from the United States to Western Europe. Argentina therefore offered us the prospect of an expanding market; and some very important Government contracts were under negotiation with British manufacturers now—and others were in the offing—apart from substantial private trade. The cost of foot-and-mouth disease over the last 17 years had averaged some £2 million a year. A substantially larger export trade than this was at stake. We had closed an important market in South Africa to our exporters through Government intervention; and we could not afford to do the same in Latin America.

On the other hand it was urged that, if the Government lifted the ban and there was then another major outbreak of foot-and-mouth disease, the political consequences would be liable to be serious. Argentina already had a highly favourable balance of trade with us and was therefore in a weak position to retaliate. The Government of the Irish Republic were seriously concerned at the risks involved for their farmers if we re-admitted Latin American meat. A serious setback for Irish agriculture would not only affect our exports to the Irish Republic, which were many times larger than those to the Argentine, but would also lead to serious shortages of meat here.

The Prime Minister, summing up the discussion, said that the report by the Chief Veterinary Officer of the Ministry of Agriculture had suggested that Argentine lamb was probably responsible for the recent epidemic. It would therefore be reasonable, and defensible in relation to the Argentine, if the Government were to continue to ban imports of mutton and lamb from the Argentine until the Northumberland Committee had reported. The Government would then be able to consider the general policy further in the light of the Committee's report; but meanwhile a decision to restrict imports of lamb would be in line with the decision taken by the then Government in 1961 to ban imports of pig meat from the Argentine because an outbreak of foot-and-mouth disease had been traced to this source.
The Minister of Agriculture should therefore announce to the House of Commons on 4th March that the Government intended to maintain the present ban only on imports of mutton and lamb from the Argentine and that this ban would be reconsidered, together with our general policy towards meat imports, in the light of the report by the Northumberland Committee. The Minister of Agriculture should also try to arrange technical discussions with the Argentine Government about ways and means of reducing the risks of infection from Argentine meat generally. The report by the Chief Veterinary Officer should be published as a Command Paper as proposed by the Minister of Agriculture.

The Cabinet—

(3) Invited the Minister of Agriculture:

(i) to inform the House of Commons on 4th March that the temporary ban on imports of meat, imposed on 4th December last, would be lifted immediately except in respect of Argentine mutton and lamb;

(ii) to try to arrange technical discussions with the Argentine Government about the possibility of reducing the risks of infection from imported Argentine meat;

(iii) to arrange for publication as a Command Paper on 4th March of the report by the Chief Veterinary Officer about the origin of the recent epidemic of foot-and-mouth disease.

Cabinet Office, S.W.1.
29th February, 1968.
17th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 5th March, 1968 at 11 a.m.

Present:

The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. MICHAEL STEWART, M P, First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M P, Lord President of the Council
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M P, President of the Board of Trade
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. BARBARA CASTLE, M P, Minister of Transport
The Right Hon. CLEDWYN HUGHES, M P, Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology

The following were also present:

The Right Hon. FREDERICK LEE, M P, Chancellor of the Duchy of Lancaster
The Right Hon. JUDITH HART, M P, Minister of Social Security
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury
The Right Hon. ANTHONY GREENWOOD, M P, The Right Hon. KENNETH ROBINSON, M P, Minister of Health
The Right Hon. JUDITH HART, M P, Minister of Social Security
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury

Secretariat:
Sir Burke Trend  
Mr. W. A. Nield  
Miss J. J. Nunn  
Mr. K. Barnes  
Mr. L. Errington

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The Cabinet resumed their discussion of future policy on productivity, prices and incomes, and of the memoranda on this subject by the Secretary of State for Economic Affairs (C (68) 45) and by the President of the Board of Trade (C (68) 46).

The Secretary of State for Economic Affairs said that, with the Minister of Labour, he had discussed future prices and incomes policy in general terms with representatives of the Confederation of British Industry (CBI). In particular, he had put to them the concept of a ceiling on increases in earnings. They had reacted unfavourably to this; they felt that once a ceiling figure was promulgated, this would be tantamount to inviting trade unions to press for settlements not less than this figure; they also doubted whether a ceiling could be enforced. They advocated a purely qualitative approach, relying solely on the application of criteria for wage increases. Although the CBI in general favoured a tougher incomes policy, experience had shown that reliance on criteria without any ceiling on earnings would not in practice prevent substantial wage increases. He doubted whether the views which the CBI representatives expressed represented their final judgment or reflected the general opinion of employers.

There had been no collective discussions with representatives of the Trades Union Congress (TUC) since before the Conference of trade union executives on 28th February. He had, however, with the Minister of Labour, had a private talk with the General Secretary of the TUC since then. Mr. Woodcock's attitude had been predictable: he continued to oppose any further legislation as a matter of principle, and advocated a voluntary policy.

In discussion it was suggested that there were recent indications that opposition to a more stringent incomes policy among the Government's supporters in Parliament was less intransigent than had previously been supposed. As regards the attitude of the trade unions, however, it should not be inferred from the reactions of the TUC General Secretary that they would be prepared to acquiesce reluctantly in such a policy. More important was the fact that two of the major unions had opposed the TUC's voluntary incomes policy outright and would clearly be even more strongly opposed to a policy enforced by extended statutory powers. It was extremely doubtful, in view of the attitude of these unions and others who supported them, whether the TUC machinery for vetting wage claims could continue to function.

The extent to which the Government could gain acceptance in Parliament and elsewhere for a stricter incomes policy would be liable to depend significantly on the extent to which other forms of income, particularly dividend payments, were subjected to corresponding restraint. It was therefore difficult to form a final judgment between a more and a less rigorous prices and incomes policy in advance of the forthcoming Budget. On the other hand,
it was clear that a strict incomes policy was essential if wage increases were not to get out of control and if we were to prevent the erosion of the benefits of devaluation. Moreover, the relation between fiscal policy and wage movements should not be exaggerated: the level of wage settlements depended primarily on bargaining factors in the particular circumstances of the industry or firm in question and were not appreciably influenced by fiscal measures which did not bear directly on the negotiating situation. For these reasons it was necessary to take decisions on future prices and incomes policy on their own merits.

In further discussion there was some support for the view that the case for extended statutory powers had not been made out. The exercise of such powers in the past had yielded only marginal results in terms of wage movements. New powers of the kind which had been proposed by the Secretary of State for Economic Affairs were likely to lead to a major confrontation with the trade unions, possibly involving extensive strikes. It was doubtful if the proposed powers would in fact be enforceable or could be so framed as to survive challenge in the Courts. An alternative to fresh legislation would be to renew the powers in Part II of the Prices and Incomes Act, 1966, by Order for a further year after their expiry in August 1968. These powers, which had not yet been fully used, enabled the Government to introduce statutory notification of wage and price increases; and it was for consideration whether the Government need go further. This would, in particular, avoid the acute difficulties likely to arise if, as had been proposed, the Government were to take power to defer wage and price increases for up to 12 months, acting on their own initiative and without reference to the National Board for Prices and Incomes (NBPI). If the Government were to exercise such powers of their own motion, the Departments concerned would require substantial additional staff; and even then they would not have the necessary resources to discriminate between different wage claims or settlements with an assurance of fairness.

Against this, it was argued that extended statutory powers were essential in the present situation. Government pronouncements, both in Parliament and in consultations with the TUC, had in no way pre-judged this issue. Merely to rely on a renewal of the powers in Part II of the 1966 Act would mean continued reliance on a policy which was basically voluntary; but the situation had now changed in that the TUC, following the recent Conference, could no longer be expected to prosecute such a policy effectively. It was difficult to make a precise assessment of the course of wage movements under a voluntary policy, since most of the trade union conferences at which wage claims were habitually formulated had not yet taken place this year. But settlements in recent months had shown average increases in national rates of 6-8 per cent, which would imply larger increases in earnings when account was taken of wage drift. It was particularly significant that the average increase in hourly wage rates during January had amounted to 2 per cent. The situation was dominated by the wage claim in the engineering industry, where the union's opening bid would represent
an addition of some 17 per cent to the industry's wage bill, though clearly even the unions were not expecting to obtain this increase in full. In general, the indications were that in the absence of a stricter incomes policy the increase in incomes per head over the next 12 months could be 8–10 per cent or even more. In this situation there was a strong case for additional statutory powers on the lines proposed by the Secretary of State for Economic Affairs. While the exercise of these powers would present formidable difficulties, the concept of a ceiling on wage increases would considerably ease the problem since, although the criteria for wage increases would still apply to increases below the ceiling, the process of vetting claims and settlements in this area could be less stringent than the vetting of settlements which exceeded the ceiling. While it would be highly desirable for the Government to exercise their powers of delay only in conjunction with references to the NBPI, the number of claims or settlements exceeding the ceiling would be so great that the Board would be swamped if all these cases were referred to them. It was therefore essential that the Government should be able to exercise these powers without reference to the NBPI. But a possible compromise would be to empower the Government to enforce delays only for a limited period of, say, two or three months rather than for the full 12 months before making a reference to the Board.

It was generally accepted that, if the ceiling on wage increase were fixed at 3½ per cent, the increase in practice would almost inevitably exceed this. Some Ministers argued that average increases in the region of 5 per cent were the very least that could be expected and that to fix a ceiling of 3½ per cent was asking for the impossible. The gap between such a figure and the lowest average increase we could expect in practice was so great that the policy would not be credible. Moreover, with price increases of some 5 per cent expected following devaluation a ceiling of 3½ per cent would be taken to imply a cut in real wages which might imply that the policy would not command the necessary degree of acceptance. It would be better to face these facts and to fix the ceiling at a figure of 4 per cent or 4½ per cent, making clear that the Government intended to hold the line firmly. This would greatly reduce the risk of confrontation with the trade unions and the results in terms of wage increases would not be greatly affected.

On the other hand it was argued that, if the ceiling were fixed at 4 per cent or 4½ per cent and this led to increases of this order in national wage rates, the resulting increases in earnings would be quite unacceptable. Moreover, the figure of 3½ per cent had been given to the TUC before the Conference on 28th February as an estimate of the kind of increase which the country could afford in present circumstances; and the figure had also been given in Parliament in relation to what had been said to the TUC. The Government were now widely expected to propose a ceiling of 3½ per cent; and to bring forward a higher figure at this stage would prejudice any hope of co-operation from the CBI, which was essential to the success of the policy, and would also be liable to
have a disastrous effect on confidence abroad. If a ceiling of 3½ per cent could be made reasonably effective, this should reduce the increase in incomes per head by about 1½ per cent below what it would otherwise have been; and this would be a crucial gain in our present economic circumstances.

The Cabinet turned to consideration of future policy on prices. It was argued that the absence of effective control over price increases during past phases of the prices and incomes policy had been a major factor in undermining support for the policy among the Government's supporters and the trade unions. This would apply with even greater force over the coming months, as price increases following devaluation were more widely felt. Against this, it was pointed out that, since the Government took office, there had been only one half-year in which prices had increased more than wages. The Government had acted effectively in confining a number of recent price increases to the amount justified by increased costs following devaluation and by eliminating any allowance for meeting the cost of wage increases. There was considerable scope for strengthening the policy on the incomes side by taking similar action in respect of future price increases. On the whole, the present constant watch and early warning arrangements in respect of price movements were working well; and it would be important to avoid prejudicing this by indiscriminate application of statutory notification of price increases.

The Prime Minister, summing up the discussion, said that, despite the inter-relation between prices and incomes policy and any fiscal measures which might be found to be required in relation to other forms of income, it was essential that work should proceed on the formulation of prices and incomes policy in the interim. The Cabinet should therefore resume their discussion at their next meeting in order to seek to reach decisions on prices and incomes policy, which could be finally ratified at the appropriate point thereafter. He would be addressing a meeting of the Parliamentary Labour Party on the following day and would say that the Government considered that further measures in Parliament in pursuance of the prices and incomes policy would be necessary: this would avoid pre-judging a decision as between renewal of the existing statutory powers by Order in Council and the introduction of fresh legislation.

The Cabinet—

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

(2) Agreed to resume their consideration of future productivity, prices and incomes policy on Thursday, 7th March.
2. The Cabinet considered memoranda by the First Secretary of State (C (68) 50) and by the Minister of Social Security (C (68) 51) on assistance to low paid workers.

The First Secretary of State said that it was essential to find a means of helping the families of low paid workers both in order to implement the Government's repeated promises that they would be protected against the effects of devaluation and also to sustain, against a background of rising prices, the more stringent incomes policy now proposed. Any attempt to help these families by exempting low wage earners from the general restrictions proposed would prejudice the success of the incomes policy because of the pressure to maintain differentials. The Social Services Committee had accordingly considered possible alternative methods. The possibility of combining a system of personal housing allowances with a recast system of subsidies for local authority housing was being considered as part of a longer-term review of housing subsidies and housing finance generally, but the Committee had concluded that it would not be possible to help low paid families by this means within the period for which such reinforcement of the incomes policy was necessary. The extension of the rate rebate scheme did not affect the families in question and it would not be practicable to require local authorities to introduce a uniform rent rebate scheme. A centrally administered scheme of means-tested housing allowances would be unlikely, apart from the objections, to be acceptable to the trade unions as a reinforcement of the incomes policy. The Committee had therefore concluded that help could be provided for low-income families this year only through an increase in the rate of family allowances. They had been advised that, partly as a result of the additional work consequent on adjusting income tax allowances to take account of the 7s. increase in family allowances to be introduced in April, the most serious difficulties would be caused for the Inland Revenue if there were any attempt to associate a further increase of family allowances with further reductions of income tax allowances in 1968-69 (a “give and take” arrangement) although this might be done as part of the larger “give and take” operation which was proposed for 1969-70 in relation to existing family allowances. It would, however, be possible for the cost of an increase of family allowances in 1968-69 to be partly offset by savings which could be made in that year in national insurance expenditure by abolishing the payment of benefit for the first three days of sickness or unemployment and by restricting the payment of unemployment benefit to occupational pensioners. The first increase would save initially £15 million in a full year and more later and the second £4 million in a full year.

While the Chief Secretary, Treasury, had reserved the Chancellor's position as regards both the timing and the amount of any increase in family allowances, the Committee had concluded that an increase of 5s. would be justified against the background
of a likely increase in prices of over 5 per cent, the greater part of which might have occurred by the autumn. They further concluded that the increase should be made in October when supplementary benefit would also be increased, since there would be criticism if increased family allowances were paid before additional provision was made to meet hardship among the elderly. On this basis a 5s. increase of family allowances would cost some £30–£32 million in 1968–69 net of social security offsets and of tax at present rates; this would be further offset by the proposed savings on national insurance expenditure which, if brought into operation as soon as possible, might amount to £10–£12 million in that year. The net extra cost would thus be very small in relation to the sums that were at stake in the field of incomes policy. In 1969–70 and subsequent years the cost of the family allowance increase would be more than offset by reductions in income tax allowances on a “give and take” basis, in addition to the continuing reduction of £19 million a year in national insurance expenditure.

The Minister of Social Security said that there was no satisfactory alternative to assisting the low-income families by an increase of family allowances. Such families were not assisted by fiscal measures of redistribution and tended to be in the employments to which wage restraint was most firmly applied. In any event to give them exceptional treatment under the incomes policy would both threaten the success of that policy and be unsatisfactory in itself, since wage increases paid no regard to the extent of family responsibilities. In the context of the Government’s measures generally, it was not a valid objection that family allowances were not generally popular; there were in any case indications that this unpopularity would be substantially reduced by the introduction of the “give and take” arrangements. While it might appear inconsistent to make a further increase of family allowances in the autumn, not accompanied by “give and take” arrangements, this apparent inconsistency could be justified because of the practical difficulties and in the light of an intention to apply “give and take” arrangements to the further increase in April 1969.

The Chancellor of the Exchequer said that he accepted on balance that family allowances should be further increased; but to make an increase unaccompanied by “give and take” arrangements after applying “give and take” arrangements to the increase made in April 1968 with the intention of extending it in the following April would give an impression of vacillation. Further, a 5s. increase of family allowances in October offset only by the proposed reductions of national insurance expenditure would cost an additional £20 million in 1968–69 bringing the increase in Government expenditure in that year above the 5 per cent limit already announced and would damage confidence overseas in our economic policies. Any increase in family allowances should not lead to any net increase in social security expenditure in the current year. However, further consideration by the Chief Secretary, Treasury, had shown that, if an increase of family allowances taking effect in October 1968 were limited to 3s., it would be possible to
introduce "give and take" adjustments of income tax allowances which over the whole financial year would offset the increase paid for the last six months of the year. While this would have the disadvantage that tax allowances should be reduced before the family allowance increase became payable, he would be prepared to accept a 3s. increase of family allowances on this basis. Taken together with the reductions in national insurance expenditure proposed by the Minister, there would be no net increase in public expenditure. The only alternative possibility acceptable to him would be a 5s. increase in family allowances from April 1969 with concurrent "give and take" arrangements.

In discussion it was suggested, in view of the difficulty of ensuring a sufficient increase in family allowances, that it might be preferable to relax the proposed limitation on pay increases in relation to the lower paid. There was, however, considerable support for the view that there was no practical alternative to assisting the lower-paid families through an increase in family allowances, because of the risk to the incomes policy if they were excepted from the general limitations on pay increases. In particular, to give assistance through family allowances would ensure that the proportionate addition to a family's income was greatest in the case of the lowest paid and the largest families. While an increase of family allowances was unlikely to affect wage negotiations themselves, it could influence substantially the attitude of the TUC and of the Government's Parliamentary supporters to the prices and incomes policy. From this point of view, an increase of 5s. was the least that would be effective and should not be deferred beyond October 1968. On the other hand, it was pointed out that, because of the size of the adjustment to income tax allowances which would have to be made at the beginning of the financial year under "give and take" arrangements, it would not be practicable to introduce an increase of family allowances of as much as 5s. during 1968-69, nor could such an arrangement avoid some net increase of expenditure. It was suggested that, assuming that his wages increased up to the permitted ceiling of 3½ per cent, a 3s. increase in family allowances would ensure that the income of a man with four children earning £13 a week would fully keep pace with the likely increase in prices, quite apart from the 7s. increase in family allowances that would be made in April. While this 7s. increase had been given in order to increase the standard of living of the lower income family and should not be subsumed in the further increase that was necessary to maintain that standard, the two increases could be presented as reasonably generous treatment of the families concerned in present economic circumstances.

The Prime Minister, summing up the discussion, said that the Cabinet agreed on balance that family allowances should be increased by 3s. a week in October, with a corresponding adjustment of income tax allowances on a "give and take" basis, which would operate over the whole financial year. In addition, the Cabinet approved the proposals of the Minister of Social Security to abolish
payment of benefit for the first three days of sickness and unemployment and to restrict the right of occupational pensioners to receive unemployment benefit.

The Cabinet—

Agreed that legislation should be introduced to increase family allowances by 3s. a week in October 1968 with an associated adjustment of tax allowances for 1968–69 under “give and take” arrangements, and to abolish payment of sickness and unemployment benefit for the first three days of absence from work; and that the right of occupational pensioners to receive unemployment benefit should be restricted.

Cabinet Office, S.W.1,
5th March, 1968.
18th Conclusions

SECRET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 7th March, 1968, at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. RICHARD MARSH, M.P., Minister of Power

The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 4)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 4)

The Right Hon. EDWARD SHORT, M.P., Postmaster-General (Item 4)
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General

The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir BURKE TREND
Mr. W. A. NIELD
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. H. L. LAWRENCE-WILSON
Mr. K. BARNES
Dr. F. H. ALLEN
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The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
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The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 4)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 4)

Secretariat:
Sir BURKE TREND
Mr. W. A. NIELD
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. H. L. LAWRENCE-WILSON
Mr. K. BARNES
Dr. F. H. ALLEN

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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 Commonwealth Secretary said that the crisis resulting from the execution for murder, on 6th March, of three Rhodesian Africans in defiance of a reprieve by The Queen had been precipitated by a change in the position of the Rhodesian Chief Justice, Sir Hugh Beadle. In a judgment of 1st March the Appellate Division of the Rhodesian High Court, presided over by the Chief Justice, had refused to grant a stay of execution to allow application to be made direct to the Privy Council for special leave to appeal. The solicitors of two of the three condemned men had thereupon lodged a petition to The Queen, who retained the Prerogative of Mercy in any British territory. On the grounds that the men had already been under sentence of death for more than two years and had been deprived of their right of appeal to the Privy Council, he had on 3rd March advised Her Majesty to exercise the Royal Prerogative in their favour and to commute their sentences to life imprisonment. The Rhodesian Cabinet had met on 5th March and evidently decided to proceed with the executions. Their action had outraged opinion not only in Parliament and in the country, but also in the world at large, especially at the United Nations; and as a result we faced a very difficult situation. The Defence and Oversea Policy Committee would consider on the following day how the Government should react to this situation and it would be valuable to have the views of the Cabinet beforehand. There were three main fields in which action was possible: in the United Nations, in regard to the position of the Rhodesian judges and of those who had been responsible for the executions—this was being examined by the Lord Chancellor and the Attorney-General—and in connection with the ideas for a possible political settlement which had recently been brought back from Rhodesia by Sir Alec Douglas-Home. On the last point he believed that it was out of the question to have any further discussions with the Rhodesian régime in present circumstances; but before a public statement was made to this effect he wished to have the approval of the Cabinet. Throughout the crisis the Governor of Rhodesia, Sir Humphrey Gibbs, had shown extraordinary courage and staunchness of character. The Governor thought that the petition to The Queen had been the only hope of saving the lives of the condemned men; but he had been powerless to act himself. The Governor had advised that the dormant commission empowering the Chief Justice to discharge the duties of the Governor in the event of the latter's disability should be revoked; and had now ordered the Chief Justice to leave Government House where he had been living for the last two years.
In discussion there was general agreement with the action of the Commonwealth Secretary in advising The Queen to exercise the Royal Prerogative in favour of the condemned Africans. It was also generally agreed that we should be careful not to react emotionally to the executions and take hasty decisions which we would be impotent to carry out in practice. Our reaction should be considered in the light of our longer-term policy towards Rhodesia, which was the subject of a paper by the Lord Chancellor to be considered by the Defence and Oversea Policy Committee on the following day. The executions had roused indignation throughout the world, and we would almost certainly be faced with a meeting of the Security Council of the United Nations at which our policy would come under attack. The Committee of Twenty-four and the Human Rights Commission had before them draft resolutions on the subject and one of these would probably come to the Security Council. In the new circumstances created by the executions there was a strong case for intensifying sanctions; and it would not be possible for us to resist a move for comprehensive mandatory sanctions. It might however be necessary for us to make clear in an explanation of vote that we were not prepared to take action which would involve us in an economic confrontation with South Africa. It was also important that we should try to engage the United Nations in a greater degree of responsibility for policy towards Rhodesia and for the policing of sanctions.

There was general agreement that in present circumstances there could be no question of further discussions with the Rhodesian régime on the basis of the proposals brought back by Sir Alec Douglas-Home. The proposals themselves were less favourable to the Africans than those agreed in HMS Tiger; and Mr. Smith would not have the power to enforce their acceptance by his Cabinet even if he himself accepted them. We should not however exclude the possibility of negotiating a settlement in due course with a successor régime of more liberal tendencies. It was suggested that the time had come when we might call upon public servants in Rhodesia, who had so far been encouraged to stay at their posts, to abandon the régime. It was pointed out, however, that we must be careful to avoid putting ourselves in a position where we could be held responsible for the breakdown of law and order in Rhodesia. Great caution would also be necessary in dealing with suggestions that those who had been responsible for the executions should be charged with murder. The fact that the High Court of Rhodesia had authorised the executions gave these people ground for arguing that they had acted legally. We could in any case only take action against them if they were United Kingdom subjects and came within our jurisdiction.

In further discussion it was suggested that, in the light of the public indignation roused by the executions, we should re-examine the possibility of taking military action against the Rhodesian régime. It was pointed out however that such an operation would still be open to the objections that it would require all our available forces.
and a six months' build-up; and would now be more difficult to mount than when it was previously considered since Aden could no longer be used as a base. There would be a grave risk of the operation being prolonged indefinitely, and of our becoming inextricably committed; even if we were successful, we should be obliged to resume full responsibility for the government of the territory with all the international consequences. On the other hand, the view was expressed that we should consider the possibility of more limited military operations, such as the bombing of strategic points on Rhodesian supply routes and Rhodesian stocks of oil.

The suggestion was also made that Parliament should make its attitude towards the executions unequivocally clear by means of a resolution supported by the leaders of all parties on the analogy of those passed during the war condemning Nazi atrocities. It was agreed that such a resolution would need careful drafting and that the emphasis should be less on the executions themselves than on the régime's breach of legality and its refusal to allow an appeal to the Privy Council.

The Prime Minister, summing up the discussion, said that the Cabinet endorsed the action of the Commonwealth Secretary in advising The Queen to exercise the Royal Prerogative of Mercy. In reacting to the executions we should be careful to avoid meaningless gestures. The Defence and Oversea Policy Committee would consider on the following day the various suggestions which had been made in the course of the discussion and in particular the various possibilities of intensifying sanctions. The Attorney-General should examine whether those responsible for the executions should be charged with murder; but we must avoid hasty decisions. The general view of the Cabinet was that any further discussion with the régime on a possible political settlement was out of the question at present; but the possibility of discussions in the future with a successor régime should not be excluded. The Lord Chancellor and the Commonwealth Secretary should draft a Motion condemning the executions which he would invite the Leaders of the Opposition Parties to sign—the Motion should if possible be put down that evening; whether there should be a debate in Parliament would be for later decision.

The Cabinet—

(1) Took note with approval of the Prime Minister's summing up.

(2) Invited the Lord Chancellor and the Commonwealth Secretary to draft a Motion on the lines suggested by the Prime Minister in his summing up.

The Commonwealth Secretary said that Mauritius was due to become independent on 12th March. The internal security situation there was at present extremely precarious. He had therefore been obliged to advise Her Royal Highness Princess Alexandra of Kent to cancel her visit to attend the independence celebrations. The
Minister of Housing would, however, represent the Government. Although the Mauritius Independence Act contained standard provisions concerning citizenship, there was no considerable class of persons living in Mauritius, as there had been in Kenya, who would under the Act retain citizenship of the United Kingdom and Colonies as their sole citizenship.

The Cabinet—

Took note of the Commonwealth Secretary’s statement.
the First Secretary of State. The question of continuing the programme in 1969-70 would be referred to the Cabinet in due course.

The Cabinet—

Took note, with approval, of the report by the First Secretary of State and of the points made in discussion.

The Prime Minister recalled that there had been general agreement at the Cabinet's previous discussion that, as a means of easing the position of the low-paid worker, family allowances should be increased, the cost being offset by tax adjustments and savings in the field of social security. They had also invited the Prices and Incomes Committee to examine the alternative possible means of controlling price increases; but the Committee had not yet completed their consideration of this question. The Cabinet had further agreed in principle that any new legislation should incorporate powers to control rent increases; and the Housing Committee had now examined in sufficient detail the statutory powers which could be taken in this respect to make it possible for a passage on rent control to be included in any general announcement on prices and incomes policy.

There remained the question of incomes. In their previous discussions, the majority of the Cabinet had appeared to be moving towards agreement that it would be necessary to introduce fresh legislation extending the existing powers. The extent to which the Government should adopt a more stringent policy depended, however, in part on how far such a policy would in practice be workable; and since the National Board for Prices and Incomes (NBPI) would have an important role to play in this respect, and the Secretary of State for Economic Affairs had discussed confidentially with the Chairman of the Board the kind of approach which was now under consideration, the Chairman had undertaken to consider the issues involved; and it might be necessary to discuss them further with him before final decisions were taken. The Cabinet would also need to bear in mind that in the near future a

*4. The Cabinet resumed their consideration of future policy on productivity, prices and incomes on the basis of memoranda by the Secretary of State for Economic Affairs (C (68) 45) and the President of the Board of Trade (C (68) 46). The Cabinet also had before them a further memorandum by the Secretary of State for Economic Affairs (C (68) 54) on the enforcement of statutory powers over prices and incomes, together with a note by the Secretary of the Cabinet, which was circulated at the meeting, summarising the existing and proposed statutory powers. A copy of this note is annexed.

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number of announcements would have to be made, following reports by the NBPI, of increases in prices and charges in the nationalised industries.

The Secretary of State for Economic Affairs said that he was not proposing any changes in the enforcement machinery provided under existing statutory powers; and the problems of enforcement would thus be the same in kind as those already encountered under the existing policy. If, however, a stricter policy were introduced, including an extension of the maximum period of standstill on wage and price increases from seven months to twelve, and a prohibition on retrospective wage payments following the imposition of a standstill, a more frequent use of statutory powers would clearly be necessary and there would be more cases to be dealt with over a wider area of enforcement. So far as incomes were concerned, enforcement would be directed in the first place against the employer by requiring him to defer implementation of a wage increase. If the employer complied but pressure were exerted upon him by his employees to grant the increase, the trade unions or workers concerned might come within the scope of statutory sanctions and it would be for the Attorney-General to decide in any particular case whether proceedings should be instituted. The sanctions would, as at present, take the form of fines; but there would remain, in addition, the possibility of imprisonment for non-payment of fines. The Criminal Justice Act, 1967, had reduced this possibility by providing for other means, notably attachment of earnings, for securing payment of fines; but it would still be possible for an individual who was determined to go to prison to do so. This, however, was already the position in relation to the existing statutory powers, including relatively uncontroversial provisions such as the requirement under the Prices and Incomes Act, 1966, to give evidence to the NBPI. If workers attempted to force an employer to contravene a statutory Order by various forms of industrial action short of strikes, the Government could face great difficulties in instituting a successful prosecution. Nevertheless, the primary object of the statutory powers was to prevent wages increases in contravention of the policy; and they should be made effective for their purpose.

The Attorney-General said that the difficulties of bringing legal proceedings under the proposed extended statutory powers would be increased if these powers were to be exercised by the Government themselves without reference to the NBPI. The courts would be more sympathetic towards prosecutions if the relevant Order had been made in pursuance of a recommendation by an independent body such as the NBPI. The courts were traditionally reluctant to intervene in contractual arrangements between employers and employees; and they would be particularly hesitant where the employer was a statutory board or local authority. His colleagues should be fully aware of these difficulties in considering the case for a more stringent policy.

In discussion it was argued that the extended statutory powers proposed in C(68) 45 would be more drastic than those in Part IV
of the Prices and Incomes Act, 1966, which had only been accepted as a crisis measure for a short period. There must be considerable doubt whether it would be possible to secure the enactment of legislation on these lines; the attitude of the Government’s supporters, following a meeting of the Parliamentary Labour Party on the previous day, was still uncertain. Moreover, it should not be assumed that, by taking more rigorous statutory powers, the Government would automatically secure a correspondingly greater effect in terms of wage restraint. It was doubtful if the marginal effect on wage movements, which was probably all that could be expected of any incomes policy, warranted incurring the risks attendant on new legislation. The Government should not, out of deference to public expectations at home and abroad, seek to introduce a more stringent policy than they could in fact enforce. While the presentational impact of such measures might reinforce confidence in sterling in the short run, these benefits would be more than offset in the longer term when it was seen that the policy could not be implemented. In particular, it would not be possible to gain acceptance for a policy which bore more heavily on wages than on other incomes and prices. But prices were bound to rise—indeed, they must be allowed to rise in the post-devaluation period, since it would otherwise be necessary to increase taxation disproportionately in order to regulate demand. Similarly, it would be unwise to attempt to restrict profits, because this would prejudice the increased industrial investment which was vital to our economic recovery. In view of these inhibitions on the control over other forms of income, the control over wages should be correspondingly limited.

Moreover, even if extended statutory powers were secured, situations were likely to arise in which they could not in practice be used. It might be possible for the policy to survive challenge in the less essential sectors of the economy; but, if it led to major strikes in key sectors such as fuel and transport, it would not be practicable to deal with these by enforcing the statutory powers. The seamen’s strike of 1966 had illustrated that to stand up to a major strike did not always benefit the economy or reinforce confidence in sterling. The Government’s firmness in handling that strike had inevitably contributed to the economic crisis which had required the deflationary measures of July 1966. For these reasons the Government should avoid fresh legislation and should confine themselves to putting into effect the existing powers in Part II of the Act of 1966, which included the power to require statutory notification of price and wage increases but had not yet been used. The maximum period of deferment of price and wage increases would, admittedly, be reduced to three months; but it might be worth accepting this in order to avoid the dangers of fresh legislation and of major confrontations with the trade unions.

Even if it were thought to be insufficient to activate Part II of the Act of 1966, it should still be unnecessary to go as far as was proposed in C (68) 45. Legislation could be introduced to maintain
in force the powers in the Prices and Incomes Act, 1967; and these might be made renewable annually by Order subject to affirmative resolution. It might also be acceptable to extend the maximum period of deferment for wage and price increases from seven to twelve months; but it would be wise to stop short of prohibiting retrospective wage payments and to abandon the proposal that the Government themselves should exercise the delaying powers without reference to the NBPI. Further consideration should also be given to the administrative practicability of the proposals in C (68) 45, in view of the uncertainty about the extent of the burden of case-work involved for Departments and for the NBPI.

Against this, it was argued that unless the Government now introduced a policy which was, and was seen to be, stricter than the existing policy, the effects on international confidence in sterling would be liable to be very serious. Ever since they took office the Government, rightly or wrongly, had made the prices and incomes policy central to their whole economic strategy; and they could not now retreat from this position. In the eyes of our creditors overseas the effects of a severe Budget would be nullified if it were not accompanied by a more stringent prices and incomes policy. The present policy had resulted in an increase of some 6 per cent in average hourly wage rates in 1967, while prices had risen by only 2 per cent. In effect, therefore, there had been an increase of 4 per cent in real wages, which had not been earned by higher productivity. In January 1968 the average hourly wage rate had increased by a further 2 per cent. Unless the Government introduced a policy which was judged to offer a real prospect of improving on these results, the impact on foreign opinion would be such that the new parity of sterling, which was not yet assured despite the recent devaluation, would be put once again at risk. Already that morning the exchange rate of sterling in the market had fallen below the new parity.

The dangers to the sterling parity, however, had to be considered in relation to the present international monetary situation. As a result of our own devaluation the dollar, as the other reserve currency, had come under pressure; and there was currently considerable speculation in the market, based on fears that the United States Administration would eventually be compelled to increase the dollar price of gold. These fears were not necessarily without foundation; indeed, unless the war in Vietnam were brought to a swift conclusion, the United States might be faced eventually with the need either to increase the price of gold or to demonetise it. Sterling would inevitably have to follow any change in the exchange value of the dollar; and it followed that, so long as the present tension continued in the international monetary situation, it would not be possible to put the present parity of sterling beyond challenge, either by a strict prices and incomes policy or by any other means. We should not allow ourselves, therefore, to be compelled by concern for the sterling parity to adopt a more drastic policy on prices and incomes than we could hope to implement in terms of political realism. On the
other hand this in no way relieved us of the obligation to take all possible action to strengthen our economy. Otherwise we might be forced into a second devaluation, while the dollar still maintained its position. And, even if the dollar were subsequently driven to follow the downward adjustment of sterling, the political and economic consequences of the latter would be disastrous for us. In particular we should face the prospect of a competitive readjustment of all the other major currencies; and in that event we should not only forfeit the benefits of our own devaluation but also risk precipitating a period of international monetary disorder, coupled with a developing shortage of international financial liquidity, which could generate a contracting spiral of international trade and a recurrence of the conditions of the early 1930s. The fact that the United States Administration were known to be acutely aware of these dangers did not relieve the Government of the responsibility of adopting the type of prices and incomes policy which would be most likely to avert a major loss of international confidence in sterling.

In further discussion it was agreed that there was great force in these arguments, provided that, in deciding their policy on prices and incomes, the Government distinguished sufficiently between strength and a mere show of strength. In this connection there were two features of the proposals in C(68) 45 which presented particular difficulty. First, it was intended that the ceiling on wage increases should apply to all increases, including those arising from negotiations at plant level as well as at national level. But, if we could succeed in holding nationally negotiated increases to an average of 3½ per cent, could we not then afford to ignore local wage drift and still ensure that the overall increase in incomes per head did not exceed some 6 per cent over the next 12 months? On the other hand the whole concept of the ceiling would be put at risk if control did not extend to locally negotiated increases, particularly in industries such as engineering and construction, where local wage drift was more significant than nationally negotiated increases. But, given that it was desirable to control local increases, was it in fact practicable to scrutinise all plant bargains? Further information was needed on the number of locally negotiated increases, the proportion of these which would be subject to statutory notification, the dimensions of the task of vetting such increases and the staff resources which would be needed. It might be necessary to consider the scope for limiting the range of statutory notification (for example by confining it to establishments above a certain size) and the extent to which the vetting of increases could be made selective in order to reduce the task to manageable proportions.

Second, the proposal that the Government themselves should exercise the proposed powers without reference to the NBPI was open to grave objection. To proceed in this way would put the Government in the position of directly fixing wage levels, locally as well as nationally. It was not clear whether the Departments
concerned could deal effectively with such a task; and it would be
difficult to persuade industry and the public that they had the
resources or the expertise to do so with thoroughness and fairness.
Further thought should be given to the feasibility of making the
exercise of statutory powers dependent on reference to the NBPI.

The following additional points were made:

(a) If the Government's object was to secure a significant
reduction in real wages over the next 12 months, the public
should be told this plainly. Only if this were done and other measures
were taken to ensure equality of sacrifice as between wage and non-wage
incomes would there be any prospect of making the policy effective
and preventing unjustified expectations of higher living standards.
On the other hand the Government were not trying to achieve more
than a slight reduction in real wages over the next 12 months,
although the reduction would admittedly be more significant for those
groups which could not benefit from increased earning opportunities
such as additional overtime.

(b) A ceiling of 3½ per cent was too low; 4 per cent would be
more realistic. Moreover, whatever figure was fixed, it was a
disadvantage of the present arrangements that individual wage
settlements were considered in isolation. In fact, however, only a
limited increase was permissible for the economy as a whole; and,
if one section of workers received a relatively generous increase,
others would have to be content with less. There was much to be
said for the concept of a national dividend (i.e., a global sum available
for wage increases, to be shared out between the different claimants)
as distinct from a uniform permissible percentage increase.

(c) The proposal to prohibit retrospective wage payments in
respect of periods during which an increase had been deferred under
the statutory powers would be bitterly opposed by the trade unions
and would present considerable difficulties of enforcement. Some
trade unions were already beginning to press for such retrospective
payments; and this tendency could be expected to increase under a
stricter incomes policy. The shorter the maximum period of
deferment of increases, the more important it would be to prohibit
retrospection.

(d) It was proposed in C(68)45 that the statutory powers of
deferment should be directed at increases in the pay of workers
in particular establishments instead of being related to the
implementation of wage agreements as under the existing statutory
powers. This proposal was directed solely to making the
administration of the statutory powers more effective. The present
system suffered from the weakness that, if the implementation of a
particular agreement were deferred, there was nothing to prevent
the parties from reaching a different agreement for substantially the
same increase.

(e) If the Cabinet were to decide against fresh legislation, it
would not then be possible to introduce control of rent increases
unless this were embodied in a separate Bill.
The Prime Minister, summing up the discussion, said that the majority view of the Cabinet favoured the introduction of legislation incorporating extended statutory powers but that there was a difference of view on whether these powers should be as proposed in C (68) 45 or should be more limited. There were doubts in particular on two major points. First, Ministers were not clear whether it was feasible to extend the system of notification and vetting to cover all wage increases at plant level as well as national increases. The Cabinet needed further information on the dimensions of such a task and the resources which would be necessary to carry it out. Second, there were considerable misgivings about the proposal that the Government should themselves be empowered to exercise the proposed statutory powers without reference to the NBPI. The Secretary of State for Economic Affairs, in consultation with the Minister of Labour, should circulate a memorandum exploring these problems further and examining the respective merits of the proposals for statutory powers in their present form and a modified version which would meet the difficulties which the Cabinet felt on the two major points which he had mentioned. This would not preclude a decision, if that were the Cabinet’s wish, either against fresh legislation in any form or in favour of less extensive statutory powers, on the lines of those available in Part II of the Act of 1966 as reinforced by the Act of 1967. These issues, together with outstanding questions on the content of future prices and incomes policy, would be for further consideration by the Cabinet on 12th March, with a view to ratification of the final decision at the Budget Cabinet on 18th March. The Secretary of State for Economic Affairs, together with the Minister of Labour, should also arrange to discuss further with the Chairman of the NBPI the practical problems of administering a more stringent prices and incomes policy and the role which the Board might play in this regard. Meanwhile, authority could now be given for the drafting of at least the heads of a Prices and Incomes Bill, although due regard would have to be paid at this stage to other and more immediately urgent calls on Parliamentary Counsel. The Secretary of State for Economic Affairs should also arrange for the drafting of a White Paper on future productivity, prices and incomes policy to be put in hand, in order that the Cabinet might be able to consider a provisional draft at the meeting on 18th March.

It was essential that the matters which had been covered in the Cabinet’s discussion should not be the subject of any premature disclosure. Ministers should therefore take particular care to preserve complete secrecy about their discussion and should refrain from any briefing of either junior colleagues or the Press. They should also avoid, in any public utterances, expressing pessimistic or alarmist views about our economic position, since this could only serve to make that position even more serious.
The Cabinet—

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

(2) Invited the Secretary of State for Economic Affairs, in consultation with the Minister of Labour—
   (i) to circulate to the Cabinet in time for their discussion on 12th March a further memorandum on future prices and incomes policy;
   (ii) to hold further discussions with the Chairman of the NBPI, as indicated in the Prime Minister's summing up;
   (iii) to arrange for the preparation of a draft White Paper on future productivity, prices and incomes policy, to be available for consideration at their meeting on 18th March.

(3) Authorised the Secretary of State for Economic Affairs to arrange for the drafting of a Prices and Incomes Bill, with due regard at this stage to other urgent calls on Parliamentary Counsel.

(4) Agreed to resume their discussion on Tuesday, 12th March.

Cabinet Office, S.W.1,
7th March, 1968.

SECRET

ANNEX

SUMMARY OF EXISTING AND PROPOSED STATUTORY POWERS

A. Powers in Part II of the 1966 Act
   Note: The Act is permanent; but the powers in Part II have to be renewed annually (from August 1968) by affirmative Order.
   1. Power to require notification (i.e., “statutory notification”) of wage proposals or settlements and price increases or proposed increases—if necessary, industry by industry.
   2. Power to impose a standstill on a price or wage increase notified under (1)—
      (a) for one month, pending a decision whether to refer the case to the NBPI;
      (b) for a further three months, pending the Board's report.
   3. Fines for breach of a standstill by an employer and for action by workers to induce an employer to breach a standstill.

B. Reinforcement of Part II by the 1967 Act
   Note: These extensions expire in August 1968 and could only be maintained after that by fresh legislation.
   1. Power to prolong a standstill under A above by a further three months (i.e., a total standstill of seven months—six months
from the date of reference to the NBPI and a month in which to refer) where the Board reports adversely on a wage or price increase.

2. In the case of wages or prices not subject to statutory notification as in A (1) above, power to revoke a wage or price increase for up to six months from the date of reference to the NBPI—

(a) where the increase has taken place before the reference to the NBPI; or

(b) where the proposal for an increase has been referred to the NBPI but the employer nevertheless makes the increase before the Board has reported.

C. New Powers proposed in C (68) 45

Note: The new legislation would put all the powers on a basis of annual renewal by affirmative Order (as against present powers under Part II of the 1966 Act, which are renewable annually, and the powers under the 1967 Act, which expire in August 1968).

1. Extension of the maximum period of standstill or revocation for price and wage increases to 12 months. (Not seven months as under present powers.)

2. Retrospective wage payments in respect of a period covered by a standstill or revocation to be prohibited. (Not covered by present powers.)

3. Standstill and revocation to be directed at increases in the pay of workers in the establishment(s) concerned (i.e., not at the implementation of wage agreements, as under present powers).

4. Powers as in (1) to (3) to be exercisable by the Government itself (i.e., without the need for a reference to the NBPI, as under present powers).

5. Power to require price reductions where these are recommended by the NBPI. (Present powers limited to deferment of increases.)

6. Power to require staging of increases in local authority and private rents. (Not covered by present powers.)
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CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 12th March, 1968,
at 9.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. LORD SHACKLETON, Lord Privy Seal

The Right Hon. MICHAEL STEWART, M.P., First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport (Items 1 and 2)

The Right Hon. RICHARD MARSH, M.P., Minister of Power
The Right Hon. FREDERICK LEE, M.P., Chancellor of the Duchy of Lancaster (Items 1 and 2)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury

The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretary:
Sir Burke Trend
Mr. W. A. Nield
Miss J. J. Nunn
Mr. K. Barnes
Mr. P. E. Thornton
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1. The Commonwealth Secretary said that there was some Parliamentary pressure for an early statement on Rhodesia. He had promised that one would be made as soon as possible, and there might be advantage in making it on the following day so as to inform Parliament of the Government's attitude in advance of the speeches which the United Kingdom representative at the United Nations (Lord Caradon) would be making in the forthcoming debate in the Security Council.

In discussion it was suggested that the pressure for a statement came mainly from Members who would be satisfied that the matter was in the hands of the United Nations and with the Commonwealth Secretary's assurance on the previous day that in present circumstances there could be no question of resuming contacts with the illegal régime. It would be unwise to make a statement until the Government were in a position to make a firm and definite announcement of policy, and, in view of the embarrassment in which we might be placed if Parliamentary discussion preceded the debate in the Security Council, it would be preferable that no statement should be made for the time being.

The Prime Minister, summing up the discussion, said that it would be convenient to the Cabinet to discuss the matter again at their next meeting, and that no statement should be made in the meantime.

The Cabinet—

Agreed to resume their discussion at their next meeting.

2. The Cabinet resumed their consideration of future policy on productivity, prices and incomes on the basis of memoranda by the Secretary of State for Economic Affairs (C (68) 45, 54 and 56) and by the President of the Board of Trade (C (68) 46).

The Secretary of State for Economic Affairs said that his memorandum (C (68) 56) dealt with the major points relating to the effectiveness and administrative feasibility of the proposed policy which had been raised at the Cabinet's previous discussion. The memorandum first considered the extent to which it would be necessary to introduce statutory requirements for notification of wage increases, whether at national or local level, and price increases. There was already power in Part II of the Prices and Incomes Act, 1966, to impose such requirements, but he hoped to avoid the need to exercise it. It had not been used during the periods of standstill and severe restraint in 1966 and 1967; employers who were concerned about wage settlements in breach of the policy had reported them to the Ministry of Labour, and the statutory powers to delay increases

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had then been brought into play as appropriate. There was always
the possibility of collusion between employers and workers to reach
a settlement in breach of the policy without reporting it, but it was
unlikely that any flagrant case would escape the notice of the
Departments concerned. It was intended to continue on this basis
during the next phase of the policy, and this should reduce the
administrative problems to manageable proportions. If, however,
employers proved to be less co-operative than in the past, statutory
notification could be introduced selectively. The system of vetting
claims and settlements would thus be broadly confined to those which
threatened to contravene the policy, and it would not be necessary for
every settlement to be reported. Controls over price movements
would be operated on the same basis, and this would meet much of
the concern previously felt by those of his colleagues with
responsibilities for prices.

As regards the nature of the statutory powers, the crucial
proposal was that the maximum period of delay which could be
imposed on a price or wage increase should be extended to 12 months.
If this were accepted, it would ensure that increases could be deferred
at least until a period some 18 months after devaluation, by which
time there was a reasonable prospect that we should have emerged
from the worst of our economic difficulties.

The other powers which he proposed were less crucial to the
effectiveness of the policy. He still favoured the prohibition of
retrospective payment of wage increases following the imposition of
a standstill, but he recognised that this would be difficult to enforce
since it would always be possible for an employer to disguise a
retrospective payment in such a way as to escape the exercise of the
statutory powers. The proposal for a ban on retrospective wage
payments was related to the question of the duration of the statutory
powers generally. If the powers were to be renewable annually for
an indefinite period, it should be feasible to use the power to defer
increases as a means of effectively preventing retrospective payments,
and the need for a statutory prohibition of such payments would then
be diminished.

He further proposed that the powers to delay excessive increases
should be framed by reference to the rate of remuneration of the
employees concerned in a particular settlement, rather than by
reference to the award or settlement from which the increase
originated. The existing powers were on the latter basis, but had
proved for this reason to be difficult to administer. It was not always
easy to define the relevant settlement in a statutory order, and even
if this could be done it was always open to the parties to reach a fresh
settlement which was the same in substance but different in form,
and so to defeat the purpose of the statutory order. His proposal
would not change the nature of the power, but would allow it to be
exercised more effectively.

He had further considered the feasibility of providing that the
statutory powers should be exercised only in conjunction with a
reference to the National Board for Prices and Incomes (NBPI), and

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had discussed with the Chairman of the Board whether this would place an undue burden on the Board. This problem could best be assessed by analysis of the three kinds of reference with which the NBPI would have to deal. First, there would be cases where there was dispute whether the increase resulting from a particular settlement did or did not exceed the ceiling figure; secondly, there would be cases where a settlement exceeded the ceiling figure and where it was quite clear that this could not be justified on the ground of increased productivity; it should be possible for the NBPI to deal quickly with these two kinds of reference. Thirdly, settlements above the ceiling figure which there was a case for regarding as exceptions justified on the grounds of increased productivity would require full investigation by the NBPI. In general he was satisfied that to tie the exercise of statutory powers to reference to the NBPI would not cause undue difficulties and he recommended this course.

In discussion there was general agreement that, given the intention to avoid so far as possible imposing statutory notification of price and wage increases, the administrative burden would be manageable. It was argued, however, that it would be undesirable for the Government to be compelled to refer to the NBPI settlements clearly in excess of the ceiling with no shadow of justification for making an exception. For the Board to have to deal with considerable numbers of cases of this kind would reduce its standing with the public and with industry. It would moreover be more reassuring to opinion overseas if the Government were seen to be prepared to resist excessive increases without relying for support on the NBPI. On the other hand, it was argued that there were great presentational advantages in tying the exercise of statutory powers to reference to the NBPI, and that even where settlements were clearly in breach of the policy it was frequently of great value to the Government to have the support of the Board in resisting them.

It was suggested, however, that the danger of overloading the NBPI would be greatly reduced if the Government could secure agreement on a voluntary basis, with parallel statutory provision for use if necessary, to a period longer than the one month provided under Part II of the Act of 1966 during which an increase would be deferred pending a decision whether to refer it to the NBPI. This would give the Departments concerned more opportunity to persuade the parties to an excessive settlement to revise it so as to conform with the policy. It was unlikely that the trade unions would agree to the period being extended to as much as three months, but it might be possible to get agreement to a period of two months.

It was suggested that the policy would command a wider degree of acceptance if, when a settlement in excess of the ceiling was referred to the NBPI, the Board were able to allow the increase up to the ceiling figure but to defer payment of the remainder of the increase for 12 months. This would amount to treating the ceiling figure as a norm, but it was in any case likely to be so treated in practice and the policy would recognise the realities of the situation. On the other hand it was argued that it would be disastrous to give any impression
that a ceiling of 3½ per cent was in fact a norm. It would be essential
to continue to emphasise the importance of the existing criteria for
wage increases below 3½ per cent; while some relaxation of the criteria
might be inevitable once a ceiling was imposed, it would be a
retrograde step to lead trade unions to suppose that increases of
3½ per cent could be granted irrespective of the merits of the claim.
Moreover, if the NBPI were always to allow an increase of 3½ per cent
in the case of settlements in excess of that figure, trade unions would
have nothing to lose by pressing excessive claims and the load on the
NBPI would become unmanageable. Excessive settlements should
incur the penalty of rejection of the whole increase, so that the only
recourse of the parties concerned would be to reach a fresh settlement
in conformity with the ceiling and the criteria.

It was argued that it would be unwise to include in the legislation
a prohibition on the retrospective payment of wage increases
following the imposition of a standstill. Such a prohibition would be
bitterly opposed by the trade unions as interference with free collective
bargaining. It could not be effectively enforced, and the need for it
would be greatly diminished if there were power to delay wage
increases for up to 12 months since employers in any case were unlikely
to concede retrospective payments for such a long period. On the
other hand, the tendency, already apparent, for trade unions to press
for retrospective payments could be expected to increase. The
question of a ban on retrospective payments was closely linked to
the duration of the statutory powers. If the powers were to be valid
only for a limited period, then in the absence of a ban on retrospective
payments, the expiry of the powers would release pent-up pressure for
wage increases with results which could be gravely damaging for the
management of the economy. If, on the other hand, the proposed
powers were to be renewable annually for an indefinite period, it
should be possible to limit retrospective payments by exercising the
delaying powers. Apart from other advantages, it would be more
reassuring to foreign opinion to take powers which would be valid for
an indefinite period but did not include a ban on retrospective
payments than to legislate only for a limited period but to include
such a ban.

There was support for the view that to take powers which would
be renewable annually for an indefinite period was in any case justified
on its own merits. It was increasingly clear that a purely voluntary
policy for prices and incomes was unlikely to be adequate in the
foreseeable future and there was some recognition of this by the
representatives of both sides of industry. While it should still remain
the Government’s aim to rely on a voluntary policy increasingly as
time went on, it would be necessary if such a policy was to be effective
to maintain statutory powers to reinforce it when necessary. A
convenient course would be to make the powers renewable annually
by a simple procedure; for example, if they were expressed initially
to expire after 18 months they could be renewed by the Expiring Laws
Continuance Act. By this means it might be easier, than by order
under the Prices and Incomes Act, to renew some of the powers but
not others, thus giving a greater flexibility.
In further discussion the following points were made—

(a) A ceiling figure of 3½ per cent should be interpreted to mean that the aggregate increase in the earnings of those affected by a particular wage settlement should not be increased as a result of the settlement by more than 3½ per cent; there was no question of attempting to limit to 3½ per cent the increase in the earnings of each individual worker concerned.

(b) It was for consideration whether the ceiling figure for wage increases should be embodied in a statutory order. There was support for the view that it would be preferable to announce the figure, with appropriate emphasis, in the Budget Speech and in the subsequent White Paper. The figure could then be adjusted at a later stage as circumstances warranted without the need for an amending order.

(c) There was general agreement with the proposal in paragraph 9 of C (68) 45 that where in the public services pay was determined on the basis of comparison with wage and salary movements in the private sector over a period of two years or more, the ceiling figure should be applied at an annual rate since the date of the last increase, but that where this would result in an increase of more than 3½ per cent the increase should be staged—that is, it should be paid in instalments which would not be back-dated. The same principle should be applied where similar circumstances arose in the private sector.

(d) The policy might be open to the criticism that it discriminated against the public services, since the only exception to the ceiling for wage increases related to increased productivity and the opportunities for this in the public services, though not negligible, were less than in private industry. It would be necessary to present the policy in the White Paper in the manner best calculated to minimise such criticism.

The Prime Minister, summing up the discussion, said that the discussion had shown general support for the main proposals on incomes policy set out in C (68) 45, as clarified and modified in C (68) 56. The Cabinet were not yet ready, however, to form a view on the related questions of the duration of statutory powers and the inclusion of a prohibition on retrospective wage payments following the imposition of a standstill. It would be helpful if the Secretary of State for Economic Affairs, in consultation with the Chancellor of the Exchequer, the Lord President and the Attorney-General, would circulate a further memorandum on the duration of the powers. This should examine the proposal that the powers should be valid in the first instance for 18 months and renewable thereafter by the Expiring Laws Continuance Act; and if this proposal were found to have disadvantages, should consider the alternatives. The Cabinet would also need to give further consideration to the question whether the ceiling figure for wage increases should be embodied in a statutory instrument, and to outstanding issues of prices policy. All these issues should be considered at their meeting on 14th March with a view to ratification of the final decisions at the Budget Cabinet on 18th March.
The Chancellor of the Exchequer would announce the Government's proposals in outline in his Budget Speech on 19th March; and the Secretary of State for Economic Affairs would elaborate them when he spoke in the Budget debate on Thursday, 21st March. The Secretary of State, in consultation with the Chancellor of the Exchequer and the Minister of Labour, should consider further the timing of consultations with the Confederation of British Industry (CBI) and the Trades Union Congress (TUC). The best course might be for representatives of the TUC to be seen on the morning of 19th March, but it would only be possible at that time to give them a limited indication of the proposals. They might be given a fuller account on the evening of 19th March after the Budget Speech. It would be preferable not to see representatives of the CBI on 19th March; but there should be consultation with them, at which the Chancellor of the Exchequer should be present, and, if appropriate, further consultation with representatives of the TUC on 20th March before the Secretary of State for Economic Affairs spoke in the debate. It would also be desirable before this to consult the National Staff Side of the Civil Service Whitley Council.

The Cabinet—

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

(2) Invited the Secretary of State for Economic Affairs—

(i) in consultation with the Chancellor of the Exchequer, the Lord President and the Attorney-General, to circulate a memorandum on the duration of the proposed statutory powers, on the lines indicated in the Prime Minister's summing up, for consideration at their meeting on Thursday, 14th March;

(ii) in consultation with the Chancellor of the Exchequer and the Minister of Labour, to arrange for consultations with the CBI and the TUC on the lines indicated in the Prime Minister's summing up.

(3) Invited the Chancellor of the Exchequer to arrange for consultation with the National Staff Side of the Civil Service Whitley Council

(4) Agreed to resume their discussion on 14th March.

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3. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (68) 53) on the introduction of a national lottery.

The Chancellor of the Exchequer said that there were indications that a growing majority of the public would welcome a national lottery. The House of Commons had recently given a Second Reading to the National Lottery Bill, promoted by Mr. James Tinn.
by a majority of 69 to 17; and although the number of votes recorded was relatively small, the majority was widely representative of the Government's supporters in the House, with the exception of those who were opposed on religious grounds to any form of gambling. It would be difficult, however, to base further action on a vote of this size, and he accordingly sought the views of his colleagues on the question whether he should test Parliamentary opinion on the introduction of a lottery by seeking to insert in the Finance Bill at Report Stage a clause to remove the present legal obstacles to the promotion of a lottery. If, on a free vote, the House accepted the principle, a substantive Bill could be introduced in the following Session.

There would no doubt be some opposition from public opinion, particularly in Scotland and Wales, on moral grounds, and it might be suggested that the promotion of a national lottery conflicted with the Government's policy on gaming, or that the Government were seeking by this means to escape from the realities of their serious economic position. On the other hand, many people would prefer a lottery as a means of raising revenue to the imposition of even higher taxation, and criticism might be reduced if the decision on principle were taken by a large majority in Parliament on a free vote.

It was desirable that a substantial proportion of the proceeds of a lottery, which on an optimistic estimate might amount to £50 million a year, should accrue to the Treasury; and the hypothecation of the remainder presented difficulties, since it might conflict with the rational ordering of priorities on expenditure. Nevertheless, there would be public support for the hypothecation of some of the revenue to purposes which were not primarily the Government's responsibility and were not sufficiently catered for by public finance. If the Cabinet agreed that Parliamentary opinion should be tested in the way he had proposed he would put in hand further studies on the problem of hypothecation and would indicate to Mr. Tinn that a Government proposal would be submitted to Parliament shortly.

The First Secretary of State said that the Home Affairs Committee had been in favour by a majority of establishing a national lottery, and hence of testing Parliamentary opinion in the manner proposed. They thought that a majority of the public, even in Scotland and Wales, would now support a lottery in principle, particularly if part of the revenue were used to support activities not primarily the Government's responsibility, such as the promotion of sport, the enjoyment of the countryside, and the arts.

In discussion it was recalled that the Government when in Opposition had criticised the introduction of Premium Bonds; there would be resentment among some sections of their supporters if the Finance Bill were used to pave the way for the introduction of a national lottery. The country already had extensive facilities for gambling, some of which the Government were now trying to bring under control, and this was an inappropriate time to consider the introduction of a national lottery.
On the other hand, there was support for the proposal that Parliamentary opinion should at least be tested on a free vote, though it was pointed out that if the idea of a lottery was supported in principle it would be necessary for the substantive Bill to be a Government measure and this might put some members of the Government in a difficult position.

The Prime Minister, summing up the discussion, said that the only issue on which it was necessary at this stage for the Cabinet to reach a conclusion was the proposal that Parliamentary opinion should be tested by an amendment to the Finance Bill. On balance the Cabinet supported this proposal and agreed that Ministers should exercise a free vote. It might be necessary to consider later, if Parliament supported the proposal in principle, whether the substantive Bill could be drafted by the Government but introduced by a Private Member. In the meantime a study of hypothecation should proceed, and the Home Secretary should be consulted on the provision to be inserted in the Finance Bill.

The Cabinet—

(1) Agreed that, as a means of testing Parliamentary opinion on the principle of a national lottery, an amendment to remove the legal obstacles should be considered on a free vote at the Report Stage of the Finance Bill.

(2) Invited the Chancellor of the Exchequer—

(i) to prepare the necessary provision in consultation with the Home Secretary;

(ii) to indicate to Mr. James Tinn that the Government intended to submit proposals to Parliament shortly;

(iii) to arrange for a further study to be made of the problem of hypothecating the revenue from a national lottery.

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(ii) to indicate to Mr. James Tinn that the Government intended to submit proposals to Parliament shortly;

(iii) to arrange for a further study to be made of the problem of hypothecating the revenue from a national lottery.

4. The Cabinet considered a note by the President of the Board of Trade about a possible British offer to accelerate tariff reductions resulting from the Kennedy Round (C (68) 55).

The President of the Board of Trade said that the United States Administration were now considering the imposition of an import surcharge of probably 5 per cent. They were expected to take a final decision about this in the week beginning 18th March. During their recent consultations with European Governments the Americans had, however, hinted that a unilateral and immediate implementation by the European Economic Community (EEC) of the Kennedy Round tariff reductions, which were due to take place over the next five years, might well avoid the need for an import surcharge or other American restrictive trade measures. The Federal German Government, despite
some opposition from the French Government and the European Commission, had obtained agreement in the EEC to an urgent study by the Commission of a proposal to make such a unilateral and immediate reduction in the common external tariff. Since then we had heard that the Scandinavian countries would probably be prepared also to accelerate tariff reductions agreed in the Kennedy Round provided that the United Kingdom and the EEC did the same. In these circumstances he proposed that the Government should now inform the United States Administration of British willingness to implement our own Kennedy Round tariff cuts in full by 1st January, 1969 (or whatever subsequent date might eventually be agreed), provided that at least the member States of EEC and the European Free Trade Association (EFTA) and, if possible, Japan also accelerated their tariff reductions to the same extent; that the United States Government did not introduce an import surcharge or other restrictive trade measures; and that the United States Government undertook to proceed with their own Kennedy Round tariff reductions in accordance with the originally agreed timetable and to do their best to get legislation through Congress during this year abolishing the American selling price system.

These proposals had been endorsed on the previous day by the Ministerial Committee on Commercial Policy. Because of French opposition within the EEC it was most improbable that our conditions for implementing the offer would be met. If that proved to be the case we should nevertheless have earned substantial goodwill, without cost, both in the United States and in Germany and Scandinavia. If contrary to our expectations we found ourselves obliged to accelerate our tariff cuts, the cost to our balance of payments would be about the same as the cost of a United States import surcharge of 5 per cent, but the impact of accelerated tariff reductions would come later when we were better able to afford them.

In discussion it was suggested that the level of United Kingdom imports was still uncomfortably high and showed no signs of falling. We should therefore be taking a substantial risk in committing ourselves to early tariff reductions before we were satisfied that our balance of payments was soundly based. Moreover, an offer of assistance to the United States by the United Kingdom, in her present economic situation, might not be easily understood here and would accord ill with unpalatable decisions to reduce demand with the object of improving our own balance of payments. On the other hand, it was argued that an offer to accelerate United Kingdom tariff reductions would be a lesser evil for our own balance of payments than a United States import surcharge of 5 per cent. Moreover, it was most improbable that we should be called upon to implement the offer because of French objections in the EEC; but we should nevertheless earn substantial goodwill with the United States Administration and Congress, which might be expected to help generally in containing the powerful protectionist pressures in the United States. While some Commonwealth countries might be
expected to complain if we made such an offer without consultation, meaningful consultations would not be possible if the offer were to be made in time to have any effect; and Canada, which would probably be most affected by reductions in our tariff, had been protected to some extent from the adverse effects of the recent United States measures. Nevertheless the Departments concerned could concert arrangements so far as possible to consult or to notify, as appropriate, other interested Governments.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that, although the proposals made by the President of the Board of Trade involved some risk for our balance of payments, they should be accepted as the lesser evil in the circumstances which now faced us.

The Cabinet—

(1) Invited the President of the Board of Trade, in consultation with the Foreign Secretary, to arrange for the United States Government to be informed that the Government were prepared to accelerate tariff reductions, agreed in the Kennedy Round, on the conditions set out in paragraph 9 of C (68) 55.

(2) Invited the President of the Board of Trade, in consultation with the other Ministers concerned, to arrange for consultation or notification—as appropriate—with other interested Governments and with the European Commission.

Cabinet Office, S.W.1.
12th March, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 14th March, 1968, at 10 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister

The Right Hon. George Brown, M.P., Secretary of State for Foreign Affairs

The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department

The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer

The Right Hon. Denis Healey, M.P., Secretary of State for Defence

The Right Hon. Patrick Gordon Walker, M.P., Secretary of State for Education and Science

The Right Hon. George Thomson, M.P., Secretary of State for Commonwealth Affairs

The Right Hon. R. J. Gunter, M.P., Minister of Labour

The Right Hon. Lord Shackleton, Lord Privy Seal

The Right Hon. Michael Stewart, M.P., First Secretary of State

The Right Hon. Lord Gardiner, Lord Chancellor

The Right Hon. Richard Crossman, M.P., Lord President of the Council

The Right Hon. William Ross, M.P., Secretary of State for Scotland

The Right Hon. Anthony Crosland, M.P., President of the Board of Trade

The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs

The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. Cledwyn Hughes, M.P., Secretary of State for Wales

The Right Hon. Richard Marsh, M.P., Minister of Power (Items 1 to 3)

The following were also present:

The Right Hon. Frederick Lee, M.P., Chancellor of the Duchy of Lancaster (Item 4)

The Right Hon. Edward Short, M.P., Postmaster-General (Items 4 and 5)

The Right Hon. Sir Elwyn Jones, QC, M.P., Attorney-General (Items 4 and 5)

The Right Hon. Kenneth Robinson, M.P., Minister of Health (Item 4)

The Right Hon. John Diamond, M.P., Chief Secretary, Treasury (Items 4 and 5)

The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Miss J. J. Nunn
Mr. E. M. Rose
Mr. H. L. Lawrence-Wilson
Mr. K. Barnes
Mr. P. E. Thornton

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1. The Prime Minister said that, in view of the very heavy administrative pressure to which Ministers and their senior advisers had been subject since the previous autumn, he hoped that arrangements would be made for them to obtain a reasonable respite either at Easter or at the Spring Bank Holiday. Ministers should make it their personal responsibility to ensure that this was done.

The Prime Minister then referred to two further recent instances of articles in the Press which purported to disclose discussions in the Cabinet and in a Cabinet Committee. These incidents reinforced the need for all Ministers to preserve the strictest discretion about matters which were under collective discussion. They should also ensure that their junior Ministers were again reminded of their obligations in this respect.

2. The Cabinet were informed of the business to be taken in the House of Commons in the following week, including the debate on the Budget which the Chancellor of the Exchequer would open on Tuesday, 19th March. There was general agreement on the importance of securing the most forceful and convincing presentation of the Budget proposals and the related policies on prices and incomes. The Lord President would be responsible for co-ordinating arrangements whereby Ministerial speeches over the next few weeks would be directed principally to this end.

The First Secretary of State said that at the request of the Prime Minister he had convened a Group of Ministers to consider the issues raised by a request from the Minister of State for Commonwealth Affairs (Mr. George Thomas) to be permitted to speak in his personal capacity as a prominent Methodist in opposition to the Third Reading of the Sunday Entertainments Bill. The Bill was a Private Member’s Bill, for which the Government had provided the draft. Until recently Bills had either been recommended or opposed by the Government, or had been genuinely Private Members’ Bills which the Government had left to take their own course, and there had been no question of Ministers speaking in a personal capacity. Under the present Administration, however, a fourth category of Bill had developed: Bills concerned with controversial social problems, for which the Government had thought it right to give facilities in terms of drafting, and where necessary Parliamentary time, to enable Parliament to come to a conclusion. It was in relation to this category, of which the Sunday Entertainments Bill was an example, that the problem arose, largely because, while the Government as such adopted an attitude of neutrality, they had permitted the departmental Ministers concerned with the Bills to express their own personal views, normally in favour of the object the Bill was designed to attain.
The majority of the Group of Ministers under his chairmanship had taken the view that in future no Minister, whether or not he was departmentally concerned, should express a personal view on Bills to which the Government collectively took a neutral attitude. The departmental Minister’s intervention should be confined to advising Parliament on the practicability of the measure and on any amendments necessary to ensure that it reached the Statute Book in a suitable form. It had been suggested, on the other hand, that all Ministers, whether departmentally concerned or not, should be free to express their personal views, or, alternatively, that the Prime Minister should decide, on the rare occasions when a Minister not departmentally concerned wished to speak, for example in the light of the Minister’s long and public association with the point of view which he wished to express, whether he should be allowed to do so. The majority of the Group considered that the first alternative might result in several Ministers with strong conscientious convictions feeling impelled to speak, with the result that opportunities for Private Members to participate in the debate would be limited; and that the second would place the Prime Minister under the necessity of reaching a series of difficult personal judgments. If the view of the majority, which he shared, were adopted, a special difficulty would arise in relation to the Divorce Reform Bill, because the Solicitor-General, speaking for the Government in the Second Reading debate in the House of Commons, had indicated that he personally was opposed to the Bill. If a ban on the expression by Ministers of their personal opinions were introduced at this point, the Lord Chancellor would be prevented from expressing his own support of the Bill in the House of Lords. The Group of Ministers therefore thought that the Lord Chancellor should be permitted on this occasion to give a brief indication of his support.

In discussion it was pointed out that it was difficult to convince the public of the Government’s neutrality on the principle of a Bill for which they were providing Government time in the House of Commons if, in addition, the Minister departmentally responsible expressed himself as personally in favour of the objects the Bill sought to achieve. In the particular case in question, however, Mr. George Thomas’s position was well known, and it could do the Government no harm if he were allowed to take part in the debate on the Sunday Entertainments Bill. It was a mistake to speak of the Government as neutral on Bills of this character. All Ministers had their own views; they merely refrained from offering Parliament collective advice on the principle of the Bill. It was arguable that the public should know where Ministers stood on the issues in question, and it was not clear that the departmental Minister need be precluded from expressing a personal view provided that the Cabinet were consulted on each occasion. They could then consider the question in the light of the views of Ministers with a different departmental responsibility, for example, in relation to the application of a Bill to Scotland or Wales, or with no departmental responsibility, who might with equally strong conviction hold views in an opposite sense: it might then be urged that if some Ministers held views contrary to
those of the departmental Minister with the primary responsibility, he should refrain from expressing his personal support or opposition and confine himself to a declaration of the Government’s neutrality.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were in favour of adopting the recommendation of the majority of the Group of Ministers that no Minister should express a personal view on Private Members’ Bills for which the Government were prepared to give special facilities while maintaining collective neutrality, subject to the proviso that if a Minister with departmental responsibility wished to express a personal view he should consult the Cabinet. If, having considered the view of other Ministers on the Bill in question, the Cabinet agreed that the departmental Minister should express a personal view, he could do so; but in any event no Minister other than the Minister with departmental responsibility for the topic in question should speak in debates on Bills of this type. It followed that Mr. George Thomas should not speak on the Sunday Entertainments Bill. In view of the difficulty of applying the new procedure to the Divorce Reform Bill, however, the Cabinet agreed that the Lord Chancellor should be free to express his support of the Bill in the Second Reading debate in the House of Lords, as the Solicitor-General had briefly expressed his opposition at the corresponding stage in the House of Commons.

The Cabinet—
(1) Agreed that Ministers without departmental responsibility in respect of the Bill in question should not speak on Private Members’ Bills on which the Government adopted an attitude of neutrality, and that a Minister with departmental responsibility should do so only with the specific agreement of the Cabinet.
(2) Took note that the Prime Minister would advise Mr. George Thomas that he should not speak on the Third Reading of the Sunday Entertainments Bill.

The Lord Privy Seal drew attention to the possibility of a serious procedural difficulty arising from the proposal, which the Cabinet had approved at their previous meeting, to insert a provision in the Finance Bill removing the legal obstacles to the establishment of a national lottery. He understood that the rules of order of the House of Commons excluded the possibility of foreign matter being tacked on to Finance Bills by way of amendment, and that constitutional practice prevented the inclusion of such matters among the original provisions of such Bills. The Standing Orders of the House of Lords also condemned tacking as un-Parliamentary. It would be embarrassing if, in an attempt to sound opinion in the House of Commons on a national lottery, the Government exposed themselves to accusations in the House of Lords of unconstitutional practice, or, alternatively, since the House of Lords did not divide on the
provisions of a Finance Bill whether certified as a Money Bill or not, to the accusation that the Government were attempting to prevent the House of Lords from expressing an opinion on the principle of a national lottery. It might therefore be better to find some other way of assessing opinion in the House of Commons. He had not, however, thought it right to consult the authorities of the House on the point because of its association with the Budget, and it might be that the difficulties were not as great as he feared.

The Chancellor of the Exchequer said that he did not think there was any constitutional objection to the insertion of the proposed clause in the Finance Bill, and he proposed that it should be included in the Bill as introduced rather than by way of amendment, so as to avoid the necessity for recommittal. An appropriate means of enabling the House of Lords to express an opinion on the issue might be to arrange a debate specifically on a national lottery before the Finance Bill reached them.

The Prime Minister, summing up this part of the discussion, said that the points to which the Lord Privy Seal had drawn attention did not suggest that the Chancellor of the Exchequer should refrain from using the Finance Bill as a means of sounding the opinion of the House of Commons on a national lottery, but rather that the House of Lords should take a separate opportunity of considering the matter. It would be convenient for them to do so between Second Reading of the Finance Bill in the House of Commons and its transmission to the House of Lords.

The Cabinet—

(3) Took note, with approval, of the Prime Minister’s summing up.

The Commonwealth Secretary said that he had considered with the Foreign Secretary how best to meet the pressure in Parliament for a statement on our policy towards Rhodesia in view of the meeting of the Commonwealth Sanctions Committee that was due to take place on the following day and the meeting of the United Nations Security Council that was expected shortly. They had concluded, on balance, that the right course would be for a holding statement to be made in Parliament that day in terms which would, so far as possible, leave us free to take what action seemed best as matters developed in the United Nations. The statement would express relief at the decision of the régime in Rhodesia not to proceed with the hanging of 35 more men but at the same time make it clear that the problems raised by the recent executions had not been solved, particularly as a further 70 men remained under sentence of death. It would go on to amplify our attitude to the proposals for a settlement of the Rhodesian problem which had been brought back by Sir Alec Douglas-Home from his discussions with Mr. Ian Smith, making clear that in view of the executions these proposals could not be followed up. The position as regards the Rhodesian Judiciary would be dealt with in terms which had been agreed with the Lord Chancellor and the Attorney-General and there would be a reference.
The statement to the position as regards the United Nations and the Commonwealth Sanctions Committee, expressing our desire to know the views of our Commonwealth partners and of other members of the Security Council before finally deciding what action we should take.

The Foreign Secretary said that it was clear from representations made to him by a delegation of ambassadors acting on behalf of representatives of African States that there would be strong pressure for a resolution in the Security Council calling for the use of force against Rhodesia. The composition of the Security Council was such that a strong resolution seemed certain to receive eight votes, probably with four against it, the outcome turning on the votes of the two Latin American members. We were considering the possibility that the problem of Rhodesia should be dealt with in two stages in the Security Council: first a resolution which we could support, expressing abhorrence at the recent actions of the régime; and subsequently a second stage dealing with the action to be taken, on which our view would depend on what was proposed. It was clear that we should face an extremely difficult situation in the United Nations, particularly as the representative of the Soviet Union would be Chairman of the Security Council from the beginning of April.

In discussion there was general agreement that a statement on the lines proposed by the Commonwealth Secretary should be made in Parliament that day, although it was for consideration whether it might not more conveniently be made by the Prime Minister in response to Questions that had already been put down to him for answer that afternoon. In view of the number of issues requiring continuous attention that seemed likely to arise on Rhodesia, a special group of Ministers would be constituted to deal with them. One matter requiring consideration was the possibility of a new approach which would enable action to be taken against firms rather than Governments for breaches of mandatory sanctions.

The Cabinet—

(4) Agreed that a statement on our policy on Rhodesia on the lines proposed by the Commonwealth Secretary should be made in Parliament that day.

(5) Took note that the Prime Minister would arrange for a group of Ministers to be constituted to deal with all aspects of our policy towards Rhodesia.

The Commonwealth Secretary said that there was an imminent danger of armed conflict breaking out between Guyana and its neighbour Surinam, which was an autonomous State within the realm of the Netherlands. The dispute was over an area of some 5,000 square miles of uninhabited territory which had always been considered as part of Guyana when it was a British Colony. Surinam had established posts in the disputed territory in connection
with a proposed hydro-electric scheme: and Guyana wished to remove them by force. We were not directly involved in the dispute. But it was our interest to prevent the outbreak of hostilities between a member of the Commonwealth and a State which was part of our ally, the Netherlands. An attempt to arrange a meeting between the two sides in Barbados had been unsuccessful. But we were continuing to use our influence with Guyana to prevent hostilities.

In discussion the Cabinet were informed that we were also in touch with the Netherlands Government; and that the United States Government, although they would not mediate, were exerting their influence in favour of a settlement. The question had not been referred to the International Court.

The Cabinet—

Took note of the Commonwealth Secretary's statement.

The Prime Minister said that arrangements had been made for the Secretary of State for Economic Affairs and the Minister of Labour to meet representatives of the Trades Union Congress (TUC) on 18th and 19th March to give them first a broad indication, and later a fuller account, of the Government's intentions on prices and incomes policy. He himself proposed to meet the Trade Union Group of Members of Parliament or their representatives on 18th and 19th March for a similar purpose. Representatives of the Confederation of British Industry (CBI) would be seen on the morning of 19th March and consulted more fully after the Budget speech; it was important that any discussion with them on general budgetary matters should take place only when the Chancellor of the Exchequer was present.

The Secretary of State for Economic Affairs said that his memorandum (C (68) 58) considered the merits of the three possible solutions to the problem of the duration of the proposed statutory powers over prices and incomes which had been canvassed in the Cabinet's previous discussion. These were:

(i) to take powers for 18 months with provision for Parliament to continue them for a further period by the Expiring Laws Continuance Act;

(ii) to take powers for two or three years only, subject to annual renewal within that period by affirmative resolution procedure; or

(iii) to take powers without time limit subject to annual renewal by affirmative resolution procedure.
While course (ii) would set a firm limit to the duration of the powers, under courses (i) or (iii) it would be open to the Government to continue them indefinitely. If course (i) or (iii) were adopted, it would be necessary to decide whether the Government should publicly present this as legislation which was intended to be permanent. It would be necessary to assess the likely reactions to this in Parliament and industry: the CBI and TUC would almost certainly be strongly opposed to any suggestion of permanent powers. His own view was that statutory powers would be required permanently; they would probably not need to be as far-reaching as the powers it was now proposed to take, but should be more extensive than the powers available under existing legislation. If this were accepted as the long-term objective, it raised a difficulty in respect of course (i), since there was only limited scope under the Expiring Laws Continuance procedure for amending the statutory provisions which were being continued and this might make it difficult to move towards powers of an intermediate character of the kind he had suggested.

Despite this, course (i) had a number of advantages over the other courses and he recommended its adoption. It was essential that the Government should commit themselves firmly to taking powers which would be valid for at least 18 months; an undertaking to this effect should be given in the Budget debate, and the Government should also indicate then that they would probably seek to continue the powers for at least one further year. If this were done, adequate powers would be available during the critical post-devaluation period. It would be undesirable, however, to give any commitments at this stage in respect of statutory powers in the longer term.

If powers were taken for at least 18 months, this would make it easier to abandon the proposal to include in the new legislation a prohibition of retrospective wage payments following the imposition of a standstill. The longer the powers were to remain in force, the smaller was the risk of employers and unions agreeing on retrospective payments. The power to delay wage increases could continue to be used to prevent excessive settlements designed to compensate retrospectively for loss of earnings through deferment of a previous wage increase. It would probably not be possible to prevent retrospective wage payments entirely, since if these took the form of lump sums the money would be in the hands of the recipients before the statutory powers could be invoked. Nevertheless, he recommended that the legislation should not include a prohibition of retrospective payments, provided that the statutory powers were to be valid for at least 18 months.

In discussion there was general agreement with the proposal to take powers for 18 months with provision for their continuance by means of the Expiring Laws Continuance Act. While this course would not have any significant presentational advantages in respect
of Parliament and the TUC as compared with annual renewal by affirmative resolution, it had a number of other advantages. Action to renew the powers would under this procedure fall to be taken in the late autumn which, because of seasonal influences, was less likely to be a period of economic strain than the late spring or summer, when action would fall to be taken under a procedure of annual renewal by affirmative resolution. Moreover, it would be easier under the procedure of the Expiring Laws Continuance Act than it would be under the affirmative resolution procedure to renew some powers but not others and it was desirable to have this flexibility. It would be important to draft the Prices and Incomes Bill in such a way as to leave the maximum room for manoeuvre in this respect. While it might be possible to provide for renewal of the powers through the Expiring Laws Continuance Act without any specific reference to this in the Prices and Incomes Bill itself, it would be preferable to include such a reference in the same form as had been used in other recent legislation. In any case, it would be important from the point of view of confidence overseas for the Government to make clear, both in the Budget debate and in the proposed White Paper, that they were retaining the freedom to renew the powers after 18 months and that they anticipated that it would probably be necessary to renew them for at least one further year.

In further discussion the following points were made:

(a) There was general agreement that the legislation should not include a prohibition of retrospective wage payments following the imposition of a standstill. The Government should say that if retrospective payments began to be made in a way which would undermine the incomes policy, they would be prepared to introduce separate legislation to stop this.

(b) Under the present voluntary arrangements for notification of wage increases, it had been accepted by industry that increases should not be implemented for a period of one month following their notification, pending a decision by the Government whether or not to make a reference to the National Board for Prices and Incomes (NBPI). In the forthcoming consultations with the CBI and TUC, efforts should be made to secure agreement to an extension of this period, if possible to three months but failing that to two months, on the basis that the period would be subsumed in the maximum period of 12 months for which a wage increase could be delayed under the proposed statutory powers, and would not be additional to it.

(c) It was proposed in paragraph 27 of C (68) 45 that the power to delay wage increases should be framed by reference to the rates of remuneration of the employees affected by a particular settlement, rather than by reference to the implementation of the settlement as in the existing provision in Part II of the Prices and Incomes Act, 1966. The object of this proposal was to avoid the problems of definition which arose under the existing provision and by this means to make the exercise of the power more effective without changing its basic purpose. It was, however, accepted that there should be no attempt to use the statutory powers in such a way as to preclude
increases above the ceiling figure in the earnings of individual workers, since the intention was that the ceiling figure should apply to the aggregate effect of a given settlement on the earnings of all those affected, and that it would be permissible within that limit for some of the workers concerned to get more than the ceiling increase while others got less. The delaying power should be so framed as to fit in with this.

(d) There was general support for the proposals on future prices policy in C (68) 45, subject to the modifications that the power to delay price increases would be exercisable only in conjunction with a reference to the NBPI, and that it would not be intended to introduce statutory notification of price increases unless voluntary arrangements proved inadequate, in which case statutory notification would be introduced selectively in the sectors concerned.

(e) The Royal Commission on Trade Unions and Employers Organisations was likely to make recommendations on measures to improve trade union structure and organisation and on plant bargaining which would help indirectly in promoting a sound incomes policy in the future. There was now a reasonable prospect that the Commission's report would be unanimous.

The Prime Minister, summing up the discussion, said that the Cabinet had reached agreement on the main issues affecting future productivity, prices and incomes policy, subject to final ratification at their meeting on 18th March. The Prices and Incomes Committee should consider further the proposal that the power to delay wage increases should be framed by reference to the rates of remuneration of the employees affected; the Committee should decide this matter before a draft White Paper was submitted to the Cabinet. The Chancellor of the Exchequer would outline the Government's proposals, without going into detail, in his Budget speech and the Secretary of State for Economic Affairs would elaborate them when he spoke in the Budget debate on Thursday, 21st March. The Secretary of State and the Minister of Labour should arrange to brief the Press on the evening of 19th March, and should be guided in this by the points made in discussion, in particular as regards the duration of the statutory powers. The aim should be to publish a White Paper as soon as possible after the conclusion of the Budget debate, preferably on Monday, 25th March, and it might be convenient for the Cabinet to consider a draft on Thursday, 21st March.

The Cabinet—

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

(2) Invited the Chancellor of the Exchequer to arrange for the Prices and Incomes Committee to consider further the proposal that the power to delay wage increases should be framed by reference to rates of remuneration.
(3) Invited the Secretary of State for Economic Affairs and the Minister of Labour to arrange to brief the Press on the evening of 19th March, as indicated in the Prime Minister’s summing up.

(4) Invited the Secretary of State for Economic Affairs to circulate a draft White Paper for consideration by the Cabinet with a view to its publication as soon as possible after the conclusion of the Budget debate.

5. The Cabinet considered a memorandum by the Postmaster-General (C (68) 59) about proposed increases in Post Office charges following a report by the National Board for Prices and Incomes (NBPI).

The Postmaster-General said that he was not able to give a full and final view on the recommendations which had now been made by the NBPI because he was committed to awaiting the comments of the Post Office Users’ Council, the Post Office Economic Development Committee, and the Staff Sides of the Post Office Departmental Whitley Councils. However, he wished to seek his colleagues’ agreement to the amount of additional revenue which the Post Office should now seek to raise. The financial requirements of the Post Office would be increased over the next three years to the extent of £140 million for pay increases, which would be held within a ceiling of 3½ per cent a year; of £130 million for capital investment; and a £81 million for other reasons including a higher financial target which had been agreed with the Treasury. The Post Office thus faced a shortfall of £351 million over the next three years. They intended to make good £165 million of this by improvements in productivity leaving a net shortfall of £186 million. The increased charges recommended by the NBPI would eliminate £170 million of this. In present circumstances, and taking into account the new financial target set for the Post Office was intended to be achieved over the next five years, he hoped that his colleagues would agree that he should increase tariffs to the extent recommended by the NBPI and thus raise an additional £67 million in a full year. He could not, however, accept the Board’s recommendation that the introduction of the two-tier letter service should be delayed until 1st April, 1969: arrangements were already well advanced to introduce it this autumn. Accordingly, he proposed to defer for the time being some increases in charges in order to offset the additional revenue which the Post Office would be receiving from the earlier introduction of the two-tier letter service.

The Chancellor of the Exchequer and the Secretary of State for Economic Affairs said that they agreed with these proposals.

The Cabinet—
Approved C (68) 59.

SECRET
6. The Cabinet considered a memorandum by the First Secretary of State (C (68) 57) about the British Standard Time Bill.

The First Secretary of State recalled that when the Cabinet had considered the proposal to introduce British Standard Time they had concluded that it should be introduced as a permanent arrangement, and not experimentally. The Secretary of State for Scotland had recently proposed to the Home Affairs Committee, however, that, in the light of the extent of the opposition to the Bill on Second Reading in the House of Commons and of continued criticism in Scotland, there was a case for amending the Bill so that it would expire after three years unless continued by affirmative resolution. As an alternative, it had been suggested that the Home Secretary should give an explicit undertaking to amend the Act, if this proved necessary in the light of experience. This would avoid exposing the Government to charges of vacillation after their change of policy on the third London airport; but the majority of the Committee thought that it would be unfortunate to suggest that the Government were readier to yield to pressure from the opponents of the proposal to build the airport at Stansted than to a large body of opinion in Scotland. The majority of the Home Affairs Committee, with whom he himself agreed, therefore recommended that the Bill should be amended.

In discussion there was general agreement that the amendment of the Bill was the better course.

The Home Secretary said that since the Bill would not be taken in Standing Committee for some time it would be convenient to announce the decision in reply to a Question.

The Cabinet—

(1) Approved the recommendation of the Home Affairs Committee that the British Standard Time Bill should be amended so as to expire after three years unless continued by affirmative resolution.

(2) Invited the Home Secretary to announce their decision in reply to a Question in the House of Commons.

Cabinet Office, S.W.1,
14th March, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Friday, 15th March, 1968, at 10.30 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., First Secretary of State
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSE, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. FRED PEAERT, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. RICHARD MARSH, M.P., Minister of Power

The following were also present:
The Right Hon. FREDERICK MULLEY, M.P., Minister of State for Foreign Affairs
Mr. GEORGE THOMAS, M.P., Minister of State for Commonwealth Affairs
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Subject:
INTERNATIONAL MONETARY SITUATION
The Cabinet discussed the latest developments in the international monetary situation; the conclusions reached were separately recorded and circulated only to The Queen, the Prime Minister and those Ministers who had to take action.

The conclusions are recorded separately in the standard file held by the Secretary of the Cabinet.

*Cabinet Office, S.W.1.*

*15th March, 1968.*
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 18th March, 1968, at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology

The following were also present:

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. W. A. NIELD (for Item 4)
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1. The Cabinet discussed the latest developments in the international monetary situation; the conclusions reached were separately recorded and copies were circulated only to The Queen, the Prime Minister and those Ministers who had to take action as a result. A copy is kept in the standard file of the Secretary of the Cabinet.

2. 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.

3. The Prime Minister said that some Ministers felt that in our present critical economic situation the Government should give a lead to public opinion by volunteering an abatement of, say, 10 per cent in Ministerial salaries for a period of 12 months. Any action of this kind was envisaged as extending to all members of the Government, including junior Ministers; but the salaries of Members of Parliament would not be affected. Other members of the Cabinet, however, held a contrary view; and it was therefore desirable to bring the matter to a decision.

In discussion some support for the proposal was expressed. It should have a significant psychological impact, particularly at a time when the general public were being asked to conform to a policy of wage restraint, despite the rise in prices which would result from devaluation and other decisions of economic policy; and it should therefore provide a valuable reinforcement to the Government’s forthcoming efforts to establish a more rigorous prices and incomes policy.

On the other hand public opinion would be liable to discount the proposal as being little more than a presentational device, which would make no significant difference to the incomes of the individuals affected, although it might bear more hardly on junior Ministers. Moreover, it would be liable to generate an expectation that the salaries of Members of Parliament should be similarly abated; and this would be unacceptable. Finally, the gesture would be reminiscent of rather similar action taken at the time of the financial crisis of 1931; and, in so far as it might therefore lead public opinion to suppose that our circumstances resembled those of that critical year in other respects, it might damage confidence at the precise moment when all the Government’s efforts should be directed to restoring it. Any Minister who wished to surrender part of his salary voluntarily and privately was, of course, at liberty to do so.
The Prime Minister, summing up the discussion, said that the balance of opinion in the Cabinet must be judged to be against the proposal.

The Cabinet—

Decided not to proceed with the proposal for an abatement of Ministerial salaries at the present time.

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4. The Prime Minister recalled that in their earlier discussions of future policy on productivity, prices and incomes (CC (68) 16th, 17th, 18th, 19th and 20th Conclusions) the Cabinet had agreed that the provisional decisions which they had then taken should be finalised at the present meeting.

The Secretary of State for Economic Affairs said that there were two main points of policy on which the Cabinet should concentrate as they moved towards a final decision. The first related to the proposal for a ceiling of 3½ per cent for increases in incomes, save for genuine “productivity” increases. It could be argued on the one hand that the policy would lose credibility if there were no ceiling, and on the other hand that it would fail for lack of sufficient support if a ceiling of 3½ per cent were imposed on increases in incomes in a situation where the Budget proposals, superimposed on devaluation, seemed likely to increase the cost of living by as much as 7 per cent. Second, the Cabinet might wish to consider means of mitigating the effect on lower-paid workers of the policy as provisionally agreed. If it was felt that there was any case for modifying the decisions previously taken, there were two possibilities: either the ceiling figure of 3½ per cent should be raised to 4 per cent or, alternatively, consideration might be given to the possibility of adding to the present sole exception to the ceiling (i.e., genuine productivity bargains) a further exception to cover the case of lower-paid workers. But this further exception could safely be made only if it could be sufficiently closely defined to prevent its use being extended, e.g., by maintenance of income differentials, to higher paid workers. Otherwise, it would undermine the whole policy.

The only other point requiring consideration was the suggestion at an earlier discussion that, if it proved impossible to obtain the agreement of the employers and the trade unions to an extension of the present initial period of standstill on a voluntary basis, statutory provision to this effect might have to be made. It was relevant to any further discussion of this proposal that a statutory standstill period would require the early warning arrangements also to be on a statutory basis. But this was a provision which the Cabinet had wished to avoid; and it was in any event covered by existing powers.
The Minister of Labour said that on the last mentioned point he would himself have preferred the initial period of standstill to be of three months' duration; but he recognised that this might be held to be excessive and was prepared to accept a period of two months. It would be unrealistic, however, to suppose that the Trades Union Congress (TUC) would be prepared to accept an initial standstill on either basis. As regards the suggestion that the ceiling of $3\frac{1}{2}$ per cent might be raised to 4 per cent, the decisive factor was likely to be the extent to which maintenance of the present figure of $3\frac{1}{2}$ per cent was considered essential for reasons of general confidence in our economic and financial stability. It was difficult to see how to formulate and agree with the trade unions an exception to this ceiling for the benefit of lower-paid workers in such a way that it would not undermine the whole policy. It might be possible to work out such a formula in the area covered by wages councils; but even here complex relationships of earnings to basic rates of wages made the problem a difficult one. In other areas of incomes policy it would be impossible.

In discussion it was suggested that it would be difficult to maintain the ceiling of $3\frac{1}{2}$ per cent in view of the fact that the Budget alone seemed likely to raise the cost of living by 2 per cent and this increase would aggravate considerably the price impact of devaluation. But the objections to any mitigation by making increases in incomes of lower-paid workers an exception to the application of the ceiling seemed to be unanswerable. Another possibility might be to convert the ceiling to a norm; but this would clearly weaken the effect of the whole policy. The only other possible course would be to increase the ceiling from $3\frac{1}{2}$ to 4 per cent; and this might need to be seriously considered notwithstanding that it involved a retreat from a figure which had been widely publicised. The risks involved in such a course might therefore be considerable. But they needed to be weighed against the risk that the policy as provisionally agreed would not attract sufficient support to be made effective; and this might be the most damaging outcome of all.

On the other hand it was argued that from the point of view of securing support for the policy, a ceiling of 4 or even $4\frac{1}{2}$ per cent would have little advantage over a ceiling of $3\frac{1}{2}$ per cent in terms of acceptability, whereas the additional threat to confidence in sterling which would be implicit in any retreat from the widely publicised figure of $3\frac{1}{2}$ per cent would be very damaging, particularly at a juncture when the instability of the international monetary system, unless speedily rectified, could result in a very sharp fall in the real value of wages. It might indeed be too much to hope that a policy based on a ceiling of $3\frac{1}{2}$ per cent would be accepted by the trade unions or public opinion generally or that it could be applied with complete effectiveness. On the other hand there was no alternative to seeking to maintain this policy in present circumstances; and whatever risks this entailed were preferable to the risks implicit in a laxer policy.
The Prime Minister, summing up this part of the discussion, said that, while the ceiling of 3½ per cent must be maintained, further consideration should be given to the possibility of finding some means whereby, without undermining the policy as a whole, the position of the lower-paid workers might be eased.

In further discussion the following points were made:—

(a) There was general agreement with the proposal that, in the case of particular groups (e.g., teachers) whose remuneration was normally adjusted at intervals of more than a year and had not been increased during such a period, the ceiling should apply to the annual rate of increase, with the result that the permissible increase might be higher than 3½ per cent, but the implementation of substantial increases of this kind should nevertheless be staged where necessary. It would be for further consideration, in the light of the expected report of the National Board for Prices and Incomes on this point, whether the current disparity between England and Wales on the one hand and Scotland on the other in the starting points of the two-year settlements for teachers should be eliminated by making the next settlement for one year only in the case of the former.

(b) The Cabinet's provisional agreement on policy for restraint of rent increases had been designed to parallel in severity their policy for restraint of prices and incomes. The latter had been somewhat mitigated in recent discussions; and to that extent the policy on rent restraint might now appear relatively more stringent. The proposal that the Housing Ministers should be given powers to require phasing of local authority and private rents should be construed as including rents charged by New Towns and Local Authority Housing Associations. This point was particularly important in Scotland.

(c) The Cabinet confirmed their understanding that in regard to retrospective wage settlements lump sum payments made at the end of a period of deferment could not be effectively dealt with through legal powers but only by continuing to give employers a legal defence against further action to recover the deferred pay. Moreover, where a settlement was deliberately inflated, in order that at the end of the period of deferment the loss sustained might be recouped over the following year, it would not be possible to limit payments under that agreement to whatever ceiling might be prescribed for the second year; but any new agreement between the same parties in the second year could be referred to the NBPI and subsequently deferred. The Secretary of State for Economic Affairs would give further consideration to the difficulty posed by settlements providing for exceptionally large increases, whether of these or any other kinds.

The Cabinet—

(I) Confirmed in principle the provisional decisions reached in their earlier discussions of future policy on productivity, prices and incomes.
The Prime Minister, summing up this part of the discussion, said that, while the ceiling of 3 1/2 per cent must be maintained, further consideration should be given to the possibility of finding some means whereby, without undermining the policy as a whole, the position of the lower-paid workers might be eased.

In further discussion the following points were made:

(a) There was general agreement with the proposal that, in the case of particular groups (e.g., teachers) whose remuneration was normally adjusted at intervals of more than a year and had not been increased during such a period, the ceiling should apply to the annual rate of increase, with the result that the permissible increase might be higher than 3 1/2 per cent; but the implementation of substantial increases of this kind should nevertheless be staged where necessary. It would be for further consideration, in the light of the expected report of the National Board for Prices and Incomes on this point, whether the current disparity between England and Wales on the one hand and Scotland on the other in the starting points of the two-year settlements for teachers should be eliminated by making the next settlement for one year only in the case of the former.

(b) The Cabinet's provisional agreement on policy for restraint of rent increases had been designed to parallel in severity their policy for restraint of prices and incomes. The latter had been somewhat mitigated in recent discussions; and to that extent the policy on rent restraint might now appear relatively more stringent. The proposal that the Housing Ministers should be given powers to require phasing of local authority and private rents should be construed as including rents charged by New Towns and Local Authority Housing Associations. This point was particularly important in Scotland.

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The Cabinet—

(1) Confirmed in principle the provisional decisions reached in their earlier discussions of future policy on productivity, prices and incomes.
(2) Invited the Secretary of State for Economic Affairs and the Minister of Labour to consider, and report to the Cabinet at their meeting on Thursday, 21st March, whether any steps could be taken, consistent with Conclusion (1) above, to make the prices and incomes policy more acceptable as regards lower-paid workers in relation to the ceiling of 3½ per cent.

Cabinet Office, S.W. 1,
18th March, 1968.
23rd Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 21st March, 1968, at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. JAMES CALLAGHEAN, M.P., Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALY, M.P., Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. RICHARD MAESH, M.P., Minister of Power

The following were also present:
The Right Hon. FREDERICK LEE, M.P., Chancellor of the Duchy of Lancaster (Item 3)
The Right Hon. JUDITH HART, M.P., Minister of Social Security (Item 3)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 3)
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Items 3-5)
The Right Hon. EDWARD SHORT, M.P., Postmaster-General (Items 3-5)
The Right Hon. SIR ELWYN JONES, Q.C., M.P., Attorney-General (Item 3)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

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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 an Israeli attack on Jordan the previous night appeared to be an isolated raid and not an attempt to occupy fresh territory. It had been prompted by Israeli indignation resulting from the incident in which a bus carrying Israeli children had been blown up by a mine on 18th March. His information was that it did not necessarily mean the end of the conciliation mission of the Special Representative of the Secretary-General of the United Nations, Mr. Gunnar Jarring. It was possible that the Security Council would meet to discuss the attack; and in that case the United Kingdom Representative would say that we deplored all breaches of the cease-fire whichever side was responsible for them.

The Foreign Secretary said that recent events in the Southern Yemen were obscure. The Government of the Southern Yemen, with the support of the armed forces, remained in control. But it seemed possible that there had been an attempted coup by some extremist elements which had now been removed from power. There had been no suggestion that we were involved and no threat to the British community. He would be discussing the general situation in the Southern Yemen with our Ambassador who was in this country; and he would shortly make recommendations with regard to our future aid to the Southern Yemen.

The Foreign Secretary said that reaction overseas to the Budget had, with few exceptions, been very favourable.

The Foreign Secretary said that the debate on Rhodesia in the Security Council had so far been relatively restrained. There was a demand to intensify sanctions, and the Indian Representative had not excluded the use of force. The Afro-Asian group were drafting a resolution; but they were also considering entering into private discussion with us on the basis of our own draft. The previous day the Ministers principally concerned had considered the terms of a draft resolution which we might table as an alternative to a more extreme resolution. They had taken the view that we should be prepared to agree to the introduction of comprehensive mandatory sanctions on all trade with Rhodesia, while avoiding anything which might lead to action against Portugal or South Africa. The draft also provided for certain measures, such as a ban on the supply of radio and television material and a ban on travel by active supporters of the régime, which were designed to outlaw Rhodesia from the civilised world. The United Kingdom
Representative at the United Nations, Lord Caradon, had now been authorised to show the draft resolution, as approved by Ministers, to our Western allies and to discuss its form and content with the Afro-Asian group in New York. It had been agreed that before tabling any such resolution we should inform the South African Government of our intentions and make clear that in no circumstances would we contemplate the use of force or economic confrontation with them. Ministers had also called for further urgent study of possible action to prevent the supply of oil through Mozambique; and for an examination of the possibility of a much wider ban on travel to and from Rhodesia, perhaps by requiring Rhodesians to obtain visas from our Residual Mission in Salisbury and by taking powers to prohibit the travel of persons between Britain and Rhodesia without special permission.

In discussion it was pointed out that, with Beira closed to oil shipments, Rhodesia was now being supplied with oil imported through the Port of Lourenço Marques. It was difficult to identify the oil which was going to Rhodesia since Rhodesia’s requirements were relatively small and other countries were supplied with oil through Lourenço Marques. An attempt to persuade Portugal to agree to a scheme of oil rationing for Mozambique which would have cut off or seriously reduced Rhodesia’s oil supplies had failed because of the refusal of the Portuguese and French Governments to co-operate: a French oil company was the main supplier of crude oil to the Lourenço Marques refinery. There was some hope that in the present highly charged situation in the United Nations the Portuguese Government might now be more prepared to accept a rationing scheme.

In further discussion reference was made to the proposals for a constitutional settlement, dealing principally with cross-voting and the “blocking quarter” for amendments to the Constitution, which Sir Alec Douglas-Home had brought back recently from Salisbury. The proposals, which had been conveyed to the Government on a basis of secrecy, were unacceptable since they still did not conform with the second of our six principles, i.e., unimpeded progress towards majority rule. But the Opposition were suggesting publicly that they might be a basis for an acceptable settlement, and were likely to take this line in the House of Commons debate on Rhodesia on 27th March. It would therefore be difficult to continue to maintain secrecy about their nature; and the Commonwealth Secretary would accordingly seek Sir Alec Douglas-Home’s agreement that reference could if necessary be made to the proposals in the course of the debate. It would be possible to have the debate on the Government Motion condemning the recent executions which was already on the Order paper; but there was general agreement that on balance it would be preferable for the debate to take place on the Adjournment so that the Opposition would be obliged to state their case from the outset. In either case, it would be necessary for the Government to make clear in the course of the debate their attitude with regard to comprehensive mandatory sanctions. By then a resolution might have been tabled in the Security Council.
In further discussion the following points were made:

(a) Not too much importance should be attached to the recent indications of a break in the solidarity of the Rhodesian Front. No members of the Rhodesian Parliament were involved. They were nevertheless a sign of the stresses and strains in the Front which might in the long term lead to changes.

(b) The recent report of guerilla activity in Rhodesia in which more than 100 infiltrators might have been involved, was probably connected with the recent executions and the current debate in the Security Council. It was inconceivable that such guerilla activity could make any significant impression on the Rhodesian régime for some considerable time to come.

The Commonwealth Secretary said that the Parliamentary Under-Secretary of State for Commonwealth Affairs, Mr. Whitlock, was now in Guyana trying to persuade the Prime Minister of Guyana, Mr. Burnham, to refrain from any precipitate action in the dispute between Guyana and Surinam. As a result, Mr. Burnham had now agreed to delay any action at least until 1st April.

The Cabinet—

Took note of the statements by the Foreign Secretary and the Commonwealth Secretary and of the points made in discussion.

3. The Cabinet considered a memorandum by the Secretary of State for Economic Affairs and the Minister of Labour (C (68) 62) about the treatment of low-paid workers under the Government's incomes policy.

The Secretary of State for Economic Affairs recalled that at their discussion on 18th March the Cabinet had invited him, with the Minister of Labour, to consider whether any steps could be taken, consistently with the decisions on prices and incomes policy generally which the Cabinet had agreed in principle, to make the policy more acceptable as regards low-paid workers in relation to the ceiling of 3½ per cent on wage increases. There were two main problems: first, the difficulty of defining which workers should be regarded as low paid; second, even if the problem of definition could be overcome, there was the difficulty of ensuring that more liberal wage increases would in practice be confined to the low paid. Investigations by the National Board for Prices and Incomes had shown that even in those sectors of employment, such as Wages Councils industries, where low-paid workers might be expected to predominate, there were in fact considerable numbers paid at well above the minimum rates; it would be difficult to devise any practicable means of treating such workers separately from the other workers in the same sectors who were genuinely low paid. There would, moreover, be great difficulty in resisting pressure for the maintenance of wage
differentials if specially favourable treatment were given to the low paid; the Trades Union Congress (TUC) in their Economic Review for 1968 had frankly recognised that this was an intractable problem. In face of these difficulties, he had reluctantly concluded that it was not feasible to provide for increases above the figure of 3½ per cent for low-paid workers.

There was, however, some scope for discrimination in favour of these workers within the framework of the policy in its present form. In particular, in those industries where the low paid represented only a part of the total labour force, it would be possible to approve settlements which would give increases above 3½ per cent for the low paid, provided the increase in the aggregate wage bill for the industry did not exceed that figure. In addition, the low-paid workers in greatest need would be helped by the increases in family allowances. But there was still a real problem in respect of low-paid workers in industries where the general level of wages was low and where there was consequently little scope for discrimination within the limit of 3½ per cent. An interdepartmental committee of officials was already studying the problems of a national minimum wage; this work should be continued and if this issue were raised by the Confederation of British Industry (CBI) or by the TUC, the Government should be prepared to discuss it with them.

The Minister of Labour said that he agreed that it was not practicable to provide for increases above the ceiling figure for the low paid. The greatest difficulty was the resistance by higher paid workers to any erosion of wage differentials. It was not publicly known that a study of a national minimum wage was proceeding within the Government. It would be some time before it was completed, but it was clear that a national minimum wage would be costly: it was estimated that a minimum of £15 a week, the figure supported by the TUC, would add £1,700 million to the national wage bill, and the consequent effects on higher wage levels would further increase the cost. Thus the economic implications of any move towards a national minimum wage were far-reaching, and it would therefore be dangerous to broach this issue with the TUC.

In discussion there was general agreement that the Cabinet should confirm their earlier decision that the incomes policy should not provide for increases above the ceiling figure for low-paid workers. The position of these workers did, however, present a continuing and intractable problem. Many of them because of the nature of their employment could not hope to benefit from higher pay as a result of increased productivity, and their opportunities for higher earnings through increased overtime might well be reduced because of the effects of the Budget on the level of economic activity.

It was argued that neither prices and incomes policy nor increases in the social wage had in practice secured a fairer distribution of incomes or improved the relative position of the lowest paid, and that the Government should carry out a fundamental reappraisal of the problem before committing themselves to...
continuance of present policies for the longer term. There were serious objections to recurrent increases in family allowances as a means of helping low-paid workers. If such increases were offset by adjustments in tax allowances, this would have the undesirable effect of bringing more people within the scope of income tax. Family allowances gave no help to the childless couple or the family with only one child. They were, moreover, unpopular with wage earners generally.

On the other hand it was argued that the prices and incomes policy in the past had been of real benefit to low-paid workers. Without it, those in the strongest bargaining position would have pressed their advantage at the expense of the rest. The policy could continue to benefit the lowest paid during its next phase if the trade unions were encouraged to discriminate in favour of these workers within the limit of 3½ per cent. But it could not in itself solve the problem of the low-paid worker, since it could not take account of the size of family. The right course for the future was to tackle this problem both through the prices and incomes policy and through increases in the social wage. The Government should not be deterred from increasing family allowances by their alleged unpopularity, since they were a principal instrument for safeguarding the welfare of children in poor families. The TUC had welcomed the increase in the allowances announced in the Budget and it could fairly be represented that this increase, together with the raising of supplementary benefits in the autumn, fulfilled the Government’s pledge to protect the most vulnerable sections of the community from the full effects of devaluation.

There was general agreement that the study of a national minimum wage should be pressed forward, but that there should be no public reference to it.

The Prime Minister, summing up the discussion, said that the Cabinet reaffirmed their previous decision that the incomes policy should not provide for an exception to the ceiling on wage increases in respect of low-paid workers. The study of a national minimum wage should be pressed forward, but there should be no public disclosure of the fact that this study was in progress nor should the question of a national minimum wage be raised in the current consultations with the CBI and TUC. If either of these bodies themselves made proposals affecting low-paid workers, the Secretary of State for Economic Affairs and the Minister of Labour should listen to what they had to say and should report further to the Cabinet if they judged that to be desirable.

The Cabinet—

(1) Reaffirmed their previous decision that the incomes policy should not provide for an exception to the ceiling on wage increases in respect of low-paid workers.
(2) Invited the Minister of Labour to ensure that the study by officials of a national minimum wage was pressed forward.

(3) Invited the Secretary of State for Economic Affairs and the Minister of Labour to be guided by the Prime Minister's summing up in their further consultations with the CBI and TUC.

The Cabinet considered a memorandum by the Secretary of State for Economic Affairs about the discontinuance of the inland telegram service (C (68) 61).

The Postmaster-General said that although the inland telegram service was dying it was not, unfortunately, dying fast enough. The annual total of 65 million messages immediately after the 1939-45 War had now fallen to 9 million and the rate was still declining at 5 per cent per annum. On this trend the annual total would have fallen to about 7 million by 1973 when it was proposed to abolish the service. Between now and 1973 the loss on the service would exceed £15 million. Only 1 per cent of the telegrams now sent were on life and death matters: and he could see no justification whatever for a subsidy in aid of 80 per cent of the remainder. He had already arranged with the Minister of Transport for the abolition of the free railway telegram service from the beginning of 1968. The Select Committee on the Nationalised Industries had reached the conclusion last year that if the service were to be continued it should be directly subsidised as a social service. The National Board for Prices and Incomes (NBPI) in their recent report had recommended that the service should either be discontinued—with the provision of an emergency service—or subsidised by Exchequer grant. He had proposed, and the Ministerial Committee on Industrial Policy had agreed, that the service should be withdrawn not later than 1973 with continuing provision for emergency messages (which would include inter alia emergency call-up for the Services) and a postagram service for greetings—if public demand warranted it—which would be delivered through the ordinary post. He estimated that by 1973 nearly half the homes in the country would have telephones and the telex and datel (computer link) services would have been greatly expanded for business users. He expected too that the Post Office would have some success in their campaign to encourage the installation of public telephones in shops. If arrangements for discontinuing the service were made over the next five years this would avoid any redundancies of Post Office staff and provide ample time for consultation with the unions concerned and the Post Office Users' Council. The Post Office was at present losing £17 million annually on the provision of unremunerative services; with a higher financial target and a huge investment programme before them they could not afford to continue to carry such losses.
The Secretary of State for Economic Affairs said that the Ministerial Committee on Industrial Policy had thoroughly examined the issues involved and had taken into account the social implications of withdrawing the telegram service. They had reached the conclusion that, provided an emergency service were introduced on the lines proposed by the Postmaster-General, it would be right to withdraw the present telegram service not later than 1973.

In discussion it was suggested that the social implications of the proposal had not been adequately considered. More than half the homes in the country would be without telephones in 1973 and a great many people would be shocked by withdrawal of a service on which they relied. Those living in remote rural areas could be expected to be particularly affected. It might be wise to delay a final decision until an investigation by, for example, the Government Social Survey had been completed. Even if it were decided to discontinue the service, an immediate announcement to this effect seemed unnecessary, given that the service would not in fact be withdrawn for another five years, and would be ill-received at a time when increases in postal charges were being announced.

On the other hand, it was pointed out that the NBPI had already published recommendations relating to the telegram service as well as to postal charges. It would be difficult therefore for the Postmaster-General to announce increased charges without at the same time announcing the Government’s decision about the future of the telegram service. The case for abolishing the service and replacing it by an emergency service, which had been developed by the Postmaster-General and in C (68) 61, was a very cogent one. If the decision were taken to make these changes it would be necessary shortly to consult the unions involved and once these consultations began the Government’s decision could be expected to become public.

The Prime Minister, summing up the discussion, said that there was agreement that the inland telegram service should be withdrawn and replaced by an emergency service by 1973. But this decision should not be announced for the present; and preparations to implement it should go ahead only to the extent that this could be done without risk of public disclosure. Details of the proposed increases in charges by the Post Office should not be announced until after the end of March.

The Cabinet—

(1) Agreed, subject to (2) below, that the inland telegram service should be discontinued by 1973 and replaced by an emergency service and—subject to public demand—by a postagram service as proposed in C (68) 61.

(2) Invited the Postmaster-General, for the time being, to postpone an announcement of the decision at (1) and to limit preparations to implement it to those which could be made without risk of public disclosure of the decision.
CONFIDENTIAL

(3) Invited the Postmaster-General to delay announcement of the detailed increases in charges by the Post Office until after the end of March.

5. The Chancellor of the Exchequer informed the Cabinet that Bank Rate would be reduced that day from 8 per cent to 7 1/2 per cent.

The Cabinet—

Took note of the statement by the Chancellor of the Exchequer.

Cabinet Office, S.W.1,
21st March, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 28th March, 1968, at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M P, Lord President of the Council
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY CROSLAND, M P, President of the Board of Trade
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Housing and Local Government
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. CLEDWYN HUGHES, M P, Secretary of State for Wales

The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. ROY JENKINS, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PATRICK GORDON WALKER, M P, Secretary of State for Education and Science (Items 1–3)
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. BARBARA CASTLE, M P, Minister of Transport
The Right Hon. RICHARD MARSH, M P, Minister of Power
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology

The following were also present:
The Right Hon. FREDERICK LEE, M P, Chancellor of the Duchy of Lancaster (Item 4)
The Right Hon. JUDITH HART, M P, Minister of Social Security (Item 4)
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury (Items 4 and 5)
The Right Hon. Sir ELWYN JONES, QC, M P, Attorney-General (Item 4)
The Right Hon. KENNETH Robinson, M P, Minister of Health (Item 4)
The Right Hon. EDWARD SHORT, M P, Postmaster-General (Item 4)
Mr. GEORGE THOMAS, M P, Minister of State for Commonwealth Affairs (item 3)
The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

SECRET
**Secretariat**

Sir BURKE TREND  
Miss J. J. NUNN  
Mr. E. M. ROSE  
Mr. K. BARNES  
Mr. P. E. THORNTON

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1. The Lord President said that a recent review of the business for the remainder of the Session indicated that the Government's programme of legislation could be completed if Parliament sat until Thursday, 1st August, and for a further fortnight in October. This would permit a Recess of two weeks to be taken at Whitsun. If this timetable was to be adhered to, however, it was essential that he should not be asked to find time for any Bills not already in the Government's programme.

The Cabinet—
Took note of the Lord President's statement.

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

3. The Foreign Secretary said that we had for some time been having talks with the Argentine Government about the future of the Falkland Islands with the object of establishing a satisfactory long-term relationship between them and of securing the removal of the travel restrictions which had been imposed by the Argentine. A necessary condition of these talks had been a willingness on our part to discuss the transfer of sovereignty. On this point we had proposed a draft formula stating that we would be prepared to recognise Argentine sovereignty over the Islands only if we were satisfied that the Islanders themselves regarded the safeguards and guarantees offered by the Argentine Government as satisfactory to their interests. We had also insisted on making clear that a transfer of sovereignty could not be expected in the immediate future. The Argentine Government would not agree that the transfer of sovereignty should be subject to the Islanders' veto, and had pressed that it should depend on the United Kingdom Government's, not the Islanders', satisfaction with the proposed arrangements. We had given no publicity to the talks, in order to give them the best chance of success. But there had recently been a sudden burst of Parliamentary interest; and he had thought it necessary to make a statement in the House of Commons on the previous day and to make plain that we would agree to a cession of sovereignty only if it were clear to us that the Islanders themselves regarded such an agreement as satisfactory. Otherwise there would have been a danger of feeling running so high in Parliament as to make any agreement with the Argentine impossible. He had so worded his statement as to avoid giving offence to the Argentine Government; but, although there had been no reaction so far, it was still possible that they would, as a result, break off the talks.
The Foreign Secretary said that the debate on Rhodesia in the Security Council was proving difficult, but not more difficult than we had expected. Our Western allies and the Latin American States were being helpful. A draft resolution would probably be tabled by the Afro-Asian Group; and it now seemed likely that we should also wish to table our own draft. It appeared from the debate on Rhodesia in the House of Commons on the previous day that from the point of view of Parliamentary opinion in this country there might be some advantage in our taking such an initiative.

The Minister of State for Commonwealth Affairs said that the Lord Privy Seal was in Malta trying to negotiate with the Malta Government a settlement of the problem of the ownership of the Malta Dockyard. A scheme for declaring the dockyard company bankrupt had fallen through and the Malta Government were now planning to nationalise it under the terms of the Malta Constitution. The Lord Privy Seal had had a long meeting the previous day with the Prime Minister of Malta, Dr. Borg Olivier; and they were meeting again that day. If no settlement were reached there was a danger that the dockyard would have to close at the end of the month.

The Cabinet—
Took note of the statements by the Foreign Secretary and by the Minister of State for Commonwealth Affairs.

4. The Cabinet considered a note by the Secretary of State for Economic Affairs (C (68) 64) to which was attached a draft White Paper on Prices and Incomes Policy in 1968 and 1969.

The Secretary of State for Economic Affairs said that the draft took account of points made by the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) during the recent consultations with them, and incorporated amendments approved by the Ministerial Committee on Prices and Incomes. It was possible that the CBI and TUC would give a less hostile reception to the White Paper than had at one time seemed likely. The CBI proposed to issue detailed guidance to their members on the interpretation and application of certain parts of it. The phraseology of the draft was to a considerable extent governed by that of previous White Papers which had acquired a recognised meaning in negotiations for both sides of industry; this reduced the scope for presentational changes.

In discussion a number of amendments to the draft White Paper were agreed and the following main points were made—
(a) Paragraph 14 on page II–1 gave the impression that the only price increases which would be compatible with the policy were those attributable either to devaluation or to the Budget; there would, however, be justifiable increases due to other causes and the paragraph should make this clear.
(b) Paragraph 14 on page III-1 referred to the need for the staging of wage increases of over 3½ per cent which were justified because more than a year had elapsed since the pay of the employees affected had last been adjusted. The wording of this paragraph was not intended to prejudge the question whether or not the instalments of an increase which were being staged would contain any retrospective element.

(c) The Minister of Housing would consider further what action might be taken in respect of any excessive increases in rents introduced by local authorities during the interval between the recent reference to the National Board for Prices and Incomes of rent increases by certain local authorities and the inception of the new phase in the prices and incomes policy on 20th March. He would inform the Prime Minister of the outcome.

(d) It was not necessary to include in the White Paper a reference to the need for restraint in rent increases for business premises and land, but the point should be made on the Second Reading of the proposed Prices and Incomes Bill.

(e) A paragraph should be added to the section on rents to the effect that the Government already had powers in respect of rent increases by New Town authorities and by the Scottish Special Housing Association, and these powers would be used to ensure the phasing of such increases where appropriate.

(f) Television advertising rates should be added to the list of goods and services subject to early warning arrangements set out in Appendix I.

The Prime Minister, summing up the discussion, said that the Secretary of State for Economic Affairs should now revise the draft White Paper in the light of the discussion and should, in consultation with the Lord President, arrange for its publication on Wednesday, 3rd April; it would not be necessary to make any statement in Parliament. He would himself hold a further discussion of the Government's proposals with the Trade Union Group of Members of Parliament on the day before publication.

The Cabinet—

(1) Approved the draft White Paper attached to C (68) 64, subject to the amendments agreed in discussion.

(2) Invited the Secretary of State for Economic Affairs, in consultation with the Lord President, to arrange for the White Paper to be published on Wednesday, 3rd April.

5. The Cabinet considered a memorandum by the Chancellor of the Exchequer on public expenditure (C(68) 63).

The Chancellor of the Exchequer said that following the decisions in the previous January the Government had published their public expenditure plans for the next two years, showing in real terms
an increase over the previous year of 4½ per cent in 1968-69 and of 1 per cent in 1969-70. It was essential that the commitment to limit expenditure to this extent should be met; but additional expenditure could already be foreseen, which, in the absence of further savings, would take the total increase over 5 per cent next year. He therefore proposed that there should be another review of expenditure in a search for further possible savings in 1968-69; that, for 1969-70, we should seek to avoid any further commitments before the review in June of this year; and that, for 1970-71, the Government should avoid wherever possible further commitments on the timing of new expenditure until the corresponding review in June 1969.

In discussion it was suggested that rational conclusions about the future course of public expenditure could not be reached on the basis of global totals, which did not distinguish between expenditure on capital and current account, between amounts raised by taxation and by borrowing or between those increases which involved a reduction in private consumption and those which did not. Moreover, it would be unwise for the Government to be committed irrevocably to limiting the increase in public expenditure in 1969-70 to 1 per cent. If the impact of the recent Budget proved to be more disinflationary than the situation required, the resultant slack in the economy might either be taken up by increasing public expenditure or by allowing private consumption to rise; and the choice in this respect should not be prejudged. Moreover, the concept that any increases in one sector of public expenditure must be offset by corresponding reductions in the same sector was unduly rigid; the relative priorities of the various programmes of public expenditure could well change during the next three years. For these reasons it was essential to avoid a repetition of the situation in which the Cabinet had found themselves from time to time over the last few years, when they had been faced with the need to make urgent and insufficiently considered reductions in public expenditure in order to meet sudden crises. New machinery was required to ensure that public expenditure was kept continuously under review, in relation to the development of the economy as a whole. The Ministerial Steering Committee on Economic Policy (SEP) should in future conduct a review of this kind each month; and they should report, at quarterly intervals, to the Cabinet.

In further discussion the following main points were made:

(a) Early consideration should be given to control of the very large sums at present expended on investment grants, regional employment premia and agricultural deficiency payments. It was pointed out, however, that, while the future of investment grants and of the present system of agricultural support was already under review, the Government were committed to continue payments of the regional employment premium for a period of seven years from their introduction.

(b) The imposition of a ceiling on manpower for the public services had proved already to be an effective instrument of control over both recruitment and expenditure. On the other hand staffing
was a function of policy; and there were clear limits to the extent to which the Government could realise policies involving active intervention in the economy while restricting the growth of the public service. The manpower ceiling inevitably involved a reduction in the scope and standard of many services provided for the public; and—in the case of the police and prison officers, for example—it could place at risk the enforcement of the law and the maintenance of public order. While the ceiling on manpower should be maintained, a more effective effort was therefore required to secure substantial staff savings in some areas of administration—including quasi-Government commissions as well as Government Departments—in order that serious staff shortages elsewhere could be relieved. It might well be desirable to reinforce the efforts of the Organisation and Methods division of the Treasury by instituting some form of independent review of manpower in the public service, which, without calling in question policy objectives, would ascertain whether those objectives could be attained by more efficient and economical methods of staff deployment and management. Finally, it might be helpful in public discussion of these topics to try to dispel some of the misconceptions arising from the indiscriminate use of the term “civil servants” by emphasising that many members of the civil service fulfilled functions directly related to the well-being and convenience of the public—such as driving and vehicle examiners.

(c) There was already a standing instruction that new proposals for Departmental expenditure should include an estimate of the additional manpower required as well as of the financial cost. This instruction should henceforward be strictly observed.

The Cabinet—

(1) Approved C (68) 63, subject to the points made in discussion.

(2) Took note, with approval, that the Prime Minister would arrange for the Ministerial Steering Committee on Economic Policy:

(i) to conduct monthly reviews of public expenditure in relation to the development of the economy as a whole;

(ii) to provide quarterly reports on this subject for consideration by the Cabinet.

(3) Took note, with approval, that the Prime Minister would give further consideration to the desirability of promoting some form of independent review of manpower in the public service.

Cabinet Office, S.W.1,
28th March, 1968.
SECRET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 2nd April, 1968,
at 12 noon

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister

The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs

The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. RICHARD CROSSMAN, Lord President of the Council

The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland

The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade

The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government

The Right Hon. FRED PEARL, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. LORD SHACKLINGTON, Lord Privy Seal

The Right Hon. RICHARD MARSH, M.P., Minister of Power

The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department

The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer

The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence

The Right Hon. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science

The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs

The Right Hon. R. J. GUNTER, M.P., Minister of Labour

The Right Hon. BARBARA CASTLE, M.P., Minister of Transport

The Right Hon. CLEDWYN HUGHES, M.P., Secretary of State for Wales

The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology

The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury

The Right Hon. JUDITH HART, M.P., Minister of Social Security

The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Mr. L. ELBRIGHT

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1. The Foreign Secretary informed the Cabinet of the latest initiative by the President of the United States, President Johnson, to end the war in Vietnam—an initiative which took the form of an undertaking to restrict the United States bombing of North Vietnam in the hope that the reaction of the Government of North Vietnam would be such as to enable the United States Government thereafter to suspend the bombing altogether and so to satisfy the condition which the Government of North Vietnam had always attached to the launching of any negotiations for a peaceful settlement. In response to a request from President Johnson that, in our capacity as one of the co-chairmen of the Geneva Conference on Vietnam, we should use our influence to promote this initiative with the Soviet Union as the other co-chairman, he had requested the Soviet Ambassador, M. Smirnovsky, to represent urgently to the Soviet Government the importance of eliciting a favourable response to this offer from the Government of North Vietnam. The Soviet Ambassador had confined himself, in reply, to maintaining that his Government could not prescribe the attitude which the Government of North Vietnam should adopt on this issue; and he had emphasised that President Johnson’s initiative did not in itself fulfil the North Vietnamese stipulation of a complete and unconditional cessation of the bombing. Nevertheless, he had agreed to remind his Government that the communiqué issued at the end of the Prime Minister’s visit to Moscow in the previous January had committed both the British and the Soviet Governments to take, “singly or jointly”, all actions within their power to achieve a political settlement of the dispute in Vietnam; and he had undertaken to convey promptly to Moscow the Foreign Secretary’s offer to discuss the latest United States initiative with the Soviet Foreign Minister, either in London or in Moscow. In these circumstances we might entertain a cautious hope that President Johnson’s offer might hold some prospect of resolving the present deadlock. And this prospect might be improved by the President’s simultaneous statement that he did not propose to seek re-election at the forthcoming United States Presidential election in November, since the Government of North Vietnam should calculate that, if they did not respond to an initiative which must now be recognised as owing nothing to domestic political motivation on President Johnson’s part, they might lose a genuine opportunity of achieving a peaceful settlement of the conflict and might subsequently find, after the Presidential election, that President Johnson’s successor would be both disposed and pressed by public opinion to intensify the war rather than to seek to bring it to an end.

In discussion there was general agreement with this assessment of the position. It was suggested, however, that we should take this opportunity to extricate ourselves finally from the embarrassment which we continued to incur as a result of the Government’s refusal to dissociate themselves from United States policy in Vietnam. If the latest United States initiative failed, public opinion in the United States would be liable to revert to a less conciliatory attitude towards
the Government of North Vietnam and to press for an intensification of the military effort. We should not allow ourselves to be ranged, in that event, automatically on the United States side; and we should therefore take the present opportunity to prepare to move towards a position in which we were seen to be not unsympathetic towards the United States but no longer in declared support of her policies. On the other hand, the basic reason for which we had always hitherto refused to dissociate ourselves from the United States in relation to Vietnam—namely that, if we did so, we should cease to be able to exert any influence either in Washington or in Moscow as far as the Vietnam conflict was concerned—remained no less valid than hitherto. Indeed, this might be the moment at which our influence could be of critical importance; and to that extent it was the last moment at which we should seek actively to dissociate ourselves from the United States Government. They had been warned repeatedly, both in private and in public, that we could not support them if they extended their bombing of North Vietnam; and they would therefore have no grounds for criticising us if, as a result of a failure of their latest initiative, they felt compelled to intensify their military effort in Vietnam and found that they had no endorsement from us in doing so. But that was a decision which must wait until the fate of the United States initiative was clear; for the moment, we should confine ourselves to exerting all our efforts to reinforce, by representations to the Soviet Government, the main purpose of the initiative itself.

The Lord Privy Seal informed the Cabinet that his negotiations with the Malta Government about the future of the dockyard had resulted in complete agreement on terms satisfactory to us. For the first time the Malta Government had put forward proposals of their own and we had been in a position to impose conditions. The Malta Government proposed to introduce early legislation to nationalise the dockyard under Section 38 of the Malta Constitution. It had been accepted that, while we would provide no new money for the next six financial years, the Malta Government would be permitted to draw £3 million, of the £31 million outstanding under the financial agreement, to develop and diversify the dockyard and to meet the net cost of nationalising the shares and the assets of Bailey (Malta) Limited after allowing for the surrender of their and our receipts as creditors. There would be a limit of £100,000 on disbursements for these purposes in the current financial year. It was also agreed that we would provide £3 million of additional development aid in 1974–76, by which time we should probably have to provide additional aid in any event. The Malta Government had accepted that the implementation of our undertakings would fully discharge all obligations of any kind that the British Government had hitherto incurred towards the Malta Government in relation to the dockyard. Finally, it had been agreed that 1st April, 1968, should be the cut-off date for the valuation of the company’s liquid assets and for our indemnity of 1963 to the Malta Government.

There remained a possibility that C. H. Bailey Limited would bring an action against us, but we were less vulnerable under the new
Social Services
Sickness and Unemployment Benefit:
Waiting Days
(Previous Reference: CC(68) 17th Conclusions Minute 2)

CC 25 (68)

agreement than under the previous proposals and, even if the Malta Government were unable to secure the passage of legislation, we should be in an unassailable public position.

The Prime Minister expressed the Cabinet’s congratulations on the successful conclusion of the negotiations conducted by the Lord Privy Seal.

The Cabinet—
Took note of the statements by the Foreign Secretary and the Lord Privy Seal.

CONFIDENTIAL

2. The Cabinet considered a memorandum by the Minister of Social Security and the Chief Secretary, Treasury, on waiting days for sickness and unemployment benefit (C (68) 65).

The Minister of Social Security said that at present no payment was made for the first three days of any period of interruption of employment due to sickness, injury or unemployment, unless the spell of interruption lasted for twelve working days or more, in which case payment was made retrospectively for the first three days. In order to accommodate an increase of family allowances within the public expenditure limits, the Cabinet had accepted her proposal that this retrospective payment for waiting days should be abolished, and a Bill had been introduced accordingly. While there had been very little adverse public reaction to the proposal, and that of the Trades Union Congress (TUC) had been mild, serious objections had been expressed by the Government’s supporters in Parliament and it appeared unlikely that it would be possible to carry the relevant clause in Committee.

The Social Services Sub-Committee on the new earnings-related pension scheme had, however, been considering the possibility, in the context of that scheme, of a more radical proposal to transfer to employers responsibility for up to the first four weeks of sickness. While recognising that this would constitute a major change of policy and that there would be formidable practical difficulties to be overcome, the Sub-Committee had supported her view that there would be a strong balance of advantage in such an arrangement, subject to the working out of a practicable scheme in consultation with the Confederation of British Industry (CBI) and the TUC. The transfer of responsibility for these payments to employers would relieve the national insurance scheme of liability for up to three-quarters of its present sickness benefit load and would avoid the extensive duplication of administrative effort which now resulted where sick pay was paid both from the national insurance scheme and by employers. If such a transfer could be made in advance of the new earnings-related pension scheme, this would provide
justification for withdrawing the present proposal to abolish repayment of benefit for waiting days, and much larger savings would accrue to the National Insurance Fund. One possibility would be to announce in the debate on the Second Reading of the present Bill that the clause abolishing payment for waiting days would be withdrawn at Committee stage and replaced by an enabling clause permitting the transfer of responsibility for the first few weeks of sickness benefit to employers, and that the Government would proceed to discuss the detailed arrangements with the CBI and TUC. This course, however, would gravely prejudice the course of the negotiations with these bodies, since they would strongly object to any such announcement being made before they had been consulted in any way. She therefore thought that it would be preferable to announce at Second Reading that the Government had now decided to review further the Bill’s proposals in relation to waiting days against the background of the introduction of earnings-related short-term benefit and the growth of employers’ sick pay schemes, and would be discussing the matter with the CBI and the TUC. She would say that, in the meantime, an amendment would be moved in Committee to withdraw the clause abolishing the repayment of waiting days. She therefore sought the agreement of the Cabinet in principle that she should seek to work out with the CBI and the TUC a scheme for transferring responsibility for the early weeks of sickness to employers and that she should make a statement on the Second Reading of her Bill that afternoon on the lines she had described.

The Chief Secretary, Treasury, said that the Government were already discussing with the CBI and the TUC the question of placing on employers a liability for making payments to suspended workers. It would be logical now to extend these consultations to embrace the transfer to employers of liability for the early weeks of sickness while employees were still in employment. It would, however, be desirable to take enabling powers in the Bill at its Committee stage, so that liability could be transferred to employers as soon as a scheme was worked out, and the necessary offset to the cost of the increase in family allowances be achieved as soon as possible. Whether the saving was achieved by abolishing repayment of waiting days or by the transfer of sickness benefit liability to employers, it would be temporary only, since a corresponding reduction of contributions would have to be made when these were next reviewed. The delay in opening negotiations with the CBI and the TUC could be justified on the grounds that it was necessary to inform Parliament first of what was proposed, but it should be made clear that there would be full consultation in working out detailed proposals.

In discussion it was pointed out that the current negotiations with employers on the payment of suspended workers had been prolonged and had first explored the possibility of a voluntary scheme. Moreover, the extent of such payments was to some extent under employers’ control, since the need to suspend employees could be reduced or avoided by better management. It was a different matter to negotiate on the basis that the Government were already committed to taking enabling powers and that all that remained was
to work out the means of operating such a scheme; and co-operation was unlikely to be secured on this footing. In any event, the TUC would first want to discuss the establishment of a dismissal procedure to avoid the dismissal of employees with a poor health record; and prolonged negotiations would be necessary on such matters as the basis of the sickness payments, the arrangements for medical certification and the incidence of the cost of the new arrangements, which could fall unevenly between different industries.

In further discussion it was suggested that if the Government announced an intention to withdraw the clause abolishing payment for waiting days they would be in a weak position to ensure that consultations over the transfer of responsibility for sick pay to employers proceeded expeditiously and did not break down. Consultation with the CBI and the TUC should not be unduly prolonged and the possibility of achieving savings through the abolition of repayment for waiting days should not be abandoned in advance, if the necessary savings to offset the increase of family allowance was to be secured and the Budget statement was not to be undermined with a harmful effect on oversea opinion. It would be preferable therefore not to announce on Second Reading of the Bill that the clause abolishing repayment of waiting days would be withdrawn, but to say that the Government were reviewing their policy on this issue and would be discussing it with the CBI and the TUC, and that the Committee stage of the Bill would be deferred to enable this consultation to take place. It should be possible to carry this consultation sufficiently far to allow enabling powers to be taken at Committee stage without evoking criticism, although many of the details of the scheme would have to be left over for later discussion. It might in the event prove impossible to negotiate a scheme with the CBI and the TUC, but the Government would be in a stronger position to retain the clause abolishing payment for waiting days if they could show that they had explored all possible alternatives. It would be desirable, when informing the House of Commons that the proposal to abolish payment for waiting days was being reconsidered, to make it clear that it was still necessary to achieve a saving to offset the cost of the increased family allowances.

The Prime Minister, summing up the discussion, said that it appeared unlikely that the clause in the Family Allowance and National Insurance Bill which abolished the payment for waiting days could be carried in Committee. In all the circumstances the Cabinet, on balance, took the view that the Minister should make a general statement on the Second Reading of the Bill, indicating that the Government were reviewing their policy in this matter against the background of the growth of employers' sick pay schemes and the introduction of earnings-related short-term benefits, and would be entering into full consultation with the CBI and the TUC; and that, in the meantime, the Committee stage of the Bill would be deferred. It would be necessary, however, to make it clear that savings to offset
the cost of the increase in family allowances would have to be achieved by one means or another; and they should leave open the possibility of retaining the existing clause if the discussions proved abortive. The Minister should settle the terms of her statement in consultation with the Lord President and the Chief Secretary, Treasury.

The Cabinet—

Invited the Minister of Social Security

(i) in consultation with the Lord President and the Chief Secretary, Treasury, to make a statement in the House of Commons on the Second Reading of the Family Allowances and National Insurance Bill on the lines indicated by the Prime Minister in his summing up of their discussion;

(ii) in consultation with the Minister of Labour, to initiate consultations with the CBI and the TUC on the transfer to the employer of responsibility for the payment of benefit in the early weeks of sickness.

Cabinet Office, S.W.1,
2nd April, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 9th April, 1968,
at 10.30 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CROSSLAND, M.P., President of the Board of Trade
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Paymaster General

The Right Hon. LORD GARDENER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. DENIS HEALY, M.P., Secretary of State for Defence
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. R. J. GUNTER, M.P., Minister of Power
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Items 4-6)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 4-6)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir BURKE TREND
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. R. R. D. MCINTOSH
Mr. P. E. H. STANDISH
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1. The Prime Minister, on behalf of his colleagues, extended a welcome to those Ministers who were joining the Cabinet for the first time. He intended to take advantage of the opportunity provided by the reconstruction of the Government both to simplify and to reinforce the arrangements for the collective discussion of public business. The structure and membership of Cabinet Committees would be reviewed in the next few days; and in future these Committees would be expected to bring as many issues as possible to a point of decision, with the minimum of reference to the Cabinet itself. This should relieve the burden on the Cabinet, which had recently become unduly heavy; and it should give the Cabinet more time in which to review Government business as a whole, on the basis of regular reports from its subordinate Committees. In addition, a new Committee of the Cabinet would be established to enable senior Ministers to consider more fully the political and Parliamentary implications of major issues of policy, such as the forthcoming legislation on prices and incomes. White Papers should continue to be submitted for approval by the Cabinet as a whole; but, here too, issues of policy should be decided as far as possible by the relevant committee and the Cabinet’s consideration should be confined to broad questions of policy and presentation.

In discussion there was a general welcome for these new arrangements. There should be no departure, however, from the established principle that details of the composition and terms of reference of Cabinet Committees were not publicly disclosed; and Ministers should discourage ill-informed speculation about the redistribution of Departmental functions (e.g., in relation to the social services) which might be entailed by the recent Ministerial changes but would require careful and detailed consideration before being brought fully into effect.

This might also be a suitable occasion for the Cabinet to give further consideration to the conventions governing the disclosure of Ministerial discussions; and for this purpose they should take an early opportunity to resume their adjourned discussion of the report of the Lord Chancellor’s Committee on Ministerial Publication.

The Cabinet—

(1) Took note, with approval, of the Prime Minister’s statement on the conduct of Government business.

(2) Agreed to resume, at an early meeting, their consideration of the report of the Committee on Ministerial Publication.

2. The Cabinet were informed of the business to be taken in the House of Commons in the first week after the Easter recess.
The Cabinet were also informed that the debate on the report of the Estimates Committee on Prisons, Borstals and Detention Centres, which should have taken place on the previous day, had been frustrated by the refusal of members of the Estimates Committee to move the Motion as a protest against the curtailment of the time available for the debate by the prolongation of the debate on the adjournment of the House for the Easter recess.

In discussion it was pointed out that while the Government could not concede that the Estimates Committee having failed to take advantage of the opportunity to debate the Report on a Supply Day, the Government were under an obligation to provide Government time for the purpose, the subject was nevertheless one of considerable interest and arrangements might be made for it to be debated otherwise than on the Estimates Committee report later in the Session. It was for consideration, however, whether debates on the adjournment of the House for a recess, which had tended to become longer without becoming more valuable, were now necessary in view of the greater opportunities provided for Private Members to raise matters of concern to them. If the debates were to continue it might be useful for the topics for discussion to be selected by Mr. Speaker.

The Prime Minister, summing up the discussion, said that the value of debates on the adjournment before a recess merited further consideration. The Lord Privy Seal should consider whether the matter could usefully be referred to the Select Committee on Procedure and could announce in the Business Statement on the following Thursday that the matter was under consideration.

The Cabinet—

Invited the Lord Privy Seal to consider whether the practice of holding debates on the adjournment of the House for a recess should be remitted to the Select Committee on Procedure, and to refer to the matter in the Business Statement later in the week on the lines indicated in the Prime Minister's summing up.

Oversea Affairs
Rhodesia
(Previous Reference: CC (68) 24th Conclusions, Minute 3)

3. The Foreign Secretary said that the United Kingdom Representative at the United Nations, Lord Caradon, was continuing his consultations with the Afro-Asian Group on the draft Resolution on Rhodesia but did not expect to have further discussions with them for a day or two. He had been authorised to table our own draft resolution when he thought the moment was right. It was possible that we should then be under Afro-Asian pressure on such points as posts and telecommunications, transport and the supervision of sanctions by a Committee of the United Nations. It was unlikely that the Afro-Asian group could muster sufficient votes in the Security Council to secure the inclusion of provisions
directed against South Africa or Portugal. We might, however, be in difficulty over demands to make mandatory the principle of no independence before majority rule, or to ban further talks with the illegal régime; and in certain circumstances we might even have to consider using our veto. These were however only possibilities; and it was still too early to say how things would develop. It was likely that the debate in the Security Council would continue well after Easter.

The Foreign Secretary said that the Government of North Vietnam had suggested that talks with the United States should take place at Phnom Penh in Cambodia. The United States saw difficulty in this since they had no diplomatic relations with Cambodia; but they were ready to meet in Djakarta, New Delhi or Rangoon. Failing Geneva, which was unlikely to be chosen, Paris was also a possible meeting place. It was significant that the Prime Minister of North Vietnam, in a recent interview with the Columbia Broadcasting Service, had spoken about the need for a coalition government in South Vietnam, thereby implying that he accepted that even after a settlement there would still be a separate South Vietnam. The Government of North Vietnam were showing some independence of both the Chinese Government, who were hostile to any steps towards a settlement, and of the Soviet Government. In their view the object of the first meeting between North Vietnam and the United States would be to arrange an unconditional cessation of United States bombing and to fix a time and place for further talks. If the talks did not materialise the United States would on this basis in practice be free to resume the bombing.

In discussion the Cabinet were informed that there were no grounds for believing that President Johnson’s decision to limit the bombing of North Vietnam had been pre-arranged with the Government of North Vietnam. The latter were not as concerned as many Western observers with the limited character of the bombing pause. The cessation of bombing north of the 20th Parallel was in itself a substantial gain for them. Moreover, the effect on North Vietnam of the prolonged military operations and of diplomatic pressure from the Soviet Union should not be under-estimated. There was reason to think that President Johnson had for some time had in mind a decision to limit the bombing. Although they had broken down, there had been contacts between the United States and North Vietnam at the time of the Prime Minister’s visit to Moscow in January of this year. The explanations of American policy which the Prime Minister had then, and subsequently, been able to give the Soviet Government might have played their part in persuading the latter to bring pressure to bear on North Vietnam. The Soviet Prime Minister had not yet replied to the message which the Prime Minister had sent him immediately after President Johnson had ordered a partial halt in the bombing of North Vietnam.
The Council of Ministers of the European Economic Community (EEC) had considered at their meeting on 5th April a report by the European Commission on the possibility of entering into an “arrangement” with the United Kingdom and the other applicants for membership of the Community. The meeting had been confused and inconclusive. The Permanent Representatives of the Six would be holding further discussions shortly and the Council of Ministers would probably review the results early next month. The Commission had urged that the “arrangement” should be seen in the perspective of the enlargement of the Community and of the accession of the United Kingdom in particular. The French had been completely hostile to this concept and their own proposals, which contained a significant agricultural element in addition to reductions on industrial tariffs, were very limited. The others had rejected the French view, and although the Germans had taken up a less forthright position than the others there were some signs that their opposition to the French approach might be hardening.

It was difficult to extract any meaning from the recent Franco-German proposals, and on the main issue we should have to await the results of further discussion among the Six. The most hopeful prospect for us would be to make progress on the recent Benelux proposals—in particular in relation to technology and defence—and it seemed likely that we might be able to take an initiative on these soon when the new Belgian Government had been formed.

The Commonwealth Secretary said that he had recently attended a meeting of the Council of the South-East Asia Treaty Organisation at Wellington. The meeting had been overshadowed by President Johnson’s statement on Vietnam, which had come as a surprise to the members of the Council. From our point of view the most important result of the meeting had been that the timetable for our military withdrawal from the Far East had been generally accepted, although with regret and a little bitterness. The communique issued after the meeting was satisfactory in this respect. In the course of the meeting he had had useful discussions with the representatives of Australia and New Zealand about the Five-Power Conference which was due to take place in Kuala Lumpur in June. He had found them both very cautious in their approach to the meeting, and this fitted in well with our own interests. The Australian Government had clearly not yet settled their future policy after our withdrawal in 1971; while as a result of our withdrawal, New Zealand was having to engage in a fundamental reappraisal of its political and defence arrangements in South-East Asia, and to face the need for more direct dependence on Australia and even, possibly, some form of integration of their services. Both the Australian and New Zealand representatives had shown great interest in what equipment we were prepared to leave behind and on what terms; and his conclusion was that it would pay us to be as generous as possible.

On his return journey he had called at Singapore and seen the Prime Minister, Mr. Lee Kuan Yew. He had remonstrated with
Mr. Lee Kuan Yew about the action of the Singapore Government in diversifying their holdings of sterling during the recent gold crisis. He had been unable to secure any commitment that Singapore's holdings of sterling would be restored to their former level. But Mr. Lee Kuan Yew had said that he hoped to send the Prime Minister a satisfactory message on his question after the Singapore General Election on 13th April. Mr. Lee Kuan Yew had also stressed the need for Singapore to have air power in order to maintain international confidence in its economy: he was determined to have an air force of his own, if possible in co-operation with the Government of Malaysia, but if necessary alone. He wished to buy British equipment and was ready to pay for it in dollars. The Commonwealth Secretary was convinced that in present circumstances Mr. Lee Kuan Yew was likely to prove our best friend in the Far East and the best guarantee for a peaceful withdrawal of our forces and the subsequent protection of our commercial interests. He thought that provided we could be reassured that the Malaysian Government were reconciled to Mr. Lee's proposals we should examine Singapore's requirements sympathetically. He had also visited Brunei and would be reporting on the result of his visit to the Defence and Oversea Policy Committee.

The Cabinet—

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

4. The Cabinet considered a memorandum by the Home Secretary (C (68) 68) to which was annexed the draft of a White Paper "Children in Trouble".

The Home Secretary said that the proposals outlined in the White Paper sought to effect a new reconciliation between the needs of the child and the interests of society, with somewhat more emphasis than hitherto on the need of the child for care. The proposals preserved the essential principles of the White Paper "The Child, The Family and the Young Offender" published in August 1965 but met the most important criticisms which it had evoked. The juvenile courts were preserved, but juvenile offenders would be dealt with outside the courts so far as possible. Those between 10 and 14 would be brought before the courts as in need of care, protection or control, but only after full consultation among those concerned with the child and those between 14 and 17 would be prosecuted only after similar consultation and with the agreement of a magistrate. It was also proposed to provide new forms of "intermediate treatment" between supervision and removal from home, and to integrate the approved schools within a comprehensive system of residential establishments for children in the care of the
local authority. The proposals were likely to be welcomed by those concerned with the problem of juvenile delinquency, and it was desirable that the White Paper should be published as soon as possible as a basis for consultation on details before legislation, which it was hoped to introduce early in the following Session, was prepared.

The Lord Chancellor said that the Home Affairs Committee had approved the Home Secretary's proposals and the text of the White Paper, subject to certain minor amendments. They had, however, taken the point that if the proposals were fully implemented by 1974-75, as the Home Secretary hoped, the demand for additional child care staff would pre-empt the supply of scarce social workers needed by other services. The timing of the implementation of the Bill would therefore have to be considered with this and the outcome of the review of public expenditure in mind.

In discussion there was general approval of the proposals in the White Paper. It was pointed out, however, that they would need to be carefully presented if the Government were not to be open to the criticism that, having appointed the Interdepartmental Committee on Local Authority Personal Services, and indeed the Royal Commission on Local Government in England, they had formulated proposals on matters to which the reports of these two bodies would be relevant without waiting to receive their advice. The Chairman of the Interdepartmental Committee (Mr. Seebohm) had, however, been shown a draft of the White Paper and had said that he would welcome its publication and would see no objection to its appearing before the report of his Committee. The proposals could be made to fit whatever pattern the Committee might recommend for the organisation of the local authority social services. Similarly, the Joint Committees, which it was proposed should plan the system of "community homes", could reflect whatever structure of local government might be adopted in the light of the Royal Commission's report.

The only respect in which the White Paper might be said to commit the Government to a particular view in advance of their consideration of the reports of the Seebohm Committee and the Royal Commission was the pre-eminence accorded to the Children Committees of local authorities in the machinery for dealing with children and for planning the provision of community homes; but any proposal to displace the Children Committees would arouse strong opposition. It was suggested that the publication of the White Paper as a basis for discussion would afford some opportunity for the proposals to be seen in the context of the reports of the Seebohm Committee and possibly of the Royal Commission. On the other hand, it was important that legislation should be introduced in the autumn, both to put an end to the present unsatisfactory position of the approved schools and to avoid the criticism that the Government, having published a White Paper, were for the second time failing to follow it up with legislation.
In further discussion it was pointed out that the new proposals when fully implemented would cost an additional £3\textfrac{1}{2} million a year. The Home Secretary had agreed with the Chancellor of the Exchequer, however, that he would not enter into any commitment about implementing the proposals until after the review of public expenditure in June 1969. The proposals would also involve a transfer of net expenditure of some £2 million from the Exchequer to the local authorities in respect of approved schools. This was likely to be unwelcome to the authorities, and there was a risk that the tendency of a high rate of delinquency to occur in the poorer areas might place on the authorities with the least resources a greater burden than they could effectively discharge. There might be a case for giving priority to certain areas, as with educational provision. The intention was, however, that the Joint Committees which would be responsible for providing community homes should be based on authorities with a good record in child care, and the arrangement for joint provision of facilities should enable areas with greater resources and experience to help those which were less well off.

The Prime Minister, summing up the discussion, said that the Cabinet approved the Home Secretary’s proposals in principle, and, subject to consideration of any textual amendments which Ministers might send to the Home Secretary, approved the text of the White Paper. There might be advantage in publishing it, if this were practicable, during the recess; but before publication the Home Secretary should arrange to consult the Chairman of the Royal Commission on Local Government in England. In presenting the White Paper he should be guided by the points made in their discussion. He himself had been impressed with the service rendered by foster parents, and the opportunity might be taken to pay them a tribute by inserting a passage on their work in the White Paper.

The Cabinet—

(1) Approved, subject to minor drafting amendments, the White Paper appended to C (68) 68.

(2) Invited Ministers who wished to propose drafting amendments to send them to the Home Secretary.

(3) Invited the Home Secretary—

(i) to consult the Chairman of the Royal Commission on Local Government in England;

(ii) to consider, in consultation with the Lord President, the date of publication of the White Paper;

(iii) to be guided in the presentation of the White Paper by the points made in their discussion.

The Minister of Technology said that the annual march from the Atomic Weapons Research Establishment to London, organised by the Campaign for Nuclear Disarmament, was due to
take place on Good Friday, 12th April. Although the organisers
wished the march to be completed peacefully, as in previous years,
it was possible that there would be some organised violence similar
to that which had occurred at the demonstration in Grosvenor
Square on 17th March. If there were violence, it would probably
take the form of an attempt to invade the Royal Ordnance Factory,
Burghfield, which lay on the route. Preparations had been made to
resist any such attempt but only minimum force would be used,
unless it became evident that the vitally important areas in the centre
of the factory were threatened. Any attempt to gain entry into
those areas would have to be opposed with whatever force was
necessary.

The Cabinet—

Took note of the statement by the Minister of Technology.

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6. The Home Secretary said that there were now four prisons
in the country which had to accommodate, in conditions of maximum
security, groups of dangerous, clever and unscrupulous prisoners.
Three of the prisons were quiet, but there was trouble at Durham
Prison where some of the worst offenders were concentrated. In
the past, they had been allowed considerable latitude in the
management of the maximum security wing and the present unrest
was due to resentment at the introduction by a new Governor of
firmer discipline. Complaints about food had been manufactured
as an excuse for demonstrations; and some prisoners had gone
without their meals for about eight days. As long as this challenge
to authority continued, it was impossible to make what might
otherwise seem reasonable concessions and he intended to give the
Governor the fullest support. He thought that the Cabinet should
be aware of the situation and he hoped that they would support him
in standing firm.

The Cabinet—

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

Cabinet Office, S.W.1,
9th April, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held in the Prime Minister's Room, House of Commons, S.W.1,
on Thursday, 11th April, 1968, at 11 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs (In the Chair for part of Item 2)
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Barbara Castle, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Edward Short, M.P., Secretary of State for Education and Science
The Right Hon. R. J. Gunter, M.P., Minister of Power
The Right Hon. Anthony Greenwood, M.P., Minister of Housing and Local Government
The Right Hon. Lord Shackleton, Paymaster General
The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer
The Right Hon. Richard Crossman, M.P., Lord Privy Seal (Item 1)
The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department
The Right Hon. Fred Peart, M.P., Lord Privy Seal (Item 1)
The Right Hon. Anthony Crosland, M.P., President of the Board of Trade
The Right Hon. George Thomson, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. Anthony Wedgwood Benn, M.P., Minister of Technology
The Right Hon. Richard Marsh, M.P., Minister of Transport (Item 1)
The Right Hon. Cledwyn Hughes, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. George Thomas, M.P., Secretary of State for Wales

Also present:
The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury (Items 1 and 3)

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. R. R. D. McIntosh
Mr. K. Barnes
Mr. P. E. Thornton

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1. The Cabinet considered a memorandum by the Foreign Secretary on European space policy (C (68) 69).

The Prime Minister said that he had considered with the Foreign Secretary the outcome of the last meeting of the Ministerial Committee on the Approach to Europe when this subject had been discussed and when the Foreign Secretary had found no support for his views. The issues at stake were important. He thought therefore that the Cabinet should consider whether it might not be possible, and desirable, to postpone the announcement of our decisions on space, which no one wished to reopen, so that we could announce positive proposals for European technological collaboration—in particular, by speeding the establishment of the proposed European Technological Centre—at the same time as we made known our largely negative decisions on European space projects. A small Ministerial group might then be set up and charged with the task of formulating a programme of practical proposals for early implementation.

The Foreign Secretary said that although he had set out in his memorandum the general opinion of the Ministerial Committee, he still adhered to the view that we should aim to postpone announcement of our decisions on space until a general technological conference had been convened at which we could put these decisions in the context of our aims and proposals for European technological collaboration as a whole. Our decisions on space which would be a profound disappointment to other European Governments, had important implications not only for our European policy but for our foreign policy generally. While we could and should explain that we believed that the right approach to collaboration lay not through uneconomic intergovernmental projects but through fostering collaboration and integration between European industries, the fact remained that we had at present no satisfactory programme of action to offer in place of the space projects. We should therefore postpone the announcement of our decisions until a general technological conference had been convened, by which time we must be in a position to offer a practical programme of our own. However, if it were nevertheless decided that our decisions should be revealed now, preparations had been completed for the despatch of the necessary messages to Dr. Stoltenberg, the German Minister of Science and chairman of the Bonn Space Conference, and to the European Foreign Ministers concerned. The Lord President had also made the necessary arrangements for domestic presentation of these decisions.

In discussion it was the general view that nothing would be gained by postponing the announcement of our decisions and that much might be lost. In the first place, it was a mistake to suppose that the Government could, or indeed should, work out a series of collaborative projects for early presentation to our European partners. There was a remote possibility of agreement by the
summer on a European advanced combat aircraft, but in general we did not wish to promote further Government-to-Government projects but to stimulate industries to restructure on a European scale (with the minimum of finance provided by Governments). Our approach to technological collaboration was based on the establishment of the European Technological Centre, whose purpose would be to discover in which fields European industry had most to gain from collaboration and reorganisation on a European scale and to recommend the methods by which this might best be achieved. A successful Centre could be operated only with the general support of European industry as well as of European Governments. The Confederation of British Industries and the Government were carrying on discussions with their European colleagues in order to promote the Centre but its establishment would inevitably take a considerable time. We should in any event seriously prejudice the chances of the Centre if we sought to link it, at a general technological conference, with our decisions on space: the Centre would then be regarded by the Europeans as a presentational device rather than a serious proposal. The date of any general technological conference should be related to our preparedness for it and not to the presential needs of our space policy: if a general technological conference were called as soon as June we should almost certainly not be properly prepared. For two or three years we had been postponing announcement of our decisions on space because of their possible effect on our European policy, but it was doubtful whether they would have a decisive effect on the future of our approach to Europe and further delay in announcing them would be unlikely to provide us with a better occasion. It should not be overlooked that when we had raised objections to costly European projects—as for example with Dr. Stoltenberg in respect of the 300 Gev accelerator—we had found a considerable measure of support from other European Governments. Finally, a meeting of the Committee of Alternates had been called for 23rd April and a Ministerial meeting for 29th April to take stock of Government positions. If we delayed telling our European partners of our decisions beyond the meeting on 29th April we should be charged with wrecking the Bonn conference. In these circumstances our best course was to make our decisions known fully and forthrightly and as soon as possible.

If it was agreed that our decisions should now be made known to our European partners, it was important that these decisions, and the reasons for them, should be presented at home at the same time as they were made known abroad; and arrangements for Press briefing to this end were in hand. It was reasonable to expect a favourable domestic reception for a clear-cut decision to stop further wasteful Government expenditure on these projects provided that our general approach to technological collaboration with Europe was also clearly explained. It was proposed that messages should go to Dr. Stoltenberg and the Foreign Ministers concerned on 16th April; and that the British Press should be fully briefed on the same day but with an embargo until 17th April. Parliament would
have to be informed at the first opportunity after the Easter recess, on 23rd April.

The Prime Minister, summing up the discussion, said that the Cabinet endorsed the decision of the Ministerial Committee on the Approach to Europe that we should communicate our decisions on space policy to the European Governments concerned immediately after the Easter holiday. Arrangements should be made to ensure that the Press received briefing so that there was full and informed domestic presentation at the same time as our decisions became known abroad. Parliament should be informed at the earliest opportunity. Meanwhile swift progress was required towards the establishment of the European Technological Centre; and the Minister of Technology should also give urgent consideration to the organisation of a pilot study of the advantages which might accrue from—and the problems which might be involved in—the organisation on a European scale of, for example, a sector of the electronics industry.

The Cabinet—
(1) Took note, with approval, of the summing up by the Prime Minister.
(2) Invited the Foreign Secretary, in consultation with the Lord President and the Minister of Technology, to arrange for messages to be delivered to Dr. Stoltenberg and to the European Foreign Ministers concerned, immediately after the Easter holiday, conveying the Government's decisions on space policy.
(3) Invited the Lord President, in consultation with the Foreign Secretary, the Lord Privy Seal and the Minister of Technology, to arrange for the domestic presentation of our space policy to Parliament and the Press.
(4) Invited the Minister of Technology—
   (i) to take the action necessary to speed the establishment of the European Technological Centre;
   (ii) to consider the organisation of a pilot study on the lines indicated in the Prime Minister's summing up.

2. The Cabinet considered a memorandum by the Minister of Housing and Local Government and the Secretary of State for Wales (C (68) 66) and a note by the Secretary of State for Scotland (C (68) 67) to which were attached draft White Papers on the older houses in England and Wales and in Scotland respectively.

The Minister of Housing said that the draft White Papers had been approved by the Housing Committee. Agreement had been reached with the Chancellor of the Exchequer on the figures for...
expenditure on old and new housing in England and Wales for the forthcoming Public Expenditure Survey, though without commitment on the programme to be finally settled; the White Paper would not prejudice that settlement. The intention behind the policy embodied in the White Paper was to bring about a redeployment of resources from new housing to improvement of the existing housing stock. Total expenditure in housing would be more or less established, with increased expenditure on old houses offset by reduced expenditure on new construction. This switch of emphasis would prevent deterioration in a national asset and the break up of existing communities; and the new proposals would have considerable administrative advantages. The proposals had been discussed with the local authority associations who were likely to welcome them warmly.

As regards improvement and repair, a new duty would be laid on local authorities to secure improvement of whole areas of housing and they would be given extended powers for this purpose. There would be increases in the limits on grants for improvement and conversion, and more liberal rules for eligibility. Powers of compulsory purchase would be strengthened, though they would be used only as a last resort. There would be wider powers to control multiple occupation.

The proposals were also designed to speed up slum clearance. On present rates of clearance, we should not be rid of slums for some 25 years. A major obstacle to progress was the present basis of compensation to owner-occupiers for property acquired for clearance. With limited exceptions, this was based on the site value of the property, together with supplements for good maintenance. Since site values for owner-occupied property were normally substantially less than market values, the present arrangements were unfair and local authorities were therefore reluctant to press ahead with clearance. It was proposed that owner-occupiers in future would be compensated on the basis of market value. The difficulties were less acute with tenanted property, and here compensation would continue to be based on site value, but supplements for good maintenance would be increased. These proposals, together with more vigorous action to improve the existing housing stock and the reform of housing subsidies which was now under consideration, offered the prospect of completing slum clearance within a decade. Entitlement to compensation on the new basis would date from the publication of the White Paper; this was necessary to avoid delay in clearance programmes which would otherwise be likely in the interval between the appearance of the White Paper and the enactment of legislation.

The law on rents would also be changed. Houses at present subject to rent control would pass to rent regulation (i.e., the "fair rent" system) once they were brought up to the required standard of repair, whether or not this was done with the assistance of a grant. This was essential if landlords were to be given an adequate incentive to effect repairs. Rent increases resulting from these provisions would be subject to phasing; they would take effect only
after the passage of the legislation and would probably affect not more than one-third of controlled tenancies.

If the Cabinet agreed, he proposed that the White Paper, subject to any necessary drafting amendments, should be published about the 23rd April.

The Secretary of State for Wales said he fully supported the proposals outlined by the Minister of Housing. One-third of the houses in Wales were over 80 years old, and the proportion of owner-occupied property was much higher than in England. The new policy would therefore be specially relevant to Welsh housing problems. It would be important in the conditions obtaining in Wales to use the extended powers of compulsory purchase only as a last resort. The proposal that houses in a satisfactory state of repair should pass from rent control to rent regulation was likely eventually to mean the virtual elimination of rent control.

The Secretary of State for Scotland said the proposals in the White Paper annexed to his note were broadly on the same lines as in the White Paper for England and Wales, except that in Scotland there would be a new standard of "tolerability" for purposes of defining the areas of older houses needing treatment by local authorities. However, Scottish housing problems were different from those of England and Wales. There were in Scotland some 300,000 old houses which needed to be replaced urgently; a further 200,000 needed rehabilitation; these categories together accounted for 30 per cent of the total housing stock. 40 per cent of homes were in tenements or flats; improvement of these was difficult and expensive, and normally resulted in a reduction in the number of families which could be accommodated. In these conditions, attempts to improve the housing stock under existing powers had largely failed, and only modest results could be expected from the present proposals. There was no room for a switch of resources from new building to improvement and repair since it was seldom possible to effect improvements without providing new housing for some of the people displaced. While he had accepted that total expenditure on Scottish housing should not be increased by reason of the new policy in 1968–69 or 1969–70, he could not agree that the existing programme for new housing in subsequent years should be reduced to accommodate additional expenditure under the provisions of the White Paper.

The Chancellor of the Exchequer said that it was essential that approval of the policies for older houses should be on the basis that implementation of these policies would not lead to an increase in the future total expenditure on housing, but that increased spending on older houses should be balanced by reduced expenditure on new construction. Unless we proceeded on this basis, the result would be to approve an increase in the housing programme in isolation, at the expense of other programmes. He could accept the publication of the White Paper for England and Wales on the basis of the agreement reached with the Minister of Housing and the Secretary
of State for Wales as regards the implications for public expenditure. But he had not been able to reach similar agreement with the Secretary of State for Scotland; until this had been done, on the basis he had indicated, he could not agree to publication of the White Paper for Scotland.

He wished to make two detailed points. First, it should be made clearer in paragraphs 1 and 2 of the White Paper on England and Wales and in paragraph 9 of the White Paper on Scotland that what was involved was a shift of resources within the total housing programme with no overall increase in expenditure. Second, while the White Paper on England and Wales proposed that houses in a satisfactory state of repair should pass from rent control to rent regulation whether or not the owner had been assisted by grant, the corresponding proposal in the White Paper for Scotland related only to property where repairs had been effected with the assistance of a grant. The Scottish White Paper should be brought into line in this respect.

In discussion there was general approval of the contents of the White Paper for England and Wales subject to amendments to meet the points made by the Chancellor of the Exchequer.

There was general support for the view that implementation of the new policies should not lead to an increase in total housing expenditure for Scotland in 1970-71 and subsequent years. It might be that because of the different conditions in Scotland, it would be wrong at the present time to increase expenditure on improvement and repair at the expense of new building; it might be preferable to continue to concentrate for the time being on the provision of new housing and to review the case for a switch of emphasis towards older houses at a later stage. This would mean that there should be no White Paper for Scotland at the present time. If, however, it was regarded as essential that there should be a White Paper for Scotland, it would be necessary for the Secretary of State to reach agreement with the Chancellor of the Exchequer on the implications for total housing expenditure before the White Paper was published.

The Prime Minister, summing up the discussion, said that the Cabinet approved the draft White Paper for England and Wales, subject to amendments to meet the points made in discussion and to any further drafting amendments which were thought desirable. The Minister of Housing and the Secretary of State for Wales should arrange for the White Paper to be published as soon as possible after the Easter recess. The Secretary of State for Scotland should consider further in the light of the discussion whether he wished to abandon the proposals for new arrangements for improving old houses and the publication of the White Paper for Scotland at this stage. If he concluded that the proposals should not be abandoned and that there should be a White Paper, he should seek to reach agreement with the Chancellor of the Exchequer on the implications for total housing expenditure in Scotland in 1970-71 and subsequent years, on the basis that additional expenditure in pursuance of the new policies should not lead to an increase in overall housing expenditure. If agreement could not be reached, the issues should
be brought back to the Cabinet. If agreement were reached, the White Paper for Scotland, amended to meet the points made in discussion and to incorporate any further drafting changes which the Secretary of State thought desirable, could then be published. While it was desirable, assuming there was to be a White Paper for Scotland, for the two White Papers to be published simultaneously, publication of the White Paper for England and Wales should not be delayed on this account and if necessary the White Paper for Scotland would have to be published later.

The Cabinet—

(1) Approved the text of the draft White Paper for England and Wales annexed to C (68) 66, subject to the amendments proposed in discussion and any further drafting amendments which the responsible Ministers deemed desirable.

(2) Invited the Minister of Housing and the Secretary of State for Wales, in consultation with the Lord President, to arrange for publication of the White Paper for England and Wales as soon as possible after the Easter Recess.

(3) Invited the Secretary of State for Scotland—
   (i) to consult the Chancellor of the Exchequer on the basis indicated in the Prime Minister's summing up;
   (ii) if agreement could be reached on the financial implications, to arrange, in consultation with the Lord President, for the publication of the White Paper (subject to the amendments proposed in discussion and any further drafting amendments he thought desirable);
   (iii) if agreement could not be reached, to bring the issue again before the Cabinet.

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3. The Prime Minister said that, in view of the risk of disorder arising as a result of attempts by persons taking part in the march from Aldermaston to London to break into the Atomic Weapons Research Establishment (AWRE) and the Royal Ordnance Factory, Burghfield, it was important that it should be made clear where responsibility for controlling any disorder lay. He had accordingly asked the Home Secretary, as the Minister responsible for the maintenance of public order, to ensure, in consultation with the Secretary of State for Defence and the Minister of Technology, that a clear command structure was established, that adequate numbers of service and departmental police were available at the two establishments and, if necessary, that helicopters were provided to move police reinforcements to the scene of any disorders.
The Home Secretary said that the march was expected to attract to this country foreign students, including a number of German students of a type which had introduced new and more violent tactics on the occasion of the demonstration in Grosvenor Square on 17th March. The police were anxious that foreign students should be refused entry, but only one of those expected had been charged as a result of the disorders in Grosvenor Square and it was not clear on what grounds the exclusion of others could be justified.

In discussion it was pointed out that this type of demonstration was increasingly being organised on an international scale by anarchist and Communist elements, who, unlike the Campaign for Nuclear Disarmament, were interested in provoking violence. The Government would be open to criticism if so soon after the Grosvenor Square demonstration they permitted foreign students to come in and violence of a similar kind occurred. On the other hand, it was wrong to exclude all foreign students, irrespective of any known record of previous violence. Moreover, it was important that both the civil and service police should keep the use of force in restraining the demonstrators to a minimum, and that the Director of the Royal Ordnance Factory, who intended to have Army Department constabulary, with dogs and fire hoses, ready to repel the expected attempts to penetrate to the vital areas of the factory, should act in close accord with the civil police.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that, while there should be no general exclusion of foreign students, any individual known to the police of his own country to have been concerned in violence should be refused entry, and the Home Secretary should seek relevant information from the police forces concerned. The arrangements to be concerted by the Home Secretary with the Secretary of State for Defence and the Minister of Technology should, in particular, establish clearly where responsibility for action within the perimeter of the Atomic Weapons Research Establishment and the Royal Ordnance Factory rested.

The Cabinet—

Invited the Home Secretary—

(i) to deal with foreign students seeking entry to this country in connection with the Aldermaston March on the lines indicated in the Prime Minister's summing up;

(ii) in consultation with the Secretary of State for Defence and the Minister of Technology, to ensure that the arrangements for dealing with the march included a clear understanding as to the command structure, the responsibility for action inside the perimeter of two establishments concerned, and the arrangements for the use of service and departmental police.

Cabinet Office, S.W.1,

11th April, 1968.

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SECRET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 2nd May, 1968,
at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister

The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs
(Items 1-6)
The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. BARBARA CASTLE, M P, First Secretary of State and Secretary of State for Employment and Productivity

The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. ANTHONY CROSCLAIR, M P, President of the Board of Trade
The Right Hon. GEORGE THOMSON, M P, Secretary of State for Commonwealth Affairs

The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology
The Right Hon. RICHARD MARSH, M P, Minister of Transport (Items 1-5)

The Right Hon. CLIDWYN HUGHES, M P, Minister of Agriculture, Fisheries and Food

The Right Hon. GEORGE THOMAS, M P, Secretary of State for Wales

Also present:
The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

Searcraat:
SIR BURKE TREND
MISS J. J. NUNN
MR. E. M. ROSE
MR. R. R. D. MCINTOSH
MR. H. L. LAWRENCE-WILSON
MR. K. BARNES

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1. The Prime Minister informed the Cabinet that the new Parliamentary Committee had now been constituted and would henceforth meet regularly at approximately weekly intervals. It was not intended in any sense to supersede the Cabinet itself but was designed to prepare the way for the Cabinet's consideration of items of business which were of particular importance or political significance by conducting a preliminary review of such topics in order to define the issues on which the Cabinet as a whole should concentrate. For this purpose its deliberations and conclusions would, of course, be reported regularly to the Cabinet.

The Committee had so far met twice; and its discussions on race relations and prices and incomes policy, which the Cabinet would need to consider during the present meeting, had been of considerable value. It had been particularly opportune that the Committee had been able to discuss the Parliamentary tactics in relation to the recent report by the National Board for Prices and Incomes on local authority rents and, as a result, to authorise the Minister of Housing and Local Government to make a statement on this subject in the House of Commons which had been generally welcomed as a timely and constructive move. The episode had provided an excellent example of the potential value of the Parliamentary Committee's method of work.

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

3. The Cabinet were informed that, as a result of a review by the Parliamentary Committee of the Parliamentary tactics and timetable to be adopted in relation to the forthcoming legislation on prices and incomes, it had become clear that, if the Bill was to reach the Statute Book by mid-July, a very intensive effort would be required, particularly during the Committee Stage in the House of Commons; and it might well be necessary for the Government to move a timetable motion for this purpose. Moreover, even if this enabled the Bill to leave the House of Commons without undue delay, there could be no certainty that the debates in the House of Lords would be concluded by mid-July. On the other hand, if the Bill had not received the Royal Assent by that point, the Government might face a very embarrassing situation towards the end of July, since the standstill which was currently in operation in relation to the wages of municipal busmen would then expire before the powers provided by the new legislation had been brought into effect. The only
method of anticipating this risk would be an amendment of the Bill
designed to enable the Government to renew a standstill with
retrospective effect; and this would be politically unacceptable. It
was therefore essential that every effort should be made to ensure
that the Bill would in fact receive the Royal Assent not later than
mid-July.

In discussion there was general endorsement of this conclusion.
The Bill would be a contentious item of legislation; and, however
much the Government might seek to rally their supporters by
emphasising those of its features which might be unacceptable to the
Opposition (e.g., in relation to the control of rents, dividends, etc.),
its other provisions, which would give the Government powers of
compulsion in relation to increases in wages, would be liable to
provoke considerable resentment among members of the
Parliamentary Labour Party. Indeed, there were some grounds for
supposing that a significant number of them might be tempted to
abstain from voting in critical divisions on the Bill; and this could
involve the Government in some political embarrassment. There
could be no question of the Government’s reversing their policy at
this stage; but it would be essential that they should present a united
front in the House of Commons and should give a strong lead to
their supporters. For this purpose all Ministers should arrange,
without regard to other engagements, to be present at all the
important stages in the debates. In addition, they should warn their
junior Ministers and Parliamentary Private Secretaries that they
would be expected to support the Bill and to vote, when necessary,
in its favour. They should also take every appropriate opportunity
to impress on backbenchers with whom they were in contact the
importance of ensuring the full support of the Parliamentary Labour
Party for this essential element in the Government’s economic policy;
and they should be prepared to remind them, if necessary, of the
prospect which the Labour Party might face if this policy failed as
a result of the inability of the Parliamentary Party to accept a
sufficient measure of discipline to ensure that the Bill was enacted.
Particular care should be taken to ensure that both the Parliamentary
Party as a whole and the Trade Union Group were made aware of
the great political significance of this legislation.

The Cabinet—

(1) Invited the Lord Privy Seal and the Paymaster-General to
consider, in consultation with the Chief Whip and the
Chief Whip, House of Lords, how best to ensure that the
forthcoming Bill on Prices and Incomes would reach the
Statute Book not later than mid-July.

(2) Took note that the Prime Minister, in consultation with the
Chief Whip, would arrange for all Ministers to be
appropriately reminded of their duty to be present in
person at the critical stages in the Parliamentary debates
on the Bill and to instruct their junior Ministers and
Parliamentary Private Secretaries that they would be
expected to support the Bill and, when necessary, to vote
in its favour.

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(3) Invited the First Secretary of State, in consultation with the Lord Privy Seal, to arrange for the Parliamentary Labour Party and the Trade Union Group to be made fully aware, by appropriate means, of the great political importance which attached to the enactment of the Bill.

Race Relations

4. The Home Secretary said that he had informed the Parliamentary Committee earlier that morning of the conclusions reached on the previous day at a meeting of the Ministerial Committee on Immigration and Assimilation. As regards immigration it seemed likely that, despite the operation of the Commonwealth Immigration Act, the total numbers of Commonwealth immigrants this year would, as in 1967, be between 50,000 and 60,000. This was a higher rate of entry than we could accept permanently, but the Committee had decided against any reduction, for the present at any rate, in the number of vouchers to be issued to Commonwealth immigrants or to Asians from Kenya; they had also decided against any changes in the broad basis on which dependants were allowed to accompany or join voucher holders. Officials had, however, been instructed to examine certain aspects of the arrangements under which dependants, such as fiancées, were allowed to enter and other possible means of reducing immigration, for example by discriminating in favour of unmarried individuals in the issue of vouchers. A major difficulty in formulating policy in relation to immigration was the dearth of reliable statistics on which to assess the likely future trend of immigration, particularly of the dependants of voucher holders and immigrants who had entered before controls were imposed in 1962. It had been assumed that by now the number of dependants entering would have begun to decline, but there was as yet no sign of this. Efforts were being made to improve our information and officials had been instructed to examine what rate of immigration from the new Commonwealth this country could absorb in the light of the best assessment that could be made of the prospective entry under existing rules. Officials had also been instructed to make an examination of the problems of housing, education, health and employment in the areas where immigrants were concentrated and to make recommendations on what additional programmes were needed; any such programmes which would be brought before the Cabinet, would have to be framed and presented as relating to the general needs of crowded urban areas and not to immigrants as such. He asked that the Ministers responsible for education, housing and health should each make available two officials to work with his own on these problems as a first call on their time.

On the political aspects of race relations, it was essential that a major effort should be mounted to educate public opinion, making use of the resources of the Central Office of Information and of the television and radio networks. It would also be necessary, in his view, to handle the further stages of the Race Relations Bill in a
manner which would offer the best prospect of securing a broad national consensus. To this end he would, for example, be prepared to consider some relaxation in the provision which would compel firms with as few as 10 employees to abide by the employment provisions of the Bill. But, both for political reasons and in the long-term national interest, there could be no departure from the main principles of the Bill and the areas which it covered. The Leader of the Liberal Party, Mr. Jeremy Thorpe, had suggested that the Select Committee which he (the Home Secretary) had proposed should deal both with the Government assistance necessary in the main areas affected by immigration and also with the rate at which immigrants into this country could be absorbed. The first of these suggestions could not be accepted since the Government must retain control of expenditure, but he would be willing to accept the second since this was a matter on which broad agreement should be sought.

In discussion, there was general agreement on the need to obtain more reliable statistics on immigration and emigration. There was support for the view that a continuing rate of immigration from the new Commonwealth as high as 50-60,000 annually into this country was more than could be absorbed successfully although it was pointed out that until the recent controversy had arisen this rate of entry had not been causing undue difficulty. Although Commonwealth immigrants were making a valuable contribution to some aspects of our national life, for example in hospitals and transport, there was no agreed view on the net result of their presence for the social services as a whole. There would be advantage in seeking through the proposed Select Committee on Race Relations a national consensus on the rate of immigration that could be absorbed annually; but the Committee should not deal with the amount of assistance to be made available to areas where there were large concentrations of immigrants. There should be no question of departing from the main principles of the Race Relations Bill, although concessions on matters of detail could be considered.

It was essential to the success of our race relations policy that there should be a greater public understanding of the problems that we faced and of the relevance of the measures that we were taking to deal with them. There was at present a widespread, though unwarranted, fear in the country of being overwhelmed by immigrants. A major publicity campaign was necessary and it was important that information should be made available direct to the immigrant communities themselves if the risk of their adopting extreme attitudes was to be avoided. A revised brief covering all aspects of the race relations problem would be available from the Lord President's Office before the weekend and the Prime Minister and the Home Secretary would make major speeches on the subject. Measures that had already been taken would alleviate the housing problem in the areas affected but additional expenditure would be required if sufficient schools were to be made available. Provision of these should not cause resentment, however, as places for white children were in some cases not available in the areas concerned because of the influx of immigrant children.
The Prime Minister, summing up the discussion, said that the Cabinet accepted that for the present there should be no reduction in the numbers of vouchers issued to Commonwealth immigrants or changes in the main principles on which dependants or voucher holders were admitted. Nor should there be any departure from the main principles of the Race Relations Bill. It would be acceptable, however, for the terms of reference of the proposed Select Committee on Race Relations to be widened so that there could be discussion of the numbers of immigrants that we could absorb. A major effort to educate public opinion on the race relations problem should be mounted. This Government had provided greater resources for the social services in the areas in which immigrants had concentrated than had the previous Administration. An examination should, however, be made by the Home Secretary, in consultation with the other Ministers concerned, of what further assistance was needed for these areas and, as the Home Secretary had requested, staff should be made available to assist him in this work. It would be important that any additional programmes should be of general application in the areas concerned and should not discriminate in favour of immigrants as such. Any new programmes would have to be financed within the Public Expenditure Survey Committee ceilings on expenditure by diverting resources from elsewhere and proposals should be brought before the Parliamentary Committee and the Cabinet.

The Cabinet—

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

(2) Invited the Home Secretary, in consultation with the Chancellor of the Exchequer and the other Ministers concerned, to arrange for the preparation and submission to the Parliamentary Committee and to the Cabinet of proposals for additional assistance to areas in which immigrants had concentrated on the lines indicated by the Prime Minister in his summing up of their discussion.

5. The Minister of Technology drew attention to recent indications of the continuing briefing of the Press about alleged disagreements within the Cabinet. The latest example was an article in the Sunday Telegraph of 28th April; but similar material had appeared in the Spectator and there had earlier been articles in the Financial Times which appeared to be directed to undermining the position of the First Secretary of State and the Chief Whip.

The Prime Minister said that the systematic briefing which seemed to lie behind the articles in question transcended the limits of normal criticism; and, in so far as it might be thought to derive from an informed source or sources, it was unduly damaging to the Government and tended to undermine the principle of collective
Oversea Affairs
Middle East
(Previous Reference: CC (68) 23rd Conclusions, Minute 2)

Rhodesia
(Previous Reference: CC (68) 26th Conclusions, Minute 3)

responsibility. He had therefore asked the Lord Chancellor, with the assistance of a few Ministers not immediately concerned, to investigate these cases.

The Cabinet—
Took note, with approval, of the Prime Minister’s statement.

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6. The Foreign Secretary said that the Security Council had passed a resolution on 27th April requesting Israel not to hold a military parade in Jerusalem to celebrate the 20th Anniversary of her independence. We had supported this resolution on the ground that the proposed parade would be provocative. Israel had disregarded the Security Council’s request; and Jordan was now asking for further discussion in the Council with a view to censuring Israel. The United Kingdom Representative at the United Nations, Lord Caradon, would do all he could to avoid developments which might endanger the prospects of the conciliation mission of the Special Representative of the Secretary-General of the United Nations, Mr. Gunnar Jarring. In view of Israel’s refusal to abide by the Security Council resolution he would not himself be attending the Israel Ambassador’s reception that day on the occasion of Israel’s Independence Day. There was however no reason why other members of the Cabinet should not attend; and the Minister of State for Foreign Affairs, Mr. Goronwy Roberts, would do so.

Mr. Jarring was still trying to work out an arrangement acceptable to the United Arab Republic (UAR), Jordan and Israel, which would include Israel’s acceptance of the Security Council resolution of 22nd November and provide for separate meetings in New York between Mr. Jarring and representatives of the Arab States on the one hand and Israel on the other. King Hussein of Jordan had agreed to support such an arrangement if the UAR would do so. But the UAR had not yet committed itself, nor had Israel. President Nasser had recently made a public speech saying that a resumption of hostilities was inevitable. Israel’s attitude, as reflected in a recent letter to the Secretary-General of the United Nations, was in doubt. He proposed to take the opportunity of a forthcoming visit to this country by the Israeli Foreign Minister, Mr. Eban, to urge him to support Mr. Jarring’s proposals.

The Foreign Secretary said that discussion was still proceeding in the Security Council on a resolution on Rhodesia. The Afro-Asian Group had dropped their insistence on the use of force; but they were still pressing for the inclusion of provisions which it would be difficult, and in some cases, impossible for us to accept. Much would depend on the attitude in the Security Council of the representatives of Brazil, Paraguay and Denmark. He had recently spoken to the Danish Foreign Minister, who had not been as forthcoming as he had hoped; but Denmark might be more helpful if there were a danger of deadlock in the Council. He would be consulting the Ministers principally concerned on what further concessions we might make to reach agreement in the Council.

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In discussion reference was made to an interview with Mr. Ian Smith which had been published in the *Sunday Telegraph* on 28th April. Mr. Smith's attitude closely reflected the line he had taken with the Commonwealth Secretary during the latter's visit to Salisbury in November 1967. It was clear that there were serious divisions within the ruling Rhodesia Front Party as a result of the recent report by the Constitutional Commission which had come down strongly against the principle of apartheid. It was on this account unwelcome to the Right wing of the Rhodesia Front, some of whom had already formed a separate party. The intransigent line now taken publicly by Mr. Smith was probably intended as a counter to extremist pressures against him within the Rhodesia Front.

The Foreign Secretary said that over the Easter week-end he had instructed our Ambassador in Washington to put to the United States Government our view that it would be unwise to appear to be frustrating the prospect of early peace talks with North Vietnam by arguing about the meeting-place. He had taken the opportunity to repeat this view to the United States Under-Secretary of State, Mr. Katzenbach, during his recent visit to London for the Council meeting of the Central Treaty Organisation. He had the impression that the United States Government were fairly confident that agreement on a meeting-place would be reached; and confidential contacts were already taking place between them and the North Vietnamese Government. Although the United States had proposed 16 different meeting-places and North Vietnam only two, the United States should be careful to avoid losing international goodwill by appearing to be responsible for delaying peace talks.

In discussion it was suggested that in order to break the deadlock we might possibly join with the Soviet Union, as the other Co-Chairman of the Geneva Conference, in proposing that the peace talks should be held by mutual agreement in both London and Moscow. It was pointed out that we should first need to know more about the Soviet attitude. At present it appeared that the Soviet Union was afraid of taking any initiative which might be unwelcome to North Vietnam.

The Foreign Secretary said that, except for some defence equipment, our interim aid of £12 million to the Southern Yemen would have been completely expended by the end of this month. He proposed that the last instalment should be paid unless Southern Yemen defaulted on its obligations. Negotiations on further aid were now taking place in Aden. We had offered a maximum of £1.4 million which was much less than the Southern Yemen Government had asked for; and we must accept that the negotiations might break down.

In discussion it was suggested that if we failed to reach agreement there might be a complete breakdown of law and order in Southern Yemen with consequent risks to British lives and property.
The Prime Minister said that he would consider with the Foreign Secretary the desirability of discussing this aspect of the problem in the Defence and Oversea Policy Committee.

The Foreign Secretary said that he had made available to the House of Commons the report of the United States mediator, Mr. B. M. Webster, on the dispute between the United Kingdom and Guatemala over British Honduras. The report was more favourable to British Honduras and less favourable to the Guatemalan claim than had been expected. The Government could not express a view on its recommendations until we had consulted the Government of British Honduras. At the request of the Guatemalan Foreign Minister, Senor Arenales, he had delayed the publication of the report for a few days so that discussions could take place in New York between Senor Arenales and the Minister of State for Foreign Affairs, Mr. Mulley. As a result of those discussions the Guatemalan Government had not, as had been expected, denounced us for publishing the report, although the report itself had been the subject of attacks in the Guatemalan Press.

The Commonwealth Secretary said that the Government of British Honduras were anxious to avoid rejection of the report. But it had been attacked by the Opposition and there had already been some minor disturbances.

The Commonwealth Secretary said that order had now been restored in Bermuda after the race riots which had taken place over the week-end. There had been no loss of life, although several persons had been injured and there had been some damage to property. There had been no further rioting since the arrival of the Royal Navy frigate and British troops. But the situation was still delicate. Bermuda was about to hold its first elections. It seemed possible that the riots had been provoked by outsiders who had arrived in Bermuda for the election campaign; and the Governor had appointed a Commission of Inquiry. It was important to restore as soon as possible conditions in which the election campaign could proceed freely.

The Commonwealth Secretary said he had information that Spain might shortly try to close the frontier between Spain and Gibraltar against tourists and Gibraltarians. He did not favour a suggestion which had been made for retaliatory action against Spanish labour entering the colony.

The Commonwealth Secretary said that the prospect of bringing the two sides in the Nigerian civil war to the negotiating table had greatly improved. The Prime Minister's recent confidential message to the Head of the Federal Military Government, General Gowon, had contributed to this improvement. It had led to the visit to London by the Nigerian Federal Commissioner for External Affairs who had said that the Federal Government were prepared to negotiate without preconditions. There had been reports that President Kenyatta of Kenya might be asked to mediate. But it was doubtful if he would be acceptable to the authorities of the Eastern Region.

The Cabinet—

Took note of the statements by the Foreign Secretary and the Commonwealth Secretary and of the points made in discussion.
7. The Cabinet had before them a memorandum by the First Secretary of State and Secretary of State for Employment and Productivity (C (68) 70) about pay negotiations in the shipbuilding and engineering industries.

The First Secretary of State said that the Cabinet would wish to know the latest developments in three related sets of negotiations in these crucial sectors.

As regards manual workers in the engineering industry, the Engineering Employers Federation (EEF) had made an offer to the Confederation of Shipbuilding and Engineering Unions (CSEU) including increases in minimum earnings levels spread over a three-year period and improvements in the guaranteed week, in return for undertakings by the unions on productivity and training. The CSEU had demanded further concessions from the employers, notably a general wage increase, as a prerequisite for any negotiations on improvements in productivity.

As regards manual workers in shipbuilding, the Shipbuilding and Repairers' National Association had made an offer to the CSEU which went beyond that of the EEF, notably in providing for small general wage increases in May 1969, and May 1970, in return for detailed undertakings on productivity and training. The CSEU would be giving their reply to the employers that day.

As regards draughtsmen, the EEF had now made an offer to the Draughtsmen's and Allied Technicians' Association (DATA) of improvements in national minimum scales in return for undertakings directed to higher productivity. It would be difficult to reconcile the employers' offer with incomes policy. DATA had accepted it subject to the deletion of certain of the productivity conditions and the employers were still considering the Association's reply.

She had met representatives of the CSEU before the Conference of the Executive on the previous day. While there had been some complaints at her intervention at this stage, in general the CSEU representatives had accepted it. They had put to her their objections to the employers' offer for engineering workers: in their view, the employers were unreasonably demanding extensive concessions on productivity in return for improvements in minimum earnings levels which were justified on their own merits under the incomes policy criterion relating to low-paid workers. She had made it clear that she was concerned at this stage simply to clarify the position and was not intervening in the negotiations. She had emphasised the incomes policy criteria by which the Government would have to judge the outcome; the CSEU representatives had taken the line that their responsibility was to pursue negotiations and that the application of the criteria to whatever settlement resulted was not a matter for them. She had suggested that they should consider the possibilities of a combination of concessions within the confines of the incomes policy, and had indicated that there might be scope on this basis for improvements in addition to increases in minimum earnings levels if sufficiently firm assurances of concessions on productivity were forthcoming.
She had seen representatives of the EEF later on the previous day. It was clear that they did not regard the negotiations as having reached deadlock and they had agreed to explore the possibility of a combination of concessions such as she had suggested to the CSEU. It had been learned during her meeting with the employers that the Conference of Executives of the CSEU had passed a resolution calling for a one-day national stoppage in engineering on 15th May and threatening a ban on overtime and other sanctions if the Confederation’s demands were not met. The resolution had, however, expressed willingness to meet the employers at any time and she had urged the EEF representatives to make a quick and friendly response to this; they had not yet done so and her Department were in touch with them with a view to persuading them of the desirability of an early resumption of negotiations.

The negotiations with the draughtsmen raised difficult issues. While the employers’ offer ostensibly affected only minimum earnings, the increases would probably spread to draughtsmen on higher rates, and the productivity conditions were unsatisfactory. The employers were susceptible to pressure because of the draughtsmen’s key role in production, and she had warned them of the danger of taking a tough line with the manual workers but making over-generous concessions to the draughtsmen.

She would keep in touch with the Home Secretary about the need for a meeting of the Official Committee on Emergencies to consider what action might be required if we were faced with widespread stoppages of work.

The Cabinet—

Took note of C (68) 70 and the statement by the First Secretary of State.

SECRET

8. The Cabinet considered a note by the President of the Board of Trade (C (68) 71) to which was attached a draft White Paper on a Hotel Development Incentives Scheme.

_The President of the Board of Trade_ said he had informed the House of Commons on 20th March of the Government’s intention to introduce a scheme of assistance by means of grants and loans towards the capital cost of providing new hotel accommodation and the extension and improvement of existing hotels. He had undertaken to publish a White Paper giving further details. The draft attached to his note took account of comments on earlier drafts by the Ministerial Working Party on Industrial Investment and by the Committee on Home Publicity. In view of the lapse of time since the announcement of the Government’s proposals, it was desirable that the White Paper should be published as soon as possible.

_The Chancellor of the Exchequer_ said that when the Steering Committee on Economic Policy had approved the proposals now embodied in the draft White Paper, they had done so on the understanding that expenditure under the new scheme would be balanced by savings from the withdrawal of assistance under the Local
Employment Acts to projects in the services sector. However, when the Committee on Environmental Planning had considered this at their meeting on 22nd April, they had not felt able to approve the withdrawal of assistance but had remitted the matter for further study. Until the withdrawal of assistance had been approved, he could not agree to publication of the White Paper.

The Prime Minister, summing up the discussion, said that the Cabinet approved the text of the draft White Paper on assistance to hotels but agreed that the question of withdrawing assistance under the Local Employment Acts to projects in the services sector should be resolved by the Steering Committee on Economic Policy before the White Paper could be published. The Steering Committee should accordingly consider this issue at their meeting on 7th May. Meanwhile, in order to avoid delay in publication, the printing of the White Paper should go forward.

The Cabinet—

(1) Agreed that the White Paper on a Hotel Development Incentives Scheme annexed to C (68) 71 should be published, subject to the condition mentioned by the Prime Minister in his summing up.

(2) Took note that the Prime Minister would arrange for the Steering Committee on Economic Policy to consider at their meeting on 7th May the withdrawal of assistance under the Local Employment Acts to projects in the services sector.

Cabinet Office, S.W.1.
2nd May, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W. 1, on Thursday, 16th May, 1968
at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. R. J. GUNTER, M.P., Minister of Power
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

The following were also present:
The Right Hon. JUDITH HART, M.P., Minister of Social Security (Item 6)
Sir Arthur Irvine, Q.C., M.P., Solicitor-General (Item 5)

The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CROSSLAND, M.P., President of the Board of Trade
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. LORD SHACKLETON, Paymaster General

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 4-6)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. R. R. D. MCINTOSH
Mr. I. ERRINGTON
Mr. K. BARNES
Mr. P. E. THORNTON

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1. The Prime Minister informed the Cabinet that the Parliamentary Committee had considered at a recent meeting the recommendations of the Sub-Committee on Electoral Reform, which had carried out a comprehensive examination of the recent Report of the Speaker's Conference on Electoral Law. On the main issues involved the Parliamentary Committee had reached the following provisional conclusions:

(a) The minimum age for voting, which the Speaker's Conference recommended should be 20, should be reduced to 18.

(b) In conformity with the majority recommendation of the Speaker's Conference, the proposal that there should be a second annual register should be rejected, primarily on grounds of economy.

(c) The hours of polling, on which the Speaker's Conference had recommended no change, should be extended to 10 p.m.

(d) It would be preferable to reject the recommendation of the Speaker's Conference that publication of the results of public opinion polls and betting odds should be prohibited within 72 hours of the poll.

(e) The prohibition on the use of Party labels on nomination and ballot papers should be removed, despite the recommendation of the Speaker's Conference to the contrary effect. The difficulties which might result in local government elections should be the subject of further examination.

(f) Further consideration should be given to the question whether, if Party labels were permitted, it should continue to be necessary for a candidate to state his occupation.

These conclusions were, of course, subject to approval by the Cabinet; but it might be preferable for the Cabinet to defer detailed discussion until they had before them the draft of a White Paper which was now being prepared. It would then be possible for Ministers to raise any other point which they thought required examination, e.g., the desirability of declaring polling day a public holiday.

In discussion some concern was expressed about the wisdom of a decision to reduce the voting age to 18. There was no evidence of a substantial public demand for this change; nor should it be regarded as following necessarily from the Government's recent decision to accept the recommendation of the Committee on the Age of Majority that the age of majority should be reduced to 18 for other purposes. Moreover, it could not be assumed that the change would operate to the electoral advantage of the Government. Many of the Government's supporters would not give to this latest instance of progressive social reform any warmer welcome than they had given to such earlier examples as the Government's proposals to reform the law on divorce and abortion. And the young themselves were more likely to give their support to the more extreme forms of political opinion, particularly the nationalist movements in Scotland and Wales, than to the established political Parties. The
extent to which, they could be influenced by their teachers in this respect should not be under-rated; and considerable problems could arise in connection with the teaching of political subjects and current affairs in the schools. The situation would be aggravated if a reduction in the voting age to 18 led to a demand that young people of that age should also be entitled to stand as candidates for Parliament; and such a reduction in the age of candidacy might have consequences for the House of Lords which ought to be considered in conjunction with the proposed reform of that House.

On the other hand there was considerable support for the view that, quite apart from the extent to which the issue had in effect been determined already by the Government's decision to reduce the age of majority for other purposes to 18, the change would be right on merits. All earlier measures of electoral reform—for example, the granting of votes to women—had in fact merely recognised a state of affairs which public opinion had already accepted; and this would be found to be equally true in the present instance. It was now generally accepted that young people matured at an earlier age than in the past; and, if they were to be accepted as fully responsible in the social and commercial contexts with which the Committee on the Age of Majority had been concerned, there was no valid reason for refusing to grant them a corresponding degree of political enfranchisement. Indeed, to accept that they were capable of responsible political behaviour should do much to correct the growing sense of social alienation which undoubtedly lay at the root of some of the more extreme manifestations of youthful insubordination which had recently attracted public attention.

The Prime Minister, summing up the discussion, said that the Cabinet clearly needed to give more detailed consideration to the issues involved before reaching a final decision; and arrangements would be made for this purpose. The Cabinet should seek to reach an early conclusion on the matter, since it was desirable that, if the change was to be made, it should take effect in time to be operative before the next General Election; and adequate provision would have to be made for the necessary legislation in future legislative programmes.

The Cabinet—

(1) Invited the Lord President to circulate, for consideration at an early meeting, the report of the Sub-Committee on Electoral Reform which had examined the conclusions of the Speaker's Conference on Electoral Law, together with such further comments as the Sub-Committee might wish to offer on the points which had been raised in the discussion.

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

The Chancellor of the Exchequer said that it had become clear that it would be necessary to move a Timetable Motion relating to the Finance Bill unless the Opposition were prepared to agree to a
The Minister of Transport drew attention to the difficulties involved in the proposal to take the Report and Third Reading of the Transport Bill on three consecutive days, 27th, 28th and 29th May. He understood that it was intended to suspend the sitting at 11.30 each evening and to sit from 10.30 the following morning until 2.30 p.m. This would mean that the division on the Third Reading would come at 2 p.m. on the day preceding the adjournment of the House for the Whitsun Recess, when many Members would already have left; and the almost continuous sittings would make it very difficult for Ministers to consider amendments put down during the course of the proceedings. It was pointed out, however, that it would be impossible to begin the Report Stage of the Bill in the previous week, because the printing of the Bill as amended in Committee could not be completed until Saturday, 25th May; and equally impossible to spread consideration of the remaining stages over a longer period because it was essential that the Bill should leave the House of Commons before the Recess. Moreover, it would be necessary to leave time in the previous week for the discussion of a Timetable Motion on the Prices and Incomes Bill.

The Lord Privy Seal said that he would be pressed on the Business Statement that afternoon to find time for the discussion of a Motion in the names of a number of Government supporters calling for the dismissal of Mr. Cecil King from his part-time membership of the National Coal Board. He proposed to make a non-committal reply.

The Prime Minister said that since Mr. King had not rendered it impossible for himself to discharge his statutory duties as a member of the National Coal Board, no question of dismissing him could arise. While, therefore, the signatories of the Motion should not be unduly discouraged, it was important not to enable Mr. King to assume the guise of a martyr, and the demand for his dismissal should not be given undue prominence.

The Cabinet—

(2) Invited the Lord Privy Seal to deal with the matter on the lines indicated by the Prime Minister.

CONFIDENTIAL

2. The Foreign Secretary said that it had so far been impossible to reconcile the views of the Afro-Asian Group and our own on a Security Council resolution on Rhodesia. The Afro-Asians could already count on seven votes in the Security Council out of the nine necessary to secure the passage of their draft resolution; and they had now obtained the support of Brazil, and probably of Paraguay as well, by omitting any reference to Portugal. He had given the United Kingdom Representative at the United Nations, Lord Caradon, discretion to inform the members of the Afro-Asian Group
that if they continued to insist on the inclusion in their draft resolution of provisions which we could not accept, we might have to veto it. This was not, however, a final decision to veto the resolution; and if it became necessary to take this step before the next meeting of the Cabinet, he would of course consult his colleagues before the decision was taken.

The Foreign Secretary said that the Government of Southern Yemen had rejected our offer of further aid; the negotiations had broken down; and our delegation had returned. We should, however, continue to make available until the end of this month the interim aid promised under the Geneva Agreement, provided the Southern Yemen Government continued to observe the Agreement. Our Ambassador had urged that we should be scrupulously fair in carrying out our part of the Agreement, particular with regard to certain sums charged against the Southern Yemen Government which were open to question; and he would be raising this point with those of his colleagues directly concerned. The Southern Yemen Government had said that normal relations would continue between the two Governments; and there had been no threat to the British community or to the British Petroleum refinery. The authority of the Southern Yemen Government was, however, precarious, and disturbances had recently broken out in a remote part of the country. The British community had been warned of the dangers of the situation; and the time was approaching when we could no longer afford to keep a large naval task force available for their protection. He would be in touch with the Defence Secretary about this.

The Foreign Secretary said that the conciliation mission of the Special Representative of the Secretary-General of the United Nations, Mr. Gunnar Jarring, had taken a new lease of life. Israel, the United Arab Republic (UAR) and Jordan had agreed to consultations in New York; and Mr. Jarring would be having discussions with their permanent representatives there. The main obstacles to agreement were the Arab suspicion that Israel intended to retain the Arab territory she had occupied and the Israeli suspicion that the UAR was not prepared to reach a lasting agreement. During his recent visit to Copenhagen he had agreed with the Danish Government that they would urge the Israel Foreign Minister, Mr. Eban, who was shortly expected there, to refrain from any action which might give the impression that Israel was proposing to annex the occupied territories. Meanwhile, the United Kingdom Representative at the United Nations, Lord Caradon, was using his influence to keep down the temperature at the United Nations. The situation was complicated by the fact that the United States wished to omit from any resolution all reference to Jerusalem; and this would be difficult for the Arabs to accept.

In discussion it was agreed that the decision to hold talks in New York was a considerable step forward and that the influence which we had been able to exert in the UAR since the resumption of diplomatic relations had played its part in achieving this result.
The Foreign Secretary recalled that immediately following the initiative of 1st April by the President of the United States to end the war in Vietnam he had suggested to the Soviet Government that it might be useful to exchange views. The Soviet Government had proposed that he should visit Moscow and the visit had now been fixed for 22nd–23rd May. He would return from Moscow by way of Bonn, where he would see the Federal German Foreign Minister, Herr Brandt. The Soviet Government had asked that no public mention should be made of the subjects to be discussed. He had therefore taken the line with the Press that it would be unreasonable to suppose that Vietnam would not be among the subjects raised; and these might also include the Middle East. It was difficult to foresee how his discussions would go. The Soviet Government would probably make another attempt to divide us from the United States. We should have to be particularly careful to avoid making public pronouncements on the various points at issue between the United States and North Vietnam as they came up in the course of the current peace talks between the two sides in Paris. We had resisted a request to support the United States line on the place of the meeting; and our attitude had been justified by events.

The Cabinet—

Took note of the statements by the Foreign Secretary and of the points made in discussion.

3. The First Secretary of State said that the Engineering Employers’ Federation (EEF) had arranged further informal discussions with representatives of the Confederation of Shipbuilding and Engineering Unions (CSEU) on 22nd May about the pay claim in the engineering industry. In these discussions the employers would take soundings in general terms about possible improvements on their present offer to the CSEU. They had not at this stage disclosed what they had in mind, but would be in touch with her Department immediately after the meeting on 22nd May. Following the one-day strike on the previous day in support of the CSEU claim, there should be no further industrial action without a reconvening of the Executive of the Confederation, and the employers hoped that the discussions on 22nd May would be followed quickly by a resumption of formal negotiations.

The National Union of Seamen had made a claim for a 5 per cent increase in basic rates of pay and improvements in overtime pay. The Shipping Federation had offered improvements amounting to an increase of 3½ per cent on the wages bill; the Union had rejected this, but a further joint meeting was to be held on 31st May. She had earlier considered referring the claim to the National Board for Prices and Incomes, but had so far refrained from this since there was still a possibility that the negotiations would lead to a settlement in conformity with incomes policy. She would continue to watch the situation closely.

The Cabinet—

Took note of the statement by the First Secretary of State.
4. The Cabinet considered a memorandum (C (68) 72) by the Chancellor of the Exchequer to which was attached a paper about public expenditure which he had previously circulated to the Ministerial Steering Committee on Economic Policy.

The Chancellor of the Exchequer said that his paper had been considered at a recent meeting of the Steering Committee on Economic Policy (SEP) which had endorsed the proposals set out in paragraph 10. He now invited the Cabinet to endorse these proposals and drew attention particularly to that in paragraph 10(c), viz. that decisions on new proposals which would add to public expenditure should be postponed until completion of the forthcoming public expenditure survey. The projected overspending in both 1968–69 and 1969–70 was serious and would have to be resolutely tackled. Representatives of the International Monetary Fund, now in London to discuss with the Treasury the progress of the United Kingdom economy, had naturally attached great importance to this unfavourable development.

The Prime Minister said that the proposals were essentially interim ones pending consideration by SEP during June of the public expenditure survey; of the new savings required to be made in 1968–69 and 1969–70, of the investment programmes of the nationalised industries; and of the possibility of adopting a system of block control of expenditure. As to block control, the general rule had been established after the January cuts that any proposals by a Department for new expenditure could only be considered if offsetting savings could be found within that Department's Vote. As a long-term policy this seemed an unduly rigid and inflexible rule and SEP were therefore considering the possibility of establishing separate "budgets", on the analogy of the defence budget, for blocks of expenditure such as the social services as a whole, overseas expenditure and aid to industry. There would be greater scope for offsetting increases by corresponding reductions in expenditure within blocks of this kind than within the smaller, Departmental Votes. SEP would report their conclusions on all these matters to the Cabinet about the end of June.

In discussion it was pointed out that an urgent decision was required on the level of subsidy to be provided to the fishing industry. The industry—a substantial import saver—was already in serious financial difficulties yet, under the provisions of the Sea Fish Industry Act 1962, the present subsidy of £1·5 million a year would be reduced automatically by about 20 per cent on 1st August next. A substantially larger subsidy than £1·5 million would be required to maintain the industry and its substantial contribution to the balance of payments by import saving. Legislation must therefore be enacted before 1st August amending the Sea Fish Industry Act 1962 so as to permit the higher rate of subsidy required and a decision could not be deferred until the public expenditure review had been completed at the end of June. In any event a delay—even of a few weeks—in informing the fishing industry of an improved subsidy would significantly increase the risk of a rapid reduction of the fishing fleet.
On the other hand it was pointed out that no notice had hitherto been given that a Bill might be required this Session to increase the fishing subsidies and it would almost certainly prove impossible to find the time for it at this late date. In any event there were not sufficient grounds for exempting the proposals for a larger subsidy from the ambit of paragraph 10 (c) of the paper by the Chancellor of the Exchequer. His proposals would enable the fishing industry to be offered a continuing subsidy of £1.5 million a year—provided that the automatic reduction in subsidy effected by the Sea Fish Industry Act in August could in some way be avoided—and it should be possible to take a decision by about the end of June when the public expenditure survey had been completed, on whether a larger subsidy than £1.5 million a year should be offered. Meanwhile, the Ministerial Committee on Agricultural Policy would be able to complete its current review of the fishing subsidies and make detailed recommendations about the scale and nature of the future assistance to be offered to the industry.

The Prime Minister, summing up the discussion, said that the Cabinet endorsed the proposals in the paper attached to C (68) 72. As to the fishing subsidies, the Lord President, in consultation with the Lord Privy Seal, the Secretary of State for Scotland, the Minister of Agriculture and the Chief Secretary, Treasury, should examine whether in fact legislation was required during the current Parliamentary Session to maintain the subsidies at their current level or to increase them. No decision to increase the subsidies above £1.5 million a year could be taken before completion of the forthcoming public expenditure review.

The Cabinet—

(1) Took note with approval of the summing up by the Prime Minister.

(2) Approved the proposals in paragraph 10 of the memorandum by the Chancellor of the Exchequer annexed to C (68) 72.

(3) Invited the Lord President in consultation with the Lord Privy Seal, the Secretary of State for Scotland, the Minister of Agriculture and the Chief Secretary, Treasury, to consider whether legislation was required during the current Session in order to maintain the subsidies to the fishing industry at their current level, or to increase them, after 1st August, 1968.

The Prime Minister said that the Cabinet had previously agreed that provision should be made for the statutory powers in the Prices and Incomes Bill to continue for a period of 18 months and that they should be renewable thereafter by the Expiring Laws Continuance Act (CC (68) 20th Conclusions, Minute 4 and CC (68) 22nd Conclusions, Minute 4). However, when this question was reviewed by the Parliamentary Committee at their meeting on 9th May, it had been the unanimous view that in the light of the
opposition which would otherwise be aroused among the
Government’s supporters in Parliament and among the trade unions,
there was a strong case for renouncing any intention to use the
Expanding Laws Continuance Act and for making it clear that if it
were thought necessary to renew the powers after the initial period
of 18 months, this would be done by the introduction of fresh
legislation. He had subsequently consulted individually those
members of the Cabinet who had not been present at the
Parliamentary Committee and there had been general agreement
with this course. The Government’s position on this matter had
accordingly been made clear to their supporters in Parliament.

The Cabinet—

(1) Endorsed the decision that the powers in the Prices and
Incomes Bill should not on their expiry be renewed by
the Expanding Laws Continuance Act.

The First Secretary of State
said that the effect of sub-section (4)
of clause 3 of the Prices and Incomes Bill was to confer power to
extend standstill orders on prices and wages made under
existing legislation up to a total duration of 12 months. This
provision had particular application to the orders at present in force
in respect of wage increases for municipal busmen and certain groups
of draughtsmen. This would be fully appreciated by the employers
and unions concerned and the provision would no doubt arouse
criticism. It was, however, essential to retain it. It was known that
certain municipalities would be ready to pay the increase to busmen
retrospectively to the date of the settlement as soon as the existing
order expired on 26th July, thus nullifying completely the effect of
the standstill. If the provision in clause 3 (4) were dropped, there
would be no means of preventing this. She proposed, however, to
make it clear that the Government were in no way committed to
extending the duration of existing standstill orders; while there
would be power to do this, she intended to use the interval before
the expiry of existing orders to encourage the parties to
the settlements in question to negotiate revised agreements in
conformity with incomes policy.

In discussion it was pointed out that the Government had
announced in the Budget debate that the new phase of incomes
policy would take effect from 19th March, 1968. While there could
be no objection in principle to using the new powers to extend
standstill orders made before that date, it could be regarded as unfair
that orders, including that covering busmen, made before the
inception of the new phase should be amended under the new
powers. The general view, however, was that in the case of busmen
particularly, the consequences of allowing retrospective payments of
their wage increase following the expiry of the existing order would
be unacceptable in view of the repercussions which this would have
on the negotiations in respect of London busmen and on the income
policy generally; the Government should therefore reserve the right
to extend existing standstill orders, even where these were made
before 19th March.
The Cabinet—

(2) Agreed that sub-section (4) of clause 3 of the Prices and Incomes Bill, providing for the extension of existing standstill orders, should be retained.

The First Secretary of State said that it would be important in the debate on the Second Reading of the Bill to give the fullest possible evidence of the efficacy of the Government's policy on prices by referring to action already taken or to be taken. She proposed to refer to action on the price of hearing aids following the recent report by the National Board for Prices and Incomes, and on distributors' margins on the sale of paint which had now been referred to the Board. She was discussing with the President of the Board of Trade the possibility of announcing that other price increases were being referred to the Board, and was considering with the Minister of Agriculture whether she could announce voluntary arrangements with the industries concerned to avoid increases in the prices of tea and beer; even though these arrangements would be on a voluntary basis, it would be useful to publicise them. It would also be most valuable if an announcement could be made about the Middle East surcharge on oil prices and she would discuss this with the Minister of Power.

The Cabinet—

(3) Invited the Ministers with responsibilities for prices to offer the maximum co-operation to the First Secretary of State in preparing announcements of action on prices to be made at the Second Reading of the Prices and Incomes Bill.

6. The Cabinet considered a memorandum (C (68) 73) by the Chancellor of the Exchequer on responsibility for the early days of sickness.

The Chancellor of the Exchequer recalled that the Cabinet had earlier accepted a proposal by the Minister of Social Security for an increase in family allowances by 3s. 0d. a week on a 'give and take' basis, the net additional cost being offset by limitation of the right of occupational pensioners to receive unemployment benefit and by abolition of the present provision for retrospective payment of benefit for the first three days of sickness or unemployment lasting for 12 days or more. The saving from abolishing the payment for waiting days, which had been incorporated in clause 2 was estimated to be £15 million a year initially, rising to £19 million a year later. The abolition of payment for waiting days was to be effected by clause 2 of the Family Allowances and National Insurance Bill. In view of the opposition to clause 2 which had developed among the Government's supporters in the House of Commons, the Cabinet had asked the Minister to open consultations with the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) on the possibility of substituting a more general provision.
transferring responsibility for the early weeks of sickness to employers; the possibility of retaining clause 2 was, however, to be left open in case the discussions proved abortive.

These consultations had now shown that there was no prospect of reaching early agreement on such a transfer to employers and that there was no chance of achieving any saving at all from it in 1969-70, let alone in the current financial year. He accepted that, in present circumstances, there was an overwhelming political case against retaining clause 2 in the Bill and that it should therefore be withdrawn. However, it would be essential that corresponding savings should be found elsewhere, since they had already been written into the forward estimates of public expenditure and the need to secure them had become even greater in the light of the latest forecasts. He had been unable to find any alternative saving in the social security field, and he therefore invited the Cabinet to agree that, if clause 2 were withdrawn, they should make compensating savings elsewhere in the course of their forthcoming general review of public expenditure. In the meantime, the discussions should continue with both sides of industry on the possibility of achieving an eventual transfer of responsibility for sickness benefit. The episode had illustrated the dangers of incurring firm commitments to expenditure in return for hypothetical savings before it was clear that the latter could be achieved, and it would be necessary to look with special caution at any similar proposals in future.

In discussion it was suggested that the strength of the opposition to clause 2 of the Bill could not have been foreseen; and there was general agreement that the clause should now be withdrawn. Corresponding savings should, however, be found elsewhere in the field of public expenditure, and if possible in expenditure on the social services which was currently under examination by the Social Services Committee.

The Cabinet—

(1) Approved C (68) 73.

(2) Invited the Lord President to arrange for the Social Services Committee to consider the possibility of achieving savings in expenditure on the social services to compensate for the withdrawal of clause 2 of the Family Allowances and National Insurance Bill.

Cabinet Office, S.W.1,
16th May, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held in the
Prime Minister's Room, House of Commons, S.W.1,
on Thursday, 30th May, 1968, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P, Prime Minister
The Right Hon. MICHAEL STEWART, M.P, Secretary of State for Foreign
Affairs (Items 1-6)
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P, First Secretary of State and Secretary
of State for Employment and Productivity (Items 1-5)
The Right Hon. DENIS HEALEY, M.P, Secretary of State for Defence
The Right Hon. PETER SHORE, M.P, Secretary of State for Economic
Affairs (Items 1-5)
The Right Hon. WILLIAM ROSS, M.P, Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P, Secretary of State for Education and
Science
The Right Hon. R. J. GUNTER, M.P, Minister of Power
The Right Hon. ANTHONY GREENWOOD, M.P, Minister of Housing and Local
Government
The Right Hon. LORD SHACKLETON, Paymaster General.
The Right Hon. ROY JENKINS, M.P, Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P, Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P, Secretary of State for the Home
Department (Items 1-4)
The Right Hon. FRED PEART, M.P, Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P, President of the Board of Trade
The Right Hon. GEORGE THOMSON, M.P, Secretary of State for Commonwealth
Affairs
The Right Hon. GEORGE THOMAS, M.P, Secretary of State for Wales
The Right Hon. ANTHONY WEDGWOOD BENN, M.P, Minister of Technology
The Right Hon. RICHARD MARSH, M.P, Minister of Transport (Item 2)
The Right Hon. CLEDWYN HUGHES, M.P, Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P, Secretary of State for Wales

The following were also present:
The Right Hon. ROBERT MELLISH, M.P, Minister of Public Building and
Works (Item 5)
The Right Hon. JOHN SILKIN, M.P, Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
MISS J. J. NUNN
Mr. E. M. ROSE
Mr. P. E. THORNTON

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1. The Prime Minister invited the Cabinet to consider the implications of certain public speeches which had recently been made by the Minister of Technology and the Home Secretary. The former had been concerned to express his views on the dangers of a decline in Parliamentary Government and the possibility of adopting alternative means of consulting the electorate, e.g., by means of a referendum. The speech had attracted a certain amount of public attention; and it had therefore been necessary to make it clear publicly that it did not represent a statement of Government policy in this matter. The incident could perhaps serve as a warning to Ministers that, while they were entitled to their personal views on matters of public concern, they must have regard, in any public expression of them, to the limits prescribed by the doctrine of collective responsibility. This doctrine, however, appeared to have been more seriously challenged by a recent speech by the Home Secretary, in which he had indicated that the compulsory powers in support of the prices and incomes policy for which the Government were currently seeking the approval of Parliament should not extend beyond 18 months and must thereafter be replaced by a voluntary policy. This statement called in question the Government's decision that at the end of 18 months they would need to consider afresh whether or not to propose an extension of the compulsory powers by further legislation; and to that extent it not only embarrassed them in their management of the Parliamentary debates on the present Bill but also created the impression of an uncertain and divided Cabinet.

The Home Secretary said that his remarks had represented a deliberate and considered statement of his judgment on this matter. He had supported, and continued to support, the present Bill; but he was not prepared to commit himself any further. The position at the end of 18 months was, in his view, completely open, since the Cabinet had decided no more than that, if an extension of the compulsory powers proved to be necessary, it should be sought by means of a fresh Bill rather than by reliance on the Expiring Laws Continuance legislation. In fact it would not be possible to renew the compulsory powers for a further period, since permanent legislation for the control of wages would divide the Labour Party, perhaps irretrievably; and in terms of the morale of the Government's supporters throughout the country it was more advantageous to recognise this fact now than to leave the Government's intentions obscure and ambiguous. He had been at pains to send the text of his speech to the First Secretary 24 hours in advance; and there had therefore been an opportunity to take exception to it, if necessary.

The First Secretary of State said that the text had not in fact reached her Department until noon of the day on which it was delivered and even then in a manner which meant that it was not brought to her attention. There had therefore been no time to

* Previously recorded in a Confidential Annex.
consider it with any care. It was now being exploited, particularly by the Opposition in the House of Commons, to create the impression that the Government were being less than candid with their own supporters; it had thrown doubt on their firmness of purpose; and it would be used to exacerbate the latent disaffection in industry which was the most dangerous threat to the success of the prices and incomes policy.

In discussion it was generally agreed that the speech would be construed as challenging the Government’s policy on prices and incomes in respect of a point to which public opinion, both at home and abroad, attached considerable importance. It would be regarded as, in effect, closing one of the options which the Government had deliberately decided to leave open; and the constitutional implications of such action could not be ignored. Moreover, in so far as it suggested that the Government might be weakening in their purpose, it could have unfortunate effects on international confidence in sterling.

The Prime Minister, summing up the discussion, said that it would be impossible for him to say, if he were challenged, that the Home Secretary’s speech represented the Government’s policy on this matter; and it would probably be necessary, therefore, to restate, firmly and clearly, the Government’s intentions as regards the duration of compulsory powers in the terms in which he had himself stated them in his address to the Trade Union Group of the Parliamentary Labour Party and they had thereafter been enunciated on the Second Reading of the Prices and Incomes Bill.

Cabinet Security of Ministerial Discussions
(Previous Reference: CC (68) 20th Conclusions, Minute 1)

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*2. The Minister of Transport expressed his disquiet about two articles discussing the Government’s policy on reorganisation of the ports which had appeared in The Guardian and the Financial Times on the previous day. These suggested that there had been a detailed disclosure both of the course of the discussion on this subject in the Steering Committee on Economic Policy on 27th May and of the memoranda which had been before Ministers on that occasion. The disclosure could not, therefore, have been the result of carelessness or inadvertence. On the contrary it must be regarded as a deliberate attempt to arouse public opinion in order to exert pressure on the Government in the formulation of their policies; and, if this interpretation was correct, it represented a serious breach of confidence from which he could not too strongly dissociate himself.

In discussion there was general agreement that the circumstances in which the information in question had been disclosed to the Press should be investigated forthwith.

* Previously recorded in a Confidential Annex.
The Cabinet—

Took note that the Prime Minister would arrange for an immediate enquiry into the circumstances in which information about the Government's policy on the reorganisation of the ports appeared to have been disclosed to the Press.

CONFIDENTIAL

3. The Cabinet were informed of the business to be taken in the House of Commons after the Whitsun Recess.

CONFIDENTIAL

4. The Prime Minister said that there was some reason to suppose that demonstrations might be organised over the Whitsun holiday at the Combined Defence Experimental Establishment at Porton and the United States Air Force Base at Wethersfield. The Cabinet would agree that, as on previous occasions, the Home Secretary should be responsible for co-ordinating arrangements to deal with any incidents which might occur. He would have the full support of the Cabinet in any action which he might have to take in order to deny entry into the United Kingdom to certain foreign nationals who had been implicated in the recent disturbances abroad.

CONFIDENTIAL

5. The Cabinet had before them a memorandum by the Lord President (C (68) 75), to which were attached memoranda by the Minister of Public Building and Works on his Department's direct labour force and a letter from the First Secretary of State, and a memorandum by the Chancellor of the Exchequer (C (68) 77).

The Lord President said that at their meeting on 22nd May, the Home Publicity Committee had before them proposals by the Minister of Public Building and Works for reducing his directly employed labour force. Although the Committee's terms of reference limited them to the publicity aspects of the problem, they had found it impossible to discuss these without also considering the policy involved. The Committee's discussion had revealed that there were still substantial differences of opinion on the policy and the Prime Minister had accordingly directed that the matter should be considered by the Cabinet.

The Chancellor of the Exchequer said that the report of the Committee appointed to review the cost of executing maintenance works services by directly employed labour (the Mann Committee)
had shown that in many cases it was substantially higher than the cost of employing contractors. The Minister's proposals, which had been worked out in close consultation with the Treasury, would yield net savings of about £3 million a year and in view of the need to contain the growth of public expenditure it would be quite wrong to go back on them. He accepted, however, that the Government must follow the code of conduct for redundancy prepared by the Department of Employment and Productivity; and that there should be full consultation with the unions concerned, on the basis of the Mann report. He proposed that publication of the Mann report should be withheld until consultations with the trade union had been initiated; that the report and the Minister's proposals to reduce the forces should be presented to the unions simultaneously; and that a public announcement should be delayed until after the unions had been fully consulted.

The Minister of Public Building and Works said that he accepted that the direct labour force, in its present form, was uneconomic and that substantial savings would have to be made. Efficiency varied greatly as between the different depots, some of which were fully competitive while others were grossly inefficient. No direct labour force could succeed without good management and he had set in train the action necessary to improve the quality of management which would be required in whatever units remained after redundancies had been declared. Criteria for the future employment of direct labour had been agreed between his Department and the Treasury and he accepted that these must be applied. It would, however, be essential to secure the goodwill and co-operation of the trade unions and he would want to discuss with them the best way of dealing with the problem. He did not propose to publish the Mann report, but he would make it available to the unions and would impress on them the need to raise the efficiency of the direct labour force and to secure substantial savings in its cost. In his view the best way to achieve this would be to conduct a careful review of each of the 300 depots involved. If he were authorised to conduct this review and to consult with the unions on the lines he had outlined he could guarantee that after 12 months he would be able to report substantial results.

In discussion it was argued that the proposals of the Minister of Public Building and Works were in direct conflict with the code of conduct which, after consultation with the National Joint Advisory Council, the Department of Employment and Productivity would be publishing next month. The code of conduct laid down that before a final decision to close a factory or substantially reduce a labour force was taken by management there should be full consultation with the unions; and management must first satisfy itself that there was no satisfactory alternative. If the prices and incomes policy was to succeed it was essential to secure the willing co-operation of the trade union movement in a drive for greater productivity. A blunt announcement of a reduction in the Ministry of Public Building and Works direct labour force would be bitterly opposed by the unions; strike action would have to be expected as a result and there
would be adverse repercussions on the direct labour forces employed by local authorities. At the very least the proposals should be modified so as to allow for a reduction in redundancies if improvements in efficiency were secured. There was a good case for publishing the Mann report, with its estimates of the difference in the cost of executing work by direct labour and the cost of employing contractors, from which the unions could see for themselves that unless substantial improvements in efficiency were achieved redundancies would be inevitable.

The Prime Minister, summing up the discussion, said that the Cabinet agreed on balance that the Mann report should not be published. The Minister of Public Building and Works should, however, make it available to the unions and discuss with them the best way of dealing with the problem which it revealed. The precise form of action to be taken thereafter could be determined in the light of these discussions, provided that it met the essential requirement that the net saving in public expenditure which had been agreed by the Ministry of Public Building and Works and the Treasury must be achieved on the agreed timescale. The Minister of Public Building and Works should not make a statement on the matter in Parliament but should report to the Ministerial Committee on Industrial Policy at regular intervals. He should keep the Chancellor of the Exchequer and the First Secretary of State informed of the progress he was making and he should consult the Ministerial Committee on Home Publicity on any publicity aspects of the problem.

The Cabinet—

Invited the Minister of Public Building and Works to be guided by the Prime Minister’s summing up and to report progress to the Ministerial Committee on Industrial Policy at regular intervals.

Oversea Affairs
Foreign Secretary’s visit to Moscow
(Previous Reference: CC (68) 29th Conclusions, Minute 2)

6. The Foreign Secretary said that during his recent visit to Moscow he had spent a day in discussions with the Soviet Foreign Minister, Mr. Gromyko. Their talks had covered four main questions—Vietnam, the Middle East, Germany and Mr. Gerald Brooke.

The discussion on Vietnam had been largely a restatement of its own position by each side. He had been concerned to emphasise the need for North Vietnam to accept that a complete cessation of bombing was possible provided the United States had some assurance that it would not result in their troops being put in a more unfavourable position than before. A formal declaration would not be necessary, provided the action of the North Vietnamese Government was visible on the ground. They had had some discussion of their role as Co-Chairmen of the Geneva Conference but it was recognised that a conference lay some way ahead.

CONFIDENTIAL
On the Middle East, Mr. Gromyko had taken the predictable line that Israel was the aggressor and should therefore withdraw. In return he had pointed out that the United Nations Resolution had balanced the demand for Israel's withdrawal against the cessation of Arab belligerency, and that one of these elements could not be dealt with in isolation. He had urged the importance of giving the fullest support to the Special Representative of the United Nations, Mr. Gunnar Jarring. Mr. Gromyko had suggested diplomatic consultation between the United Kingdom and the Soviet Union on the idea advanced by the United Arab Republic of a stage-by-stage settlement, which the Israelis had so far opposed for fear that it might commit them to immediate concessions with no certainty of an acceptable settlement at the end of the road. He had agreed to this suggestion on the understanding that it would not interfere with Mr. Jarring's task. It had now been arranged that the talks should take place in New York; and the necessary instructions were being sent to Lord Caradon, the United Kingdom Representative at the United Nations.

On Germany, he had urged that the Soviet Union should respond constructively to the efforts of the Federal Government to improve its relations with Eastern Europe. Mr. Gromyko had taken a hard line; but had given the impression that he wished to maintain a dialogue with Bonn. Mr. Gromyko had not referred to a European Security Conference; the Soviet Union appeared to be preoccupied at the moment with problems of Eastern Europe. There had, however, been a brief discussion of the proposed Non-Proliferation Treaty.

As regards Mr. Gerald Brooke, it was clear that there was no prospect of clemency. Within the next few weeks, however, a Consular Convention with the Soviet Union would be ratified and this would enable Mr. Brooke to receive consular visits. There was some indication in the talks that a visit might even be permitted before the Convention was ratified.

The Foreign Secretary said that on his way back from Moscow he had visited Bonn and had had discussions with the Federal German Foreign Minister, Herr Willy Brandt. He had restated our attitude on membership of the European Economic Community (EEC). The Federal German Government attached great importance to their proposal for a trading arrangement between the Community and the candidate countries, which they were still discussing with the French Government. He had made clear that we would consider such an arrangement provided the offer came from all six members of the EEC, that it was linked with our entry into the Community and that it was in conformity with the General Agreement on Tariffs and Trade. The Germans were at present preoccupied with the proposed trade arrangements and were not therefore giving attention to the Benelux proposals. In discussion with Herr Brandt he had referred to the forthcoming meeting of the North Atlantic Council at Reykjavik and hoped the Germans would agree to a discussion at the meeting of mutual force reductions in Europe and a reference to this
question in the communique. He had also urged the German Government to consider giving economic aid to Malta and, in view of the proposed visit to Spain of the German Chancellor, Herr Kiesinger, had explained our position on Gibraltar. He had suggested that the Chancellor might emphasise that the recent Spanish closure of the frontier with Gibraltar had made any kind of a settlement less and not more likely. Herr Brandt had agreed to get in touch with him again on this subject before the Chancellor’s visit to Spain.

*The Foreign Secretary* said it was clear that the recent student unrest and industrial strikes in France had been spontaneous. But the political parties were now moving into the front of the picture. The French Government had reached a surprising settlement with the trades unions on substantial wage increases; but it remained to be seen whether this would be accepted by the workers and what its economic consequences would be. His latest report from Paris was that the French Government was in a state of disintegration. It was possible that President de Gaulle would resign that day; and probable that he would do so before the referendum fixed for 16th June. It was hard to say what would happen thereafter. But the present situation was explosive; and the possibility of an extremist Government could not be excluded.

*The Foreign Secretary* said that the Security Council of the United Nations had the previous day passed unanimously a resolution imposing further mandatory sanctions on Rhodesia. The resolution was one which we could accept and defend. In his explanation of vote, the United Kingdom Representative at the United Nations, Lord Caradon, had made clear that we could not accept the use of force or an economic confrontation with South Africa; and that we rejected violence as a means of solving the Rhodesian problem. This last point was important since the Opposition might argue that one clause of the new resolution was an incitement to violence.

*The Prime Minister* said that great credit was due to Lord Caradon for his successful handling of this difficult problem, and the Cabinet would wish to send him a message of congratulation.

In discussion the Cabinet were informed that the necessary Orders to enable the United Kingdom to carry out the provisions of the United Nations resolution would be laid before Parliament as soon as possible after the Whitsun recess.

*The Commonwealth Secretary* said that his visit to Gibraltar the previous week had been successful in helping to restore confidence in the Colony. There had been a real danger of a breakdown of law and order resulting from the psychological impact of the recent Spanish closure of the frontier. His proposal to appoint a high-level British industrial mission to work out measures designed to reduce Gibraltar’s dependence on Spanish labour, and his assurance that all Gibraltarians who wished to come here would
The Commonwealth Secretary said that Port Harcourt had now been captured by the forces of the Nigerian Federal Government, thus cutting off the Eastern Region from the outside world by sea and, apart from an emergency airstrip, by air. The peace talks between the two sides which had begun in Kampala under the auspices of the Commonwealth Secretary-General, Mr. Arnold Smith, were continuing. The Government were under increasing criticism for continuing to provide arms to the Federal Government. But after careful consideration he was satisfied that all the arguments were in favour of continuing our present policy of permitting carefully controlled supplies. We could only hope to exert our influence in favour of peace through the Federal Government, and that influence would vanish if we stopped supplying arms. Such a decision would, moreover, be an encouragement to the Eastern Region to go on fighting and would put at grave risk the considerable British interests in Nigeria. Now that Port Harcourt had fallen, steps could be taken to get the oil flowing again. The oil companies were hoping to send in representatives very shortly to assess the damage. But it would probably take at least six months before oil began to flow.

The Cabinet—

Took note of the statements by the Foreign and Commonwealth Secretaries.

7. The Cabinet considered a note by the Home Secretary (C (68) 74) covering a report of the Sub-Committee on Electoral Reform on the recommendations of the Speaker's Conference on Electoral Law, and a memorandum by the Home Secretary (H (68) 76) setting out statistics of the potential electorate in mid-1970 on the assumption that the age of voting was reduced to 18.

The Lord President recalled that the Cabinet, in their discussion of electoral reform on 16th May, had invited him to bring before them the report of the Sub-Committee on Electoral Reform which had considered, under his chairmanship the report of the Speaker's Conference on Electoral Law. The Cabinet had expressed a wish to see any available information about the response of public opinion to the proposals to reduce the age of voting. Little material was available, but he had arranged for a paper which he had prepared for the Home Affairs Committee in January to be annexed to C (68) 74, and he had subsequently sent to members of the Cabinet a note on the results of a Gallup Poll taken in March 1968 which showed that, of the adults questioned, 56 per cent were in favour of retaining the age of 21; 17 per cent preferred 20; and 25 per cent...
preferred 18. The figures for the potential electorate in mid-1970 showed that, if the age were reduced to 18, the proportion of those under 21 in the total electorate would be 6.1 in England and Wales (5.8 in Wales) and 6.8 in Scotland.

The evidence submitted by the Labour Party to the Speaker's Conference had advocated a voting age of 18, but the Speaker's Conference by a large majority had recommended 20. There were powerful arguments in favour of 20, and the Sub-Committee on Electoral Reform had originally been disposed to accept this recommendation. But they had considered the matter further in the light of the announcement of the Government's decision to reduce the age of a legal majority to 18 and had concluded that it would be difficult to defend a distinction between the age at which young people were considered fit to exercise the franchise and the age at which they might marry and enter into contracts. On balance, therefore, the Sub-Committee recommended that the age of 18 should be adopted. This appeared to be in line with the realities of the situation and also took account of the need, which had been illustrated by the events of recent weeks, to give young people an increased sense of responsibility.

In discussion it was suggested that if the age of voting were reduced to 18 there might be advantage in bringing the provision into effect by a Resolution of both Houses of Parliament timed to coincide with the reduction of the age of legal majority. It was pointed out, however, that there was no necessary connection between the two: they had always been different in Scotland. Moreover a decision would have to be made in the spring of 1969 if the register published in March 1970 was to include the voters enfranchised by a reduction in the qualifying age. Some doubt was expressed about the wisdom of reducing the age as far as 18, since it was doubtful whether the public in general wished to see such a reduction and there was some reason to think that a considerable proportion of the new voters would support the nationalist parties. The balance of opinion, however, was in favour of reducing the age to 18.

The Cabinet then considered the remainder of the points to which the report of the Sub-Committee on Electoral Reform had drawn particular attention.

The Lord President said that the Sub-Committee recommended that the single electoral register should be retained; that the recommendation of the Speaker's Conference that the publication of the results of public opinion polls and of betting odds within 72 hours of the poll should be rejected; and that the hours of polling should be extended to 10:00 p.m. On broadcasting, the Speaker's Conference had recommended that the provisions of Section 63 of the Representation of the People Act, 1949 as to election expenses should not apply to broadcasting, subject to a proviso that a broadcast from a particular constituency should be exempt only if all candidates agreed to take part. The Sub-Committee proposed that the exemption should apply if all candidates agreed to the
broadcast even though some of them did not wish to take part themselves. The Sub-Committee considered that there was a strong constitutional case for rejecting the recommendations of the Speaker's Conference that party labels on ballot papers should continue to be prohibited. They were considering what would be involved—among other things, it would be necessary to register political parties—and it was proposed to consult the Opposition parties on the necessary machinery.

In discussion it was pointed out that the adoption of party labels might place the Labour Party at a disadvantage in Scotland and Wales, where, if the title "Scottish"—or "Welsh"—Labour Party were adopted the public might be confused. It was agreed, however, that the balance of advantage lay in the use of party labels if appropriate arrangements could be worked out.

The Prime Minister, summing up the discussion, said that on balance the Cabinet agreed that the age of voting should be reduced to 18; and that the other recommendations of the Sub-Committee on Electoral Reform should be accepted. It would be necessary to prepare the legislation as a matter of urgency for introduction at the beginning of the next Session, and the Sub-Committee should ensure that this work was put in hand.

The Cabinet—

(1) Agreed that the age of voting should be reduced to 18.

(2) Approved the remaining recommendations of the Sub-Committee on Electoral Reform.

(3) Invited the Lord President to arrange for the Sub-Committee on Electoral Reform to consider urgently any outstanding matters with a view to the preparation of a Bill for introduction at the beginning of the 1968–69 Session.

Cabinet Office, S.W.1, 31st May, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 20th June, 1968, at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity (Items 1-4)
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. R. J. GUNTER, M.P., Minister of Power
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Paymaster General

The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. RICHARD MARSH, M.P., Minister of Transport (Items 1-4)
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 4)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir BURKE TREND
Miss J. J. NUNN
Mr. R. R. D. MCINTOSH
Mr. J. CROCKER

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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 unless a decision were taken immediately to provide Government time for three Private Members' Bills—Sunday Entertainment, Caravan Sites and Divorce—they would fail to pass through the House of Commons in the current Session.

In discussion it was urged that there would be criticism of a decision to provide Government time for the further discussion of the Sunday Entertainment Bill, which had failed to attract sufficient support to secure a passage in Private Members' time. There was, however, support for the view that the passage of all three Bills should be facilitated.

The Paymaster General said that it would be impossible for the House of Lords to consider these Bills without adding a further fortnight to the autumn spillover already proposed, and, in view of the dates already fixed for the Party Conferences, it seemed impossible to do this without a postponement of the opening of the next Session.

The Prime Minister, summing up the discussion, said that the Cabinet were on balance agreed that Government time should be provided for the further consideration in the House of Commons of the Sunday Entertainment, Caravan Sites and Divorce Bills. The Parliamentary Committee should consider how the timetable for the autumn could be arranged so as to enable the House of Lords to consider these Bills also:

The Cabinet—

(1) Invited the Lord Privy Seal to arrange for Government time to be provided in the House of Commons for the further consideration of the Sunday Entertainment, Caravan Sites and Divorce Bills.

(2) Invited the Paymaster General to bring before the Parliamentary Committee the question of extending the autumn sittings of the House of Lords to enable that House to complete consideration of the three Bills.

*2. The Prime Minister informed the Cabinet that on the previous day he had had a meeting with the Ministers principally concerned with the reform of the House of Lords to discuss what attitude the Government should now adopt towards reform in view of the rejection by the House of Lords, by a majority of nine, of the Southern Rhodesia (United Nations Sanctions) Order 1968. It had been agreed that the Government should steer a middle course

* Previously recorded in a Confidential Annex.
between an immediate reaction of a punitive character, which might play into the hands of the Opposition, and acceptance of the view which was currently being propagated by the Conservative Press that the incident was of little significance. The failure of the Opposition manoeuvre did not disguise the fact that it had been deliberately designed to challenge the Government on a major question of foreign policy and to inflict a defeat so decisive as to compel the Government to appeal to the country. The Government could not ignore the possibility that the next challenge might be made on an issue on which they could not rely on the support of Liberal and cross-bench peers, nor could they ignore the sharp reaction among their supporters in the House of Commons. In view, however, of the importance of securing the passage of Bills now before the House of Lords, it would be desirable to give that House an incentive to co-operate with the Government by keeping them in some doubt as to the Government's intentions. He therefore proposed to make a statement in the House of Commons that afternoon that the Government would give effect to their intention to reform the House of Lords by introducing at an early date radical and comprehensive legislation on the lines which they themselves now judged appropriate. He would indicate that the inter-Party consultations could not continue in present circumstances, but leave open the questions whether they would ever be resumed and whether the legislation would deal with the composition of the House of Lords as well as its powers. The Lord Chancellor had arranged to reconvene his Committee of Ministers to consider what form the Government's new proposals should take.

In discussion it was suggested that a measure put forward by the Government would have to be radically different from the agreed proposals in order to meet the strongly held views of their own supporters. It was important to recognise that the crucial issue was the position which the hereditary peerage held in the power structure of the country. There was a risk that if the Government did not act quickly to deprive them of this position the development of Government policies during the remainder of the Parliament would be determined by the fear that certain important measures could be frustrated by the House of Lords. Moreover, the public would be likely to support the elimination of the peerage from the political and social position which they held at present; and the fact that the peers had themselves provoked the present conflict gave the Government an opportunity to achieve a radical solution.

On the other hand, it was urged that the Government should not lose sight of the vital importance of achieving a healthy economy, with which the public at large were more concerned than with reform of the House of Lords. They should therefore do nothing to prejudice the prospect, now paradoxically improved, of securing the passage of important Government Bills in the current Session; nor should they take the risk that, by seeking to impose a radical settlement by the use of the Parliament Act, they would render impossible the achievement of the Government's legislative proposals for the remainder of the Parliament. It would be preferable to devise a Bill which would receive the tacit acquiescence of the Opposition, and it
might be possible, without renewing formal inter-Party consultations, at least to obtain the comments of the other Parties on such a Bill informally.

As to the content of the legislation, it was urged that the agreed proposals, while reducing the powers of the House of Lords, would have increased their influence, and that the opportunity should therefore be taken to revert to a measure dealing with powers alone. On the other hand, it was argued that the defeat of the Government on the Southern Rhodesia Order had illustrated the conclusion to which the Ministerial Committee on the Powers of the House of Lords had already been driven that it was impossible to deal with powers in isolation from composition. The Government’s defeat on this occasion had been attributable, not to the powers of the House of Lords, but to the existence of the in-built Conservative majority; and to curtail the powers without removing the majority would risk a repetition of a similar incident in future. The agreed proposals were attractive to a Labour Government precisely because they dealt with the central issue of power. It was true that they also preserved some of the trappings of the existing House of Lords, but the social aspects of the hereditary peerage could be dealt with as a separate issue later.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that he should make a statement on the lines he had proposed, which, while indicating the serious view which the Government took of the situation created by the House of Lords’ rejection of the Southern Rhodesia (United Nations Sanctions) Order, and the impossibility of continuing the inter-Party consultations in the present circumstances, would leave open the timing of the Government’s own measure and the question whether it would deal with composition as well as powers. He would consult the Lord Chancellor on the precise terms of the statement, which should be made also in the House of Lords. The Cabinet had been divided in their views about the nature of the proposals which the Government themselves should put forward. The Ministerial Committee under the chairmanship of the Lord Chancellor, which he proposed to reconstitute with a membership reflecting the variety of view within the Cabinet, should examine the question urgently with the considerations advanced in their discussion in mind; and any Minister who wished to put proposals forward should communicate them to the Lord Chancellor. The Committee’s recommendations should be brought before the Cabinet as soon as possible.

The Cabinet—

(i) Took note that the Prime Minister—

(i) in consultation with the Lord Chancellor, would prepare a statement on the lines which he had proposed;

(ii) would arrange for a Committee of Ministers under the chairmanship of the Lord Chancellor to be constituted immediately to consider what proposals the Government might put forward for the reform of the House of Lords.

SECRET
(2) Agreed to resume their discussion in the light of recommendations from the Lord Chancellor’s Committee.

CONFIDENTIAL

3. The Foreign Secretary said that he had paid a useful visit to Yugoslavia from 5th to 10th June. The views of the Yugoslav Government on the problem of East-West relations were similar to our own and they were not at present thinking in terms of an immediate conference on European security. President Tito had expressed special interest in the Middle East and support for the efforts of Mr. Gunnar Jarring, the Special Representative of the Secretary-General of the United Nations, to promote agreement. He hoped it might be possible for the two sides to agree on a timetable for the steps towards a settlement; and he had been unexpectedly optimistic about what the Arab States might be prepared to accept. The Foreign Secretary’s talks with the President had been greatly eased by the helpful attitude of the Yugoslav authorities in the case of Mr. Philip Dobson, the British student who had been sentenced to 6 years’ imprisonment by a Yugoslav court. He had seen the Yugoslav Minister of Economics, who seemed to be facing economic problems similar to our own. He had also talked to British engineers at Skopje.

The Foreign Secretary said that the East German authorities had now taken further measures to harass West Berlin. Their aim was clearly to achieve step by step a position where the statehood of East Germany was generally recognised; and to frustrate the West German policy of getting on terms with Eastern Europe. The Western Allies had decided to take certain limited counter-measures such as charges for travel documents and the withdrawal of some concessions to East Germans. The Minister of State for Foreign Affairs, Lord Chalfont, had protested to the Soviet Ambassador in London about the East German restrictions; and he himself would be having further discussion on the subject with the United States Secretary of State, the German Foreign Minister and other colleagues in the course of the forthcoming North Atlantic Council meeting at Reykjavik.

The Foreign Secretary said that there was a possibility that the treaty on the non-proliferation of nuclear weapons, as commended by the General Assembly of the United Nations in its Resolution of 12th June, would be open for signature in London, Washington and Moscow at an early date, perhaps 1st July.

The Foreign Secretary said that the Federal Military Government had achieved an overwhelming military advantage. The problem was to ensure that brutal use was not made of it. The Federal Government had already said that they had no intention of moving into the Ibo heartland. The Minister of State for Commonwealth Affairs, Lord Shepherd, had left for Lagos the previous day carrying a letter from the Prime Minister to the Head of the Federal Military Government, General Gowon, urging on him, as the Prime
Minister and he had done in a recent conversation with Chief Enahoro, representing the Federal Government, the importance of agreeing to a cease-fire, of maintaining firm military discipline and of facilitating better food supplies to the beleaguered areas. The Prime Minister and the Ministers directly concerned had also agreed that an announcement should shortly be made of our readiness to contribute to a Commonwealth force. Our contribution would be limited to one battalion for a period of six months and would be conditional on a force being accepted by both the Federal Government and the Biafran authorities, and on the participation of other Commonwealth countries. The essential function of such a force would be to give the Biafrans the reassurance without which they were unlikely to agree to a cease-fire. It had also been agreed that we should contribute £250,000 for relief purposes in Biafra; and a representative of the Prime Minister would shortly go to Nigeria to discuss relief problems.

In discussion attention was drawn to the growing pressure, both in and outside Parliament, for the Government to stop supplying arms to the Federal Government. In a recent debate in the House of Commons the Foreign Secretary had undertaken to reconsider our policy if the Federal Government were to take brutal advantage of the military situation; and for the moment this seemed to have allayed Parliamentary anxiety. It was also noted that public sympathy for Biafra was widespread in the country. It was particularly strong among religious groups; but it had also been stimulated by the skilful public relations of the Biafran authorities.

The Cabinet—

Took note of the statements by the Foreign Secretary.

4. The Cabinet considered a memorandum by the Lord Privy Seal (C (68) 81) on the legislative programme for 1968–69.

The Lord Privy Seal said that the programme of legislation annexed to his memorandum had originally been constructed on the assumption that there would be 55 days available for Government legislation during the Session, of which the two constitutional Bills—House of Lords and Representation of the People—would take 12. Given the large number of Bills left over from the present Session, this left little room for new legislation; and allowance had to be made for the possibility that it might be desired to introduce an Industrial Relations Bill of medium length in the spring to implement some of the recommendations of the Royal Commission on Trades Unions and Employers’ Organisations. The Parliamentary Committee had asked him to consider what additional time would be available for legislation if the Finance Bill were sent upstairs, the Christmas and Whitsun recesses were each shortened by a week and there were a two-week overspill in the autumn; he had set out the results in the memorandum. Any saving from sending the Finance Bill upstairs would be both
speculative and small and he had thought it better not to take account of this. Moreover, it would in his view be a mistake to plan the programme on the assumption that the recesses would be cut to the minimum; this would leave no margin for contingencies and would invite a recurrence of this Session's difficulties. They must keep the maximum room for manoeuvre as regards both the coming Session and that of 1969–70.

In discussion there was support for the view that it would be unwise to plan the legislative programme on the basis of short recesses. It was suggested, however, that the strain on Members could be reduced by having more but shorter terms, which might incidentally yield more Parliamentary time in total. If the House rose early in July, as the Select Committee on Procedure seemed likely to recommend, it might be possible to fit in an additional short term before the Party conferences, or alternatively the conferences might be moved to the Whitsun recess. There was a special problem in that the timetables for the two Houses did not match; and there might be advantage if under revised arrangements they sat for different periods, though both would have to be sitting when Royal Assent was given to Bills. For the present, however, the planning of the legislative programme must proceed on the basis of the system as it was. As regards the Finance Bill it was doubtful whether much Parliamentary time had been saved by taking the Committee Stage upstairs, because of the increased allowance which had had to be made for the Recommittal and Report stages. A better solution might be to take the more controversial provisions on the floor and the less controversial upstairs, but this could not be decided yet, and in the meantime it would be prudent to assume that no additional time would be made available in this way.

In further discussion the view was expressed that the proposed programme gave too much time to political measures and too little to economic. Time might be saved by a greater use of omnibus Bills dealing with a range of changes in the law and of enabling Bills authorising the Government to act by means of subordinate legislation. The number of the debates on the Estimates, particularly the Defence Estimates, might be reduced and the debate on The Queen's Speech at the Opening of the Session could be curtailed to four days. Legislation should be planned in terms of a whole Parliament instead of Session by Session. This had been attempted but it was difficult to obtain agreement on the spacing of legislation over five years.

In discussion of the specific proposals in the draft programme the following points were made—

(a) Difficulties would result if Tourism were not passed by 1969–70 because an undertaking had been given that payments would be made in respect of works carried out after the spring of 1968. It might be possible, however, to reduce the length of the Bill.

(b) Air Corporations was needed to authorise payments to the corporations in respect of aircraft they had bought.
(c) Failure to legislate on *Merchant Shipping* would be damaging to industrial relations; the Bill was economically important and was an integral part of the settlement recommended by the Court of Inquiry set up after the seamen's strike. On the other hand, it would be a long Bill and could not be drafted before the end of March: if it were held back it might be possible to legislate at the same time on trawler safety. An acceptable solution might be to introduce it towards the end of the Session as an earnest of the Government's intention of passing it early in the 1969-70 Session.

(d) *Ports* was urgently needed for both political and economic reasons; the present uncertainty was extremely damaging and there was pressure from many quarters, including trade unions, employers' organisations and economic planning councils, for clarification of the Government's intentions. Agreement had been reached on the policy which the Bill should embody, apart from certain minor points, and it should be possible to introduce it before Christmas if the non-statutory undertakings were excluded, and by February if they were included. A possible alternative was to publish a White Paper which would commit the Government to legislation early in the 1969-70 Session; but this would not remove uncertainty because it would be apparent that a General Election might supervene before the besting date. It did not, however, appear practicable to find the necessary time for this Bill unless either *Vehicle and Drivers' Licensing* or *Transport in London* were dropped; but they had already been deferred from 1967-68, and unlike *Ports*, would produce a saving in Government expenditure. In the circumstances the best course might be to publish a White Paper and to consider later whether there would be advantage in introducing a Bill towards the end of the session with a view to passing it in 1969-70.

(e) It was important that *Gas* should be included, since the restructuring of the industry was necessary to enable the supply of North Sea gas to be fully exploited. Delay would adversely affect the morale of the industry. Drafting instructions could be given at once.

(f) *Mines and Quarries* ought to be included, either in the Main Programme or in the Second Reading Committee list, in view of the strong interest in Wales. It was not suitable for a Private Member.

(g) *Cigarette Advertising* was desirable to fulfil the firm commitment given in 1967 to legislate in default of agreement by the industry. Unless there were a firm prospect of legislation by 1969-70 the industry would have to be told that the Government had abandoned their intention to legislate. But, subject to further consideration of policy by the Home Affairs Committee, it might be possible to find a Private Member to sponsor the Bill.

(h) Three of the Bills in the Contingent List—*Tanzania, British North America Act,* and *British Honduras*—were likely to become essential.

The Prime Minister, summing up the discussion, said that the Cabinet considered that the question of the length and number of
recesses should be examined in the light of the report of the Select Committee on Procedure. The Ministerial Committee on Parliamentary Procedure should consider the report and also the suggestions that had been made in discussion for saving Parliamentary time. Subject to this, the Cabinet approved Lists A1 and A2, B(i), the Scottish List and the Second Reading Committee List appended to C (68) 81, on the understanding that Second Reading Committee Bills would not take priority over Main Programme Bills and would be introduced on a “first come first served” basis. They agreed that time should be found for Industrial Relations if it were later decided that it was desirable to introduce a Bill in 1968–69, and for Tourism. Other Bills in List B(ii) should be introduced if time were available. Mines and Quarries should be introduced in 1968–69 through the Second Reading Committee procedure. The Minister of Transport should complete his consultation with colleagues on the proposals to be embodied in Ports and should submit to the Cabinet a draft White Paper in the light of which they could consider whether a Bill should be drafted for introduction late in the Session with a view to its passage in 1969–70. Merchant Shipping should similarly be prepared for introduction towards the end of the Session. The Home Affairs Committee should consider further the policy on Cigarette Advertising and, in particular, whether a Bill should be prepared for a Private Member, and should report their conclusions to the Cabinet.

Since it was clear that the programme for the 1968–69 Session would be heavy, it was the more important to avoid unnecessary congestion during the summer by ensuring that major Bills were ready at the beginning of the Session. Bills that were not ready for introduction at the time specified by the Lord Privy Seal would therefore be dropped from the programme unless Ministers collectively agreed that a special exception should be made. Ministers in charge of Bills should be careful to avoid making major amendments involving changes of policy while the Bills were before Parliament.

The Cabinet—

(1) Approved the legislative programme appended to C (68) 81, subject to the modifications indicated in the Prime Minister’s summing up.

(2) Invited the Lord Privy Seal to arrange for the Ministerial Committee on Parliamentary Procedure to consider in due course recommendations of the Select Committee on Procedure about the length and number of recesses, and the proposals made in the discussion for saving Parliamentary time.

(3) Invited the Minister of Transport to submit a draft White Paper on the reorganisation of the Ports to the Cabinet when outstanding questions of policy had been settled.

(4) Invited the Lord Chancellor to arrange for the Home Affairs Committee to give further consideration to the question of legislation on cigarette advertising and to report their conclusions to the Cabinet.

SECRET
The Cabinet had before them a note by the Prime Minister (C (68) 79) to which were attached the report of the Committee on the Civil Service (the Fulton Committee) and a memorandum by the Official Head of the Home Civil Service.

The Prime Minister said that reform of the Civil Service was an essential element in the Government's programme for modernising our principal institutions. The Fulton report was an important document and, in his view, a very good one; and the Government would be pressed, as soon as it was published, to declare their attitude to its main recommendations. He proposed that he should announce, on the day of publication, the Government's general acceptance of the report and in particular the proposals for a Civil Service Department, a Civil Service College and a unified grading structure. Their acceptance should, however, be qualified by a reference to the financial and staffing implications. The cost of implementing the report in full would be considerable, even though the additional expenditure arising from the proposals on pay and pensions would build up gradually over a number of years. He would therefore make it clear that, while the Government accepted in principle the Committee's recommendations on the structure of the Service, they were not committed to any precise timetable for implementation.

In discussion there was general support for the principle of the three main recommendations in the report: but it was strongly argued that the Government should not at this stage give any undertakings about their early implementation. The creation of the new Civil Service Department and the associated management changes would cost £1 million in 1968–69, £5 million in 1969–70 and over £11 million thereafter. It would be hard to justify a commitment to additional expenditure of this order at a time when public expenditure in other fields was being severely curtailed. Moreover, the creation of the Civil Service Department would involve over 400 additional staff—mostly highly qualified—this year, rising to at least 3,000 in 1971–72. It was, however, impossible to say at this stage whether the new
Department's work would lead to offsetting reductions in the number of civil servants as a whole; and to add to the staff of the Civil Service in this way without being able to show that it would result in greater economy in the long run would attract severe public criticism. There would be wide support for the Fulton Committee's suggestion that there should be a comprehensive review of the machinery of government, without which substantial reductions in manpower were most improbable. The presentation of the report would in any case need to be handled with great care if unnecessary damage to the morale of the Service was to be avoided. The criticisms in Chapter I of the report, which though not without foundation were oversimplified and lacking in balance, were likely to receive undue publicity when the report was published. The Government should therefore allow time for more considered public discussion of the report before committing themselves to action on its recommendations.

On the other hand it was argued that the report contained a series of positive proposals which would be welcomed by informed opinion, including many members of the Service, and could do much to improve standards of administration and economic management. In particular, the proposal to replace the traditional Civil Service classes by a unified grading structure was a radical measure of far-reaching importance and the Government should make it clear on publication that they accepted it.

The Prime Minister, summing up the discussion, said that the Cabinet needed more time to consider the handling of the Fulton report. In the meantime it was important to maintain strict security on the matter.

The Cabinet—
Agreed to resume the discussion at their next meeting.

Cabinet Office, S.W.1,
20th June, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 25th June, 1968, at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer
The Right Hon. Richard Crossman, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department
The Right Hon. Fred Peart, M.P., Lord Privy Seal
The Right Hon. Anthony Crossland, M.P., President of the Board of Trade
The Right Hon. George Thomson, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. Anthony Wedgwood Benn, M.P., Minister of Technology
The Right Hon. Richard Marsh, M.P., Minister of Transport
The Right Hon. Cledwyn Hughes, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Barbara Castle, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Edward Short, M.P., Secretary of State for Education and Science
The Right Hon. R. J. Gunter, M.P., Minister of Power
The Right Hon. Anthony Greenwood, M.P., Minister of Housing and Local Government
The Right Hon. Lord Shackleton, Paymaster General

The Right Hon. George Thomas, M.P., Secretary of State for Wales

Also present:
The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. R. R. D. McIntosh

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1. The Prime Minister said that it was disturbing that there appeared to have been a disclosure to the Press of the course of recent Ministerial discussions about the reform of the House of Lords. In so far as this must be inferred to be the result of Ministerial indiscretion, it was greatly to be regretted, since it was calculated not only to deprive the Government of their tactical advantage in relation to the Opposition but also to cast doubt on the Government's unity of purpose in this context. He would have to consider how he should now pursue the matter.

The Cabinet—

Took note.

2. The First Secretary of State said that, having established a court of inquiry to consider the dispute at Ford's Dagenham factory about the grading of women sewing machinists, she had been able to secure the agreement of the trade unions concerned to a return to work, on the condition that the court should consider at their first meeting on 27th June whether details of the job evaluation scheme applied to the sewing machinists should be made available to the court and to the unions. She hoped that in consequence the women would return to work by 1st July at the latest.

The Cabinet were informed that the decision by the Amalgamated Society of Locomotive Engineers and Firemen (ASLEF) to begin working to rule had not so far appreciably aggravated the dislocation caused by the work to rule and ban on overtime imposed by the National Union of Railwaymen (NUR). British Rail were giving priority to commuter and freight-liner services, and commuters, though delayed, had been able to get to and from work. Freight-liners, which were largely devoted to exports, were also running fairly normally. Only a small proportion of the country's freight was carried by rail, and there was no reason to expect that food supplies or the operation of essential services would be affected. Traffic by road, though heavy on the south-eastern approaches to London, was continuing to move satisfactorily.

In discussion it was suggested that, in view of the decision taken by ASLEF, the Minister of Transport would be expected to make a statement in the House of Commons. There was some risk that a statement indicating the success of British Rail in maintaining commuter and freight services, though reassuring to the public, might suggest to the unions that their action should be directed towards disrupting these particular services. The British Rail Board's priorities had already been made clear, however, by their own statements. The opportunity could usefully be taken to

* Previously recorded in a Confidential Annex.
make clear the facts of the dispute and, in particular, to emphasise the substantial increase in pay for the lowest-paid workers which British Rail had already offered. On the question of Government intervention in the dispute, it was important, on the one hand, to encourage British Rail to face their financial responsibility without relying on Government assistance, and, on the other, to bring home to the unions that industrial action could lose the railways the long-term benefits which the Transport Bill was designed to secure for them. The Government should not, however, appear to be indifferent to the inconvenience inflicted on the public, and it might well be necessary eventually to help the two sides to find some face-saving formula for agreement.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the Minister of Transport should make a statement in the House of Commons that afternoon on the lines indicated in their discussion, and that they should not rule out the possibility that the conciliation machinery of the Department of Employment and Productivity might eventually be used to find a formula for agreement, though it would be appropriate to intervene only at the request of British Rail and on the clear understanding that there could be no departure from the principles of the prices and incomes policy.

The Cabinet—

invited the Minister of Transport, after consultation with the First Secretary of State, to make a statement in the House of Commons later in the day on the lines indicated in their discussion.

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SECRET

*3. In their resumed discussion the Cabinet had before them a note by the Prime Minister (C (68) 79) to which were attached the report of the Committee on the Civil Service (the Fulton Committee) and a memorandum by the Official Head of the Home Civil Service.

There was wide support for the view that when the report was published the Government should make a positive statement announcing their acceptance in principle of the three main recommendations. Great care should, however, be taken to avoid further damage to the morale of civil servants, many of whom would resent the criticisms in Chapter I of the report. The report should be presented as part of a planned programme of modernisation in which the work of the Royal Commissions on Local Government and the Interdepartmental Committee on Local Authority Personal Services were important elements.

The following points were also made:

(a) The report did not give enough emphasis to regional needs. It was important that recruits to the Service should spend some time in the regional and local offices of Departments in their early years.
A thorough examination would be undertaken of the possibility of "hiving off" areas of Civil Service work from central government to autonomous boards or corporations, on the lines recommended in the report.

The Committee's observations on the machinery of central government would attract widespread attention and the statement should make it clear that the Government were aware of the need for a thorough review.

The case for adopting the new grading structure based on job evaluation, as recommended in the report, was very strong but it would not be at all easy to put into operation.

Additional manpower and expenditure arising from the report would have to be contained within very strict limits. Great care must be taken to ensure that, in the transitional period during which the new Civil Service Department was taking over from the Treasury, effective control of staff numbers and costs was maintained.

Every effort should be made to offset increases in staff arising from new policies and services by reductions in other directions. A thorough review of the staff required, under existing policies, for certain traditional functions of Government would shortly be instituted.

The Prime Minister, summing up the discussion, said that the Cabinet were agreed that he should announce, on the day on which the report was published, the Government's acceptance in principle of the recommendations relating to a Civil Service Department, a Civil Service College and a unified grading structure. He would pay particular attention to the need to avoid further damage to Civil Service morale. He would make it clear that the speed with which the Committee's recommendations could be implemented would be governed by the need to contain the extra expenditure involved within the agreed public expenditure programme; and he would not give any undertaking about the date on which the Civil Service Department would be set up.

The Cabinet—

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

Cabinet Office, S.W.1,
25th June, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 27th June, 1968, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. LORD GARWIN, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity (Items 2-4)
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. R. J. GUNTER, M.P., Minister of Power
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Paymaster General
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLIDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

The following were also present:
The Right Hon. REGINALD PRENTICE, M.P., Minister of Overseas Development (Item 4)
The Right Hon. JUDITH HART, M.P., Minister of Social Security (Item 4)

The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
MISS J. J. NUNN
MR. E. M. ROSE
MR. R. R. D. MCINTOSH
MR. K. BARNES
MR. P. E. THORNTON

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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 recalled that on 25th June he had referred to an apparent disclosure to the Press of the course of recent Ministerial discussions about the reform of the House of Lords. His subsequent enquiries had satisfied him that there had been no deliberate disclosure to the Press by any member of the Cabinet and that the Press reports in question had derived from exchanges between a Government spokesman and the Opposition in the House of Lords about the consequences which might follow if the Conservative majority in the Upper House were to frustrate the completion of the Government’s business in the current Session of Parliament.

The Cabinet—

Took note.

3. The Foreign Secretary said that he had visited Reykjavik from 23rd to 25th June to attend the Ministerial Meeting of the North Atlantic Council. In the course of the meeting he had had private talks with the United States Secretary of State, Mr. Dean Rusk, who seemed to be far from well and had been in a depressed mood about the international situation. He thought that the stresses in the Communist world were such that we should be lucky to get through September without a crisis. On the other hand, he said that the Soviet Government had informed the United States Government that they would be ready “before long” for talks about offensive and defensive ballistic missiles. They had also discussed the situation in the Middle East where Mr. Gunnar Jarring, the Special Representative of the Secretary-General of the United Nations, was making very slow progress. It had been possible so far to prevent either side going back to the Security Council. But there was always the risk of a major border incident which the Arab States would insist on taking to the Council. With a view to making more rapid progress Mr. Rusk and he had therefore agreed that British and United States officials should discuss the possibility of persuading the Israeli Government to take a more positive line than hitherto in the negotiations with Mr. Jarring. On Vietnam, Mr. Rusk was generally optimistic about the possibility of making progress in the talks which were now proceeding in Paris between the United States Government and the Government of North Vietnam.

In the course of the meeting he had also attended the normal quadripartite dinner with the United States Secretary of State, the Federal German Foreign Minister, Herr Willy Brandt, and M. Seydoux, the French Permanent Representative to the North Atlantic Treaty Organisation (NATO). They had discussed the

* Previously recorded in a Confidential Annex.
situation created by the recent East German measures affecting access to Berlin; and had reached agreement on a statement which had in due course been accepted by their other NATO colleagues and embodied in the communiqué.

At the full Council meeting the most important development had been the agreement to issue a declaration on mutual and balanced force reductions, which was intended as a signal to the Soviet Union that if the Soviet Government were thinking of force reductions, NATO were ready to discuss them. The declaration was of special importance to the United States Government, who hoped that it would enable them to resist pressure in Congress for the unilateral withdrawal of United States forces from Europe.

Although the French representative at the meeting had made no difficulties over the statement on Berlin, he had, to the annoyance of Signor Lupis, the Italian representative, raised objections to the section of the communiqué dealing with recent Soviet activity in the Mediterranean and had refused to agree that the word “Soviet” should be mentioned. This difficulty had been overcome by referring in this part of the communiqué to “Ministers of the countries taking part in the Defence Planning Committee”, which excluded France. It seemed probable that this device might be increasingly used on defence questions where the French Government were unwilling to collaborate with their NATO allies.

The Foreign Secretary said that he had received a call from the Greek Minister of Foreign Affairs, Mr. Pipinelis, on 21st June. He had left Mr. Pipinelis in no doubt about our views on the present form of government in Greece. Mr. Pipinelis had assured him of the Greek Government’s intention to publish a Constitution, to seek its approval by referendum and then to proceed to elections. He had told Mr. Pipinelis that much would depend on the form of the Constitution; and that the Greek Government could improve their international standing by releasing some of their political prisoners and affording the rest better treatment. An encouraging feature of the situation was that the Greek Government seemed to have made good progress in their recent talks with the Turkish Government about Cyprus. Talks were also going on between the two communities on the island.

The Commonwealth Secretary said that the Minister of State for Commonwealth Affairs, Lord Shepherd, had now returned from Nigeria. His visit had been an outstanding success. The upshot was that the Federal Military Government of Nigeria had agreed to send a fully authorised representative to London for talks with a view to the resumption of the cease-fire negotiations between the two sides which had been broken off in Kampala at the end of May; and Chief Enahoro had already arrived here. The Biafran authorities had also agreed to take part in talks; but had not yet sent a representative to London. The Federal Government were ready to accept an external peace-keeping force to ensure the safety of the Ibos as part of the arrangements for a cease-fire; but still insisted that the cease-fire must be on the basis of “one Nigeria.”
Lord Shepherd had explained to the Federal Government the danger of unnecessary civilian casualties; and General Gowon, head of the Federal Military Government, had promised that bombing by the Federal forces would be confined to military airfields and that the Federal forces would not invade the Ibo heartland. The Federal Government had also agreed to provide a land route for relief supplies to reach Biafra and to receive a representative of the Prime Minister to organise relief. They had reluctantly agreed that the representative should go to Biafra as well; but they feared that such a visit might be construed as a form of political recognition, and therefore attached the greatest importance to his being someone publicly associated with relief and not a political figure.

The Cabinet—

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

4. The Cabinet considered a memorandum by the Chancellor of the Exchequer about public expenditure in 1968–69 (SEP (68) 62).

The Chancellor of the Exchequer said that the proposals for savings, totalling £81\frac{1}{4} million, in the Annex to his memorandum were substantially less than the Ministerial Steering Committee on Economic Policy had decided were necessary at their meeting on 12th June. They were in his view the absolute minimum which the Government could contemplate, in view of the commitments which they had made in January. His proposals would not offset the total overspending already foreseen in 1968–69, nor would they provide contingency allowances for the inescapable additions—as yet unforeseen—which were certain to come. It would be essential in future years to provide such an allowance. Questions had been raised about the 1968 Farm Price Review; the “clawback” of family allowances; and investment grants. It had been pointed out that a footnote to the table in the White Paper on Public Expenditure (Cmnd. 3515) published in January 1968 had made clear that the level of public expenditure in 1968–69 to which the Government were committed specifically excluded any increases in agricultural support resulting from the 1968 Farm Price Review. Since that Review had in fact added £31 million to the estimates of total public expenditure in 1968–69 it could be argued that this additional expenditure need not be offset. He accepted that this argument had some validity but it did not avoid the need to secure the saving of £81\frac{1}{4} million which he was now proposing: they would no doubt need in due course to pray the footnote in aid of the substantial overspending which would still remain after his proposed savings had been made. Secondly, it had been argued that expenditure on family allowances should be shown net of the additional tax revenue “clawed back” from standard rate taxpayers. But the total of family allowances had to be found, like other public expenditure, by taxation; and the full cost was a part of the total of public expenditure to which the Government’s commitments in January...
related. Thirdly, he proposed that they should defer until the autumn a decision on whether or not to reduce the number of quarters’ payments of investment grants in 1968–69. A reduction would reduce the Government’s borrowing requirements; and the International Monetary Fund (IMF), on which we must continue to rely heavily for credit and with which there would shortly be further consultations, might consider that such a reduction was more important than the adverse consequences for industrial investment. He proposed therefore that they should decide about the payment of investment grants in 1968–69, in the light of the reactions of the IMF, before the end of September.

In discussion it was suggested that the proposed loans for the aluminium smelters did not involve additional public expenditure though they were recorded as such. The loans would go, via the aluminium companies, to the Central Electricity Generating Board to finance construction of generating stations which would otherwise have been financed to the same extent with loans advanced directly by the Government. More generally it was argued that it was misleading to include in public expenditure the cost of, for example, share acquisitions by the Industrial Reorganisation Corporation (IRC) without taking into account the value of the assets which had been acquired in exchange. It was pointed out, however, that the Government’s January commitment related to the level of public expenditure in 1968–69 determined in accordance with existing Government accounting conventions, and that these had in fact also produced a “paper”—not a real—reduction of £53 million in defence expenditure following the cancellation of the F-111 aircraft. It was for consideration, however, whether in future years the total of public expenditure should not include Government loans to nationalised industries: if this were done the aluminium loans would not count as additional public expenditure.

It was suggested that in present economic conditions, when unemployment was rising and the overspending foreseen could be met by additional borrowing and not by additional taxation, there was no case for saving more than £81½ million. The problems posed by an increased borrowing requirement should be balanced against the needs of the present economic situation.

The Cabinet then considered the proposals in the Annex to SEP (68) 62.

The Minister of Agriculture said that while it would be possible to sell stocks of sugar and flour at a rate sufficient to produce between £1½ million and £2 million in 1968–69, he did not think that it would be possible to find more than another £2 million to £2½ million by this means in 1969–70 without the scale of these sales from civil defence stocks becoming apparent to the trade and leading to political embarrassment.

The Cabinet—

(1) Agreed that a saving of between £1½ million and £2 million should be made in 1968–69 by sales of civil defence stocks.
The Minister of Transport said that he would reluctantly accept the proposed reduction of £8 million for England on the understanding that he was left with discretion on how this saving was to be divided between central Government and local authorities' expenditure.

In discussion of the implications of the proposed reductions in England, Scotland and Wales it was agreed that it would be more appropriate to make a reduction of £4 million for Wales and that the implications of all these cuts in road expenditure should in due course be reported to and considered by the Committee on Environmental Planning.

The Cabinet—

(2) Agreed to savings of £8 million, £1 million and £4 million for 1968–69 for England, Scotland and Wales respectively.

It was suggested that in addition to the savings proposed under this heading there was a case for rescinding the fuel tax rebate. But since this required legislation it could not be done in 1968–69 and should be considered for 1969–70. The scale of expenditure on the Channel Tunnel might also be examined in connection with the review of expenditure in 1969–70.

The Cabinet—

(3) Agreed to the proposed saving of £4 million on civil aviation services in 1968–69.

The Minister of Technology said that he agreed to the proposed reduction of £2 million for technological support. If the Airbus were cancelled the saving would in fact be £3 million in 1968–69 and not £5 million since the estimate for this expenditure had already been reduced. But it was not possible to decide now whether or not the Airbus should be cancelled. Criteria had been laid down last year by which the project should be judged in a joint evaluation with the French and German Governments. The studies on which this evaluation depended had been completed and he hoped that the joint evaluation would take place in July.

The RB-203 engine had already been cancelled. The Shipbuilding Industry Board might well have plans to spend more than £12 million in 1968–69 (including expenditure on a shipbuilding merger in Scotland and a scheme for rationalising engine manufacture) and there was therefore a risk that he would have to ask the Board, later in the year, to reduce their planned expenditure, in which case a public announcement could hardly be avoided.

In discussion about the Airbus, it was suggested that in view of the extraordinary cost escalation, the unwillingness of Lufthansa to commit itself to a purchase of the aircraft and the rumoured
desire of the French Government to withdraw from the scheme, it seemed very likely that they would not have to proceed with the airbus.

The Cabinet—
(4) Agreed to a saving of £2 million in 1968–69 on technological support.

(5) Agreed that the appropriate saving should be provisionally scored in 1968–69 on the assumption that the airbus would in fact be cancelled.

(6) Agreed to the saving of £1 million in 1968–69 in respect of the RB-203.

(7) Agreed to a reduction of £1½ million in assistance to shipbuilding in 1968–69.

The Chancellor of the Exchequer said that there was a danger that expenditure by the IRC would exceed the provision in the Public Expenditure Survey for 1968–69 by a substantial amount. He accepted that the IRC was doing economically valuable work but unless some ceiling were set on its expenditure, the whole of the savings in other directions could be swallowed up by this one item. A possible course would be to limit expenditure by the IRC to £45 million in 1968–69 and £35 million in 1969–70, on the understanding that it would be open to them to enter into commitments in excess of these limits, provided that payments under these commitments were deferred until 1969–70.

The Cabinet—
(8) Invited the Secretary of State for Economic Affairs, with the Chief Secretary, Treasury, to discuss with the Industrial Reorganisation Corporation the implications of the Corporation’s expenditure for the borrowing requirement of the Exchequer, and the feasibility of a ceiling on Industrial Reorganisation Corporation expenditure on the lines proposed by the Chancellor of the Exchequer, and to report the outcome to his colleagues.

The Cabinet—
(9) Agreed that expenditure on Research Councils should be reduced by £1 million in 1968–69.

It was accepted in discussion that the proposed saving of £1 million would involve acute difficulties. It should however be possible to secure savings (in addition to those on the strategic food stockpile) of not less than £1½ million.

The Cabinet—
(10) Invited the Minister of Agriculture, Fisheries and Food to agree with the Chancellor of the Exchequer a revised total of expenditure on his Vote with a view to securing savings of not less than £1½ million in 1968–69.
The Minister of Housing said that the cuts proposed in this block were altogether disproportionate. In particular, the proposed reduction by 5,000 in housing starts in England and Wales, which would become publicly known, would run counter to the priority which the Government were pledged to give to housing, would be arbitrary in its incidence as between local authorities, would adversely affect the priority housing areas and the development areas, and would rule out any action to mitigate housing shortage in areas with a large immigrant population. The proposed saving on Local Environmental Services would be difficult to achieve in view of previous cuts, and a reduction of £7 million in expenditure by the Land Commission would mean a two-thirds reduction in the Commission’s activities. The maximum savings which should be sought from his Department were a reduction of £20 million in lending by local authorities, and a saving of £5 million on other expenditure by means which should be left to his discretion.

In discussion, the general view was that the savings proposed in SEP (68) 62 on local authority lending and on Local Environmental Services were justified. A saving of £7 million on expenditure by the Land Commission would be excessive, but a substantial saving, perhaps of £5–£6 million, should be possible. Having regard to the general progress of the housing programme, some reduction in housing starts in 1968–69 was justified, but there were strong arguments for a reduction of somewhat less than 5,000.

The Prime Minister, summing up this part of the discussion, said that the Cabinet agreed that lending by local authorities in England and Wales should be reduced by £30 million and £2½ million respectively, and that savings should be made from other expenditure in the block under discussion (excluding local environmental services in Scotland) totalling £8½ million. The Minister of Housing, with the Secretary of State for Wales, should bring before his colleagues in the following week proposals for achieving this.

The Minister of Housing said that he wished to record his dissent.

The Cabinet—

(11) Agreed that the following savings should be made in 1968–69:

(i) £30 million and £2½ million on local authority lending in England and Wales respectively.

(ii) £½ million on local environmental services in Scotland.

(iii) £8½ million from the aggregate of expenditure on housing investment and local environmental services in England and Wales and expenditure by the Land Commission.

(12) Invited the Minister of Housing and Local Government to bring forward proposals for securing the savings as in (11) (iii) above.
The Home Secretary said he would be prepared to find savings of £3 million, and possibly a little more, under this head. The total might be raised to £3½ million by deferring implementation of the recommendations of the Departmental Committee on Legal Aid in Criminal Proceedings (the Widgery Committee), on which he would wish to consult further with the Lord Chancellor.

The Cabinet—

(13) Invited the Home Secretary to report further in the following week in the light of consultation with the Lord Chancellor.

The Cabinet—

(14) Agreed that savings of £1 million should be made under this head in 1968–69, the means to be determined by the Secretary of State for Education and Science.

(15) Invited the Secretary of State for Education and Science to report on the desirability of withdrawing free school meals for the fourth and subsequent children in the family, so that this could be considered in conjunction with the public expenditure programme for 1969–70.

The Cabinet—

(16) Agreed that savings totalling £½ million in 1968–69 should be secured from the increased charges proposed in SEP (68) 62.

The Cabinet—

(17) Agreed that expenditure on Accommodation should be reduced by £1½ million in 1968–69.

(18) Agreed that expenditure on Government publicity services should be reduced by £¼ million in 1968–69.

The Cabinet—

(19) Invited the Chancellor of the Exchequer to report on possible savings under this head in 1969–70.

The Cabinet—

(20) Agreed that expenditure on Overseas Aid and Other Overseas Services should be reduced in 1968–69 by £4 million and £1 million respectively.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1., on Thursday, 4th July, 1968, at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs (Items 1-3)
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government (Items 1-3)
The Right Hon. LORD SHACKLETON, Paymaster General

The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science (Items 1-3)
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

The Right Hon. ROY MASON, M.P., Minister of Power

The following were also present:
Dr. J. DICKSON, MABON, M.P., Minister of State, Scottish Office (Items 3-5)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. R. R. D. MCINTOSH
Mr. H. L. LAWRENCE-WILSON

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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

State Visit of the President of Italy

2. The Foreign Secretary said that the State Visit of President Saragat of Italy which was to have taken place from 16th to 23rd July had had to be postponed. The President’s presence in Italy was considered necessary in view of doubts whether the new Italian Government would receive a vote of confidence from the Italian Parliament. He had explained to the Italian Ambassador that given the complex arrangements involved in a State Visit it might now be some time before the President’s visit could take place.

The Foreign Secretary said that the recent French elections were an overwhelming victory for the Gaullists and the Independent Republicans and a defeat for all the other parties. They were a reaction against the disturbances which had taken place in May, and showed the futility of demonstrations against a Government, when the demonstrators did not know what they wished to put in its place and could not count on widespread popular support. There was a possibility that M. Pompidou might be replaced as Prime Minister. French policies were unlikely to change, in particular with regard to the North Atlantic Treaty Organisation and to the British application to join the European Economic Community (EEC). But France’s power to carry her policies through might have been weakened as a result of the May disturbances.

The French Government had announced a series of measures involving incentives to exporters, quota restrictions and the administrative surveillance of imports. These measures would leave the Kennedy Round untouched and the French Government had announced its decision to comply fully with its engagements under the EEC and the General Agreement on Tariffs and Trade (GATT). The French would have some difficulty in justifying the measures since their reserves of gold were still very large; but the EEC were likely to give the necessary approval. The real danger lay in the reaction of the protectionist lobby in the United States. We were not in a position to criticise the French measures; and to do so would not help.

In discussion the view was expressed that it was right not to take the lead in opposition to the French measures, but to leave the EEC and the GATT to make the running. There was a possibility that the French Government might be obliged to reduce its expenditure on defence, although it would probably prefer, if necessary, to abandon the Concorde project rather than to sacrifice the French nuclear deterrent.
The Foreign Secretary said that the situation was still not clear with regard to reports that Greek orders for British goods had been cancelled, allegedly following a reply by the Prime Minister to a supplementary Question in the House of Commons. The Greek Director-General of Press and Information, M. Stamatopoulos, had denied reports that the Greek Government had decided to cancel all contracts with British firms. The Ambassador was in touch with the Greek Government.

The Commonwealth Secretary said that President Kaunda of Zambia had accepted an invitation to visit this country from 16th to 20th July. He had accepted that we could not go back on our previous decision to provide no further contingency economic aid for Zambia.

The Commonwealth Secretary said that Tanzania had agreed to resume diplomatic relations and was thus the last country to do so of those which had broken with us over Rhodesia in December 1965. An announcement to this effect would be made that day. The resumption of relations with Tanzania was the result of a visit there by Mr. Malcolm MacDonald, the British Special Representative in East and Central Africa. It would not entail any change in our policy on economic aid.

The Foreign Secretary said that there were signs of progress on the issue of disarmament. Sixty nations had so far signed the Treaty on the Non-Proliferation of Nuclear Weapons. He was now considering, in the light of discussions which the Minister of State for Foreign Affairs, Mr. Mulley, had recently had in Washington, what further proposals might be put to the Eighteen Nation Disarmament Committee. The Soviet Ambassador, M. Smirnovsky, had delivered to the Foreign Office on 1st July a memorandum containing nine proposals on disarmament which the Soviet Government now wished to discuss in the Committee. The memorandum contained some proposals clearly intended to promote the strategic interests of the Soviet Union. But there were others which had previously been advanced by the West; and there was a reference to the possibility of measures to limit the flow of arms to the Middle East, which represented a departure from previous Soviet policy. Agreement had also been reached between the United States and the Soviet Union to discuss in the near future the limitation and reduction of offensive and defensive strategic nuclear weapon delivery systems.

The Prime Minister said the Cabinet would wish to congratulate the Foreign Secretary and the Ministers of State for Foreign Affairs, Mr. Mulley and Lord Chalfont, on the signature of the Non-Proliferation Treaty. The British Government, and the Foreign Secretary personally, had played an important part in bringing to a successful conclusion the negotiations leading up to the Treaty.
The Commonwealth Secretary said that the announcement on 2nd July that Lord Hunt would lead a mission to Nigeria to advise on relief had been well received. He contemplated two stages in the relief operation—an emergency air lift followed by a longer term land lift. It was not intended to wait for Lord Hunt to return before making plans for an air lift to alleviate the immediate suffering. Our efforts to achieve a cease-fire had recently suffered a setback; and it was clear from a speech on 30th June by Colonel Ojukwu, the Head of the Biafran Government, that Sir Louis Mbanefo, the Biafran representative at the recent talks in Kampala on a cease-fire, would not after all be coming back to London to resume talks with representatives of the Federal Government. This development had demonstrated the importance of direct access to Colonel Ojukwu; and he hoped that Lord Hunt would see Colonel Ojukwu in the course of his relief mission. Meanwhile, the Commonwealth Secretary was supporting a proposal that Mr. Arnold Smith, the Commonwealth Secretary-General, should visit Biafra in order to contact Colonel Ojukwu.

In discussion the question was raised whether it was right to continue to supply arms to the Federal Government when the continuation of the war was causing so much suffering. It was pointed out that we were only supplying arms in normal quantities; that the Federal Government could easily get these arms from other countries; and that it was the intransigence of the Biafrans which was largely responsible for the continuation of the war. Biafra was insisting on recognition of its secession by the Federal Government as a condition for a cease-fire, whereas the Federal Government were fighting for the territorial integrity of Nigeria and could not therefore accept secession. The sympathy which the Biafran cause enjoyed in this country was largely due to the successful public relations of the Biafran authorities. They were employing a public relations firm in the same way as the Katangan authorities had at the time of Katanga's secession from the Congo in 1960-62. It was desirable that a full study should be made of the activities in this country of public relations firms employed by foreign authorities. The Prime Minister said he would consider, in consultation with the Lord President, how to pursue this.

The Cabinet—

Took note of the statements by the Foreign and Commonwealth Secretaries and of the points made in discussion.

3. The First Secretary of State said that, contrary to expectation, the Annual Conference of the National Union of Railwaymen (NUR) were proving more militant than the Executive Committee. They had rejected the management's latest offer and had appointed a small negotiating committee whose members were clearly determined to stand out for an all-round increase in pay. British Rail were afraid that the "go-slow" might drag on for...
several weeks and had considered warning their employees that those who reported for duty but could not be given work because of the action of other employees would in future be sent home without pay. In discussion with the Chairman of British Rail the previous day she and the Minister of Transport had explained that the Government could not approve a general increase which would conflict with the prices and incomes policy; but that it was important that British Rail should avoid taking action which could subsequently be said to have precipitated a national strike. In the light of this British Rail had decided not to announce the suspension of the guaranteed week and the member of the Board responsible for labour relations had flown to Penzance for discussions with the NUR committee. There was in her view a serious risk of a national strike; and the Cabinet should consider what its attitude would be if this materialised. To approve an all-round increase of the kind the NUR were seeking would be in direct conflict with prices and incomes policy and have serious repercussions on the wage negotiations in the engineering industry. There might, however, be scope for a small improvement in the management's offer without breaching the prices and incomes policy—for example, by providing for some payment on account to be made in return for firm undertakings about future productivity.

The Minister of Transport said that, although the “go-slow” had given rise to great inconvenience for London commuters, its effect on the economy was so far negligible. Both exports and imports were still flowing freely through the ports and the transfer of freight traffic to the roads was proceeding smoothly. He had put in hand a study of the consequences for the economy of a national railway strike. The “go-slow” had had a serious effect on British Rail's finances. They could not make any increase in their offer without adding to their financial difficulties and conflicting with the prices and incomes policy. The Government should therefore give British Rail their whole-hearted support; their intervention in the dispute could only lead to an increase in British Rail’s offer and this would destroy the credibility of their management decisions. It was in any case by no means certain that there would be a national strike. There were indications that lower paid employees, whose earnings had in some cases fallen substantially because of the “go-slow”, would be reluctant to strike; and British Rail thought that a series of partial stoppages in different parts of the country was more likely.

In discussion there was wide support for the view that it would be wrong for the Government to intervene in the dispute and that they should support the management of British Rail even at the risk of a national strike. A national strike would, however, be a serious matter and the Government's readiness to face it must be largely conditioned by their assessment of the consequences for the economy, the effect on foreign opinion and the likelihood of sympathetic action by other groups of workers, for example, in the docks. The seamen's strike of 1966 had had serious consequences for the economy, though these were not likely to be repeated in the present case because of the small proportion of our exports which was carried by rail.
The Prime Minister, summing up the discussion, said that the Cabinet were agreed that it would be wrong for the Government to take any action which might lead the railwaymen to believe that further intransigence would lead to an improvement in the management's offer. British Rail should be left to continue their discussions at the Annual Conference of the NUR, but if these failed to produce results it would be necessary to consider whether the Government could usefully take any initiative with the aim of reaching a settlement which conformed with the prices and incomes policy. In this event, he would consider the matter again with the Chancellor of the Exchequer, the First Secretary of State and the Minister of Transport, and they would consult other Ministers concerned as necessary.

The Cabinet—

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

4. The Cabinet had before them a note by the Secretary of State for Defence (C (68) 83) covering the draft Supplementary Statement on Defence Policy, 1968.

The Defence Secretary said that the draft White Paper took account of amendments agreed by the Defence and Oversea Policy Committee at a meeting in the previous week and of other amendments proposed by individual Ministers. The White Paper was intended to show how the major decisions on defence policy taken earlier in the year would be put into effect. The Defence Budget for 1968-69 and 1969-70 would be contained within the ceilings that had been set and it would only be necessary to provide £25 million for cancellation charges on the F.111 programme which was much less than the speculative figures which had appeared recently in the Press. Manpower reductions would be somewhat greater and would be made earlier than had been forecast for the long term a year ago and would be achieved by 1973-74. Since 1964 there had been a reduction of a quarter in the planned manpower and equipment programmes of the forces and of a third in planned expenditure. The draft White Paper reported progress on our military withdrawals from Singapore and Malaysia and from the Persian Gulf, and described the additional contributions that we proposed to make to the defence capability of the North Atlantic Treaty Organisation (NATO). In order to maintain the strength of the proposed forces, it would be necessary to recruit at a rate of 35,000 annually compared with the current intake of only 25,28,000 and, unless recruiting could be improved, it might be necessary to consider the reintroduction of conscription. It was important, therefore, to restore public confidence in the Services as a career and for this reason the draft White Paper sought to emphasise the positive aspects of the now primarily European role of the Services.

The Cabinet then considered the draft White Paper in detail and the following main points were made.
Paragraph 21

It should be made plain by inserting quotation marks that the second half of the first sentence of this paragraph was a quotation from the communique of the meeting of NATO Defence Ministers at The Hague in April, 1968.

Paragraph 37

The Defence Secretary said that he and the Chiefs of Staff attached high priority to the proposal mentioned in this paragraph to purchase 26 additional Buccaneer aircraft, which had the support of a majority in the Defence and Oversea Policy Committee. As a result of the re-shaping of NATO strategic thinking, in which we had played a major part, greater emphasis was now placed on conventional operations with a consequent need for more aircraft for the strike/reconnaissance role. We had always made a contribution in this role and it had been the intention that, as the Canberra aircraft which we currently contributed to NATO wasted out, they should be replaced by the F.111. When the F.111 was cancelled, he had stated that it would be necessary to do something to mitigate its loss. The additional Buccaneers would cost £62 million over ten years compared with £450 million for the F.111. They would enable us to make a meaningful contribution to the strike/reconnaissance role and to maintain techniques of this kind of operation in the Royal Air Force. They would also allow us more flexibility in the date by which an advanced combat aircraft would be required in service and thereafter would be available to maintain our contribution to NATO maritime operations in the late 1970s. The order for the aircraft would go to a "grey" area and, because we should avoid the cancellation charges on Buccaneers not required following the decision not to re-fit HMS Victorious, there would be no additional costs this year and under £2 million in 1969-70. Provision had been made for the programme within the Defence Budget ceilings up to 1972-73.

In discussion, it was argued that in our present economic and financial situation we should not purchase the additional Buccaneers. We were already planning to make substantial additional contributions to NATO and should avoid becoming committed to being the only European NATO country which contributed to the expensive strike/reconnaissance role, particularly as this might prejudice our freedom of action in deciding in due course whether or not to participate in the development of an advanced combat aircraft. The purchase, which would involve substantial expenditure in 1970-71 and 1971-72, would introduce additional rigidity into the Defence Budget and make it more difficult to achieve any further economies that might be necessary. It was not a sufficient justification for new programmes of this kind that they could be financed within the ceilings set for the Defence Budget; they must be considered on their merits.

The balance of opinion was, however, in favour of purchasing the additional Buccaneers. The military arguments for the purchase had been strongly made and there were important political
arguments also in relation to our position in NATO. The expenditure involved was, moreover, too small within the Defence Budget as a whole to add materially to its rigidity or to prejudice the extent of any savings that might be necessary in the Defence Budget for 1969–70.

Paragraph 48

An addition should be made to this paragraph to indicate that increasingly substantial savings in Army Support manpower could be expected beyond the current year.

Paragraph 57

The last sentence of this paragraph should be confined to stating the recruiting requirement without indicating the need for it to improve since the point could be better taken and elaborated in the debate on the White Paper.

Paragraph 73

The third sentence of this paragraph, which dealt with the possibility that the United States contribution to European defence might be reduced, should be omitted.

Some minor amendments in the White Paper were agreed or remitted for consideration by the Defence Secretary with the Ministers concerned.

The Prime Minister, summing up the discussion, said that the Cabinet approved the draft Supplementary Statement on Defence Policy, subject to the points made in discussion, and noted that it would be published on 11th July. Since the reductions and closures that would be necessary in the United Kingdom military base organisation in the next few years would have important regional implications, the Ministers concerned with economic and regional affairs should be given adequate opportunity to represent their interests effectively before decisions were taken.

The Cabinet—

(1) Approved the proposal to purchase 26 additional Buccaneer aircraft.

(2) Subject to points agreed in discussion, approved the draft Supplementary Statement on Defence Policy 1968 appended to C (68) 83.

(3) Invited the Secretary of State for Defence, before reaching decisions on United Kingdom military base organisation with regional implications, to consult the Ministers concerned with regional and economic affairs.
5. The Cabinet considered a memorandum by the Minister of Transport on Bristol West Dock (C (68) 84).

The Minister of Transport said that at the Ministerial Steering Committee on Economic Policy on 2nd July (SEP (68) 11th Meeting), opinion was evenly divided between, on the one hand, outright rejection now of the Bristol West Dock project and, on the other, allowing Bristol Corporation to go ahead without any grant or loan from the Ministry of Transport and without access to the Public Works Loan Board. His paper summarised the main considerations involved. There was in his view no economic justification for the dock. The return on a discounted cash flow (dcf) basis was 2½ to 4½ per cent as against a minimum of 8 per cent for public sector projects and between 10 and 20 per cent for most current port development projects. It could be argued that dcf calculations were not appropriate to a long-term project of this sort but they were the only available measure of prospective economic return. Rejection of the scheme would mean that Bristol would lose traffic and that there would be no further expansion; it would not involve the closure of all port facilities there. He recognised, however, that to reject the scheme, on which the Bristol Corporation were prepared to risk their own money, would have serious political implications, would create acute difficulties locally and might lead to resignations from the South-West Economic Planning Council. If the Corporation were allowed to go ahead with the scheme the Government could refuse to give them loans and grants under the Harbours Act, 1964. The Corporation could, however, challenge in the courts the refusal to give a grant, though he was advised that such a challenge was unlikely to be successful. The Government could not stop the Corporation from borrowing about a third of the finance required for the dock from the Public Works Loan Board.

In discussion it was argued that a decision to reject the scheme would preclude further expansion of the port of Bristol and thus lead to its eventual disappearance. If the Corporation were told that they would have to finance the whole of it themselves they might well decide to postpone it until the results of the Severnside study became available. A decision to oppose the Bristol Corporation Bill on Second Reading would give rise to considerable embarrassment in Parliament and the Government might have difficulty in securing a majority. The decision would be regarded as an example of the "Whitehall knows best" attitude towards a project on which the people of Bristol were prepared to risk their own money. It would be a serious blow to regional planning and would almost certainly lead to resignations from the Economic Planning Council. It was unreasonable to prevent the local interests concerned from carrying through a project of this kind while less desirable projects in the private sector, such as the Brighton Marina, which involved equally heavy calls on national resources, were allowed to proceed without challenge.
On the other hand, it was strongly argued that to allow the scheme to go through would involve a gross misuse of national resources. The full cost of the project would in one way or another have to be met from public funds; it represented an addition to public borrowing and expenditure and to the public sector's claim on resources. No provision had been made for it in the Public Expenditure Survey and if it were allowed to go ahead the expenditure would need to be offset by savings on other transport projects for which there was greater economic justification. The development of major ports, which the Government were committed to nationalise, must be planned on a national basis and the port facilities within the Severn estuary should be considered together. There was surplus capacity in the South Wales ports, which were linked to Bristol by the Severn bridge, and a decision to go ahead with the West Dock would prejudice future development in South Wales which already faced growing unemployment problems.

The Prime Minister, summing up the discussion, said that the majority of the Cabinet favoured outright rejection of the Bristol West Dock. The Minister of Transport should announce the Government's attitude to the project before the debate on the Second Reading of the Bristol Corporation Bill and it was possible that the promoters of the Bill might decide not to proceed with it.

The Cabinet—
Invited the Minister of Transport to announce, before the debate on the Second Reading of the Bristol Corporation Bill, that the Government were not prepared to allow the West Dock scheme to proceed.

Cabinet Office, S.W.1.
4th July, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 9th July, 1968, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department (Item 1)
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Secretary of State for Health (Item 4)
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer (Item 1)
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. K. Barnes
Mr. J. Crocker
Mr. P. E. H. Standish

SECRET

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Printed for the Cabinet. September 1968

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1. The Cabinet considered a memorandum by the Home Secretary (C (68) 85) to which was attached a draft White Paper on the review of the law governing Parliamentary elections.

The Home Secretary recalled that at their meeting on 30th May the Cabinet had approved the recommendations of the Sub-Committee on Electoral Reform which, under the chairmanship of the Lord President, had considered the report of the Speaker's Conference on Electoral Law. The White Paper summarised the Government's conclusions on the major issues raised in the report but did not attempt to argue in detail the merits of each conclusion. The White Paper would also publish for the first time the recommendations of his Electoral Advisory Conference, dealing with details of administration and procedure, and would say that the Government accepted those recommendations with certain minor exceptions.

The White Paper left open the question of the administrative arrangements necessary to permit the use of party labels on ballot papers. These were now being worked out by the Sub-Committee on Electoral Reform and would have to be discussed with the Opposition parties. The Opposition would also be approached about changes in the arrangements for local government elections which would be effected in the Representation of the People Bill but would not appear in the White Paper. They were non-controversial apart from a proposal to abolish the right, enjoyed by only a few people, to vote and to stand for election in areas where they did not live but where they owned land or occupied rateable premises.

The Parliamentary Committee, in considering the draft White Paper, had suggested that the proposal to increase candidates' deposits from £150 to £250 should be reviewed. At £250 the deposit would not be enough either to conform with the change in the value of money since the amount was fixed in 1918 or to deter frivolous candidates; and it might prove to be a controversial proposal which offered little practical advantage.

In discussion it was agreed that a comparatively small change in the amount of candidates' deposits would have little effect, and the increase would be seen in some quarters as an attempt by the large parties to put obstacles in the way of independent candidates. In the absence of any compelling reason to the contrary, the recommendation of the Speaker's Conference that the amount of deposit should be left at £150 should be accepted.

In further discussion of procedure it was agreed that the White Paper should be published before Parliament rose for the summer recess and that a statement should be made at the time of publication that there would be a debate in the House of Commons immediately after the recess. That would allow a suitable interval before the second reading of the Representation of the People Bill.
The Cabinet—

(1) Agreed to accept the recommendation of the Speaker’s Conference that the amount of a candidate’s deposit should remain at £150.

(2) Invited the Home Secretary to arrange for the White Paper on Electoral Reform to be published before the summer recess and, in consultation with the Lord Privy Seal, to announce it in a statement indicating that there would be a debate when the House resumed.

CONFIDENTIAL

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

_The Paymaster General_ reported that the House of Lords were making good progress with Government business. He proposed that they should rise on 1st August, but it would remain impossible to find time to pass the Divorce Bill unless the Session were prolonged for at least a week after 25th October. The Race Relations, Gaming and Medicines Bills were likely to receive their Third Reading before 1st August, but, since the House of Commons would not by then be sitting, they could not be given Royal Assent unless it were thought desirable to recall the House of Commons for a short formal sitting for this purpose.

In discussion it was suggested that the Bills in question should be examined to see whether there was need for them to operate before the resumed sittings in October: if so, the possibility of recalling the House of Commons for a formal sitting confined to the notification of Royal Assent should be further examined.

The Cabinet—

Invited the Lord Privy Seal and the Paymaster General to consider, in consultation with the Ministers concerned, what Bills would receive Third Reading in the House of Lords in the week after the adjournment of the House of Commons and whether there would be advantage in arranging a formal sitting of the House of Commons so that they could receive Royal Assent at once.

SECRET

3. _The First Secretary of State_ said that the standstill imposed on the increase of £1 a week which had been agreed in December 1967 for the municipal bus industry would lapse on 26th July unless she gave notice, as soon as the Prices and Incomes Bill received the Royal Assent, of her intention to extend it for a further five months. It was now expected that the Bill would receive Royal Assent on the following day. In order to extend the standstill, it would be necessary to give notice in the Official Gazette on 10th or 11th July.
She had discussed with both sides of the National Joint Industrial Council (NJIC) for the road passenger transport industry both the standstill on the agreement of December 1967 and an agreement concluded by the NJIC in June 1968 for a bonus of 10s. a week for acceptance of the principle of one-man operation of buses. The employers maintained that the two agreements should be taken together and that the increase of £1 a week should include the 10s. bonus for one-man operation. The trade unions argued that the agreements were separate and that the 10s. bonus should be in addition to the £1 increase; this interpretation seemed to be more in line with the recommendations of Report No. 63 by the National Board for Prices and Incomes. However, she had discussed the situation with the Ministers mainly concerned, and they were agreed that no offer beyond the £1 a week should be countenanced, in view of the repercussions on incomes policy generally and in particular on the proposed agreement for an increase of £1 a week for London busmen which, unlike the proposed settlement for the municipal busmen, was linked with productivity concessions by the unions; this agreement was to be submitted to a union delegate conference on 15th July.

The Government had deliberately refrained from taking a power to prevent retrospective payment of an increase following the expiry of a standstill. If the unions were to secure retrospective payment of the 30s. increase which they claimed on the expiry of an extended standstill at the end of 1968, the resulting percentage increase in basic pay would be substantially greater than if they secured a £1 increase paid immediately with retrospective effect. A few local authorities had committed themselves to make retrospective payments on the expiry of the standstill; but the main body of the employers took the view that if the standstill, which had already lasted for seven months, were prolonged for a further five months, they would not be able to afford retrospective payment at the end of such a long period.

In these circumstances, it was essential to give notice to extend the standstill. However, if it were so extended and no other action was taken, there was a serious risk of strike action by the busmen, despite the desire of the unions to avoid a confrontation with the Government. This would raise difficult issues as regards the application of penal sanctions under the prices and incomes legislation. It would also give rise to renewed controversy in Parliament when the Order extending the standstill came to be debated, as it would be, at the end of the Parliamentary session in October.

The right course therefore was for both the Government and the employers to make statements at the time notice was given to extend the standstill, indicating that the employers had offered, with the Government's approval, an immediate increase of 10s. a week on basic rates, linked to undertakings by the unions to begin discussions on productivity guidelines and the introduction of a tiered wages structure, together with a 10s. bonus for acceptance of
one-man bus operation; that if the unions were prepared to accept this offer, the standstill would be revoked; but that if they were not, the employers would not be prepared to concede retrospective increases on the expiry of the extended standstill. This would in effect constitute an appeal to the busmen over the heads of their unions, and there was some prospect that it might succeed. The 10s. increase in basic rates could be justified primarily on the ground that the busmen had already suffered a standstill lasting seven months, and it was wrong that this should now be prolonged under new powers which were not in existence when the relevant settlements were reached.

In discussion it was argued that it would be preferable to extend the standstill without any further attempt to secure agreement to an increase of £1 a week. The proposed increase on basic rates could not be justified under the criteria of the incomes policy. If the standstill were extended, the latest reactions from the employers showed that there was little risk of full retrospective payments on its expiry. On the other hand, it was argued that to adopt this course would increase the risk of strikes and raise acutely the question of using penal sanctions. The provision in the Prices and Incomes Bill which made it possible to extend the standstill on the busmen’s increase had been strongly criticised in Parliament on the ground that it unfairly singled out these workers; the Government had countered this by saying they would do their best before the existing standstill expired to secure an acceptable settlement which would remove the necessity to extend it; and it would be essential for the Government to be able to demonstrate that they had done this by making public their endorsement of the offer of the £1 a week increase.

It was further argued that it would give an appearance of indecision for the Government to give notice to extend the standstill, and subsequently to revoke it. It would be preferable to make a final attempt to secure the agreement of the unions to the £1 a week increase, and if this failed to extend the standstill unequivocally. It was pointed out, however, that there was insufficient time to follow this course if the extending Order were to come into effect before the expiry of the existing standstill.

It was pointed out that if a statement about the offer of a £1 a week increase were published before 15th July, this would prejudice the chances of acceptance of the agreement for London busmen at the union delegate conference on that day. It would therefore be preferable to defer any such statement until after 15th July, but to make it clear in guidance to the Press when the notice to extend the standstill was published that discussions with the parties on a possible settlement which would conform with incomes policy were still going on, and that the Government would be prepared not to proceed with the extension if such a settlement could be reached.

In further discussion the following points were made:

(a) It would be of crucial importance, from the point of view both of opinion overseas and of the internal management of the
The economy, to administer the incomes policy firmly over the next few months. There was some danger that the recent settlement on the railways might be taken as a sign that the policy was beginning to weaken. It would be helpful if Ministers could in the near future have a full discussion of the strategy to be followed on prices and incomes policy during the coming months, in order to assess the major contingencies likely to arise and the best means of dealing with them.

(b) Ministers and selected backbenchers on the Government side should be given briefing material covering the recent settlements on the railways and at the Ford Motor Company, together with the negotiations on busmen’s pay, to help them in dealing with public criticism of incomes policy.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that notice should be given to extend the standstill on busmen’s pay. They authorised the First Secretary of State to issue a statement describing the offer of a £1 a week increase, including a 10s. bonus for acceptance of one-man bus operation, which had been made to the unions, and making clear that the Government would be ready to lift the standstill if this offer were accepted. She should encourage the employers to issue a statement making clear that they would not be prepared to pay increases retrospectively on the expiry of an extended standstill. However, in order to avoid repercussions on the settlement for the London busmen, no public reference to the offer to the municipal busmen should be made until after Monday, 15th July; but the Press should be briefed, when the notice to extend the standstill was published, to the effect that discussions with the parties were still going on with the object of reaching a settlement acceptable under the incomes policy and so enabling the standstill to be withdrawn. The Prices and Incomes Committee should at an early date consider the strategy for incomes policy over the coming months and their conclusions should be reported to the Parliamentary Committee, in view of the Parliamentary implications, and subsequently to the Cabinet. Briefing material on recent wage settlements and on busmen’s pay should be made available to Ministers and to selected Government backbenchers.

The Cabinet—

(1) Invited the First Secretary of State—

(i) to proceed with the extension of the standstill on the pay of municipal busmen and to take accompanying action as indicated in the Prime Minister’s summing up; 

(ii) in consultation with the Lord President, to arrange for briefing material on recent wage settlements to be made available to Ministers and selected Government backbenchers.
(2) Invited the Chancellor of the Exchequer to arrange for the Ministerial Committee on Prices and Incomes to consider future strategy on incomes policy, and to report their conclusions to the Parliamentary Committee and subsequently to the Cabinet.

4. The Cabinet had before them a memorandum by the Minister of Health (C(68)82) covering a draft Green Paper on the administrative structure of the medical and related services in England and Wales.

The Minister of Health said that the proposals in the Green Paper for possible changes in the present tripartite structure of the Health Service were tentative: the object of publishing them was to provide a basis for consultation and public discussion in order that the problem of organising the Health Service might be seen in the context of the proposals expected later in the year from the Royal Commission on Local Government in England (the Redcliffe-Maud Commission); and the Foreword emphasised that no decisions would be taken until this process had been completed. He proposed to publish the Green Paper at the same time as the publication of the Report of the Interdepartmental Committee on Local Government and Allied Personal Social Services (the Seebohm Report) and to announce the publication by means of a Written Answer, but not to make a statement upon it.

The Lord President said that the Social Services Committee had considered a draft of the Green Paper, and had examined in particular how far the Government would be committed by its publication and whether the Green Paper should leave open the possibility of bringing the Health Service within the structure of local government. They had concluded that it would not be inappropriate for the Green Paper to express the personal views of the responsible Minister about the reorganisation of the service, provided that it did not exclude other possible solutions.

In discussion there was general agreement that the Green Paper offered a valuable means of opening the subject to public discussion, and that it was not necessary in advance of consultation and of consideration of the Redcliffe-Maud Report for the Government to take any decisions or to be committed to any particular view about the future of the service. At a later stage it would be necessary to balance the desirability of devolution to local bodies against the need for centralised control of a service responsible for a major block of public expenditure. In the meantime, however, it was important not to put forward proposals—such as those in paragraph 59 of the draft on the possible composition of Area Boards and the place of local authorities in the new structure—on which those concerned might be encouraged to insist in subsequent discussion. Paragraph 59 went too far in proposing that a considerable proportion of the members of Area Boards should be
nominees of local authorities, who in this context would represent the consumer and have no responsibility for financing the service. The composition of the Boards would have to take account of the demand among the Government’s own supporters for some democratic element in the control of the service; but it must also command the support of the medical profession. It might be desirable to include persons possessing managerial skills and representatives of nursing and other staff. The Boards would, however, be responsible for policy rather than day-to-day management, which would be undertaken by people with appropriate training in management who were now being recruited.

In further discussion it was suggested that, in order to avoid creating expectation of a particular composition of the Boards while leaving these various possibilities open, paragraph 59 should be redrafted on the following lines:

In general it would be desirable to provide for flexibility in the size and composition of the membership of Boards, and room should be left for evolution. In order to bring direct experience of the practical problems of the services and to assist with the task of remodelling patterns of care, some members with broad professional knowledge of medical and related services would be needed, though it would not be desirable for these to be nominated to represent special interests. In areas containing medical schools the Minister might appoint on the nomination of universities one or two additional members. In addition, it would be important to make arrangements to ensure that appropriate account was taken of the interests of local authorities. It is for consideration how this could best be done, and this is a matter on which comment would be particularly valuable.

Paragraph (v) of the foreword should also be amended to draw attention to the financial difficulties in the way of bringing the service within the local authority structure. For the third sentence of the paragraph there should be substituted:

It would not be appropriate to try to anticipate, in detailed discussion in this Green Paper, the effect of changes which might result from the Royal Commission’s Report. But it must be recognised that a unified administration of health services under local authorities would raise major issues in relation to financing the integrated services, and one should certainly bear in mind the acknowledged difficulties of increasing local revenues and the problem of reconciling the continuing independence of local government with continuing and increased support from the Exchequer; such issues would call for extensive further consideration.

In the fourth sentence of the paragraph the words “including members of the local authorities nominated by them” should be omitted.
The Prime Minister, summing up the discussion, said that the Cabinet agreed that the Green Paper should be published, with the amendments which had been agreed, as a contribution to the democratic discussion of the future structure of the medical and related services in England and Wales. The paper would not commit the Government to any particular solution, and indeed the Cabinet could not properly reach any conclusions in advance of the discussion and consultation on the Green Paper and of their consideration of the Reports of the Redcliffe-Maud Commission and the Seebohm Committee. The Paper should be published at the same time as the Report of the Seebohm Committee in the week before the Parliamentary recess and announced in a Written Answer but without any formal statement on behalf of the Government. It would be appropriate for the Minister to explain the nature of the Green Paper to the Lobby on the date of publication.

The Cabinet—

1) Approved, subject to the amendments agreed in their discussion and to any consequential amendments, the draft Green Paper appended to C (68) 82.

2) Invited the Minister of Health to arrange for the publication of the Green Paper on the lines indicated in the Prime Minister's summing up.

Cabinet Office, S.W.1,
9th July, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 18th July, 1968,
at 11.45 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEWDYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Paymaster General
The Right Hon. ROY MASON, M.P., Minister of Power
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 3)
The Right Hon. JUDITH HART, M.P., Minister of Social Security (Item 3)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. E. M. Rose
Mr. R. R. D. McIntosh
Mr. J. Crocker

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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 reported that, after consultation with the Ministers concerned, he had concluded that there would be no occasion to arrange for the House of Commons to sit formally in the week beginning 28th July to receive notification of the Royal Assent to Bills.

The Paymaster General said that the House of Lords would rise for the Summer Recess on 1st or 2nd August, but would need more time to complete Government business than would be provided by the proposed two weeks’ sitting in October. He had secured the agreement of the Opposition to the House sitting on 7th and 8th October, but it was desirable that in addition an extra day should be available at the end of the Session for the resolution of possible differences between the two Houses on amendments to the Transport Bill. This would mean postponing the Prorogation to 28th October and the State Opening of Parliament to 30th October; but willingness on the part of the House of Commons to alter their programme to this extent would make it easier to secure the co-operation of the House of Lords in a timetable which would still be somewhat crowded. Consultations were in progress through the usual channels with a view to the reduction of the time devoted to the Debate on the Address from six days to five. The proposed timetable would not enable the Divorce Bill to be passed, but the sponsors were now willing to reintroduce it in the coming Session.

The Cabinet—

Agreed that, in order to accommodate the timetable proposed by the Paymaster General, the Opening of the 1968–69 Session should be deferred until 30th October and the Prorogation of the current Session, if necessary, to 28th October.

2. The Foreign Secretary said that he had received a visit on 16th July from M. Monnet, the Chairman of the Action Committee for the United States of Europe. M. Monnet had also called on the Prime Minister. The Action Committee was an independent body whose objectives were to facilitate our entry into the European Economic Community (EEC), to promote co-operation between an enlarged EEC and Eastern Europe and to develop relations, as between equals, between Europe and the United States. It was at present composed of Parliamentary groups and employees’ organisations in the six countries of the EEC. The only political parties which were not represented were the Communists and the Gaullists. It was the unanimous wish of the Action Committee that
the Labour, Conservative and Liberal Parties and the Trades Union Congress (TUC) should be invited to become members of the Committee. M. Monnet had enquired whether the Labour Party would be prepared to accept such an invitation and said he proposed to make a similar approach to the Leaders of the Conservative and Liberal Parties. An approach had already been made to the TUC direct by Herr Rosenberg, the German Trade Union leader, and Mr. George Woodcock, the Secretary-General of the TUC, had replied that although he could not commit his colleagues, he foresaw no difficulty in obtaining the TUC's acceptance of the proposed invitation. Labour Party membership of the Committee would be in line with the Government's policy of seeking membership of the EEC. It would be valuable not so much for its formal benefits as for the opportunities it would offer for contacts with leading European Parliamentarians. The Conservative and Liberal Parties and the TUC were likely to accept the invitation. It would be very difficult for the Labour Party to refuse. The right course might therefore be for him to reply that the question would, of course, have to be referred to the Labour Party, but that if a formal invitation were received, he expected it would be accepted.

In discussion it was suggested that although there might be considerable advantages in joining the Action Committee, more information was required on the composition and functions of the Committee before an invitation was accepted. In particular, it was desirable to know whether similar invitations were being extended to Parliamentary groups in other member countries of the European Free Trade Area, and whether there were any special reasons to explain why the invitation had been given now and why some members of the Committee appeared to represent Parliamentary parties and others national parties. When more information was available, it would be necessary to consult the Parliamentary Labour Party. The present time of the Parliamentary year was not appropriate for this.

The Cabinet—

(1) Invited the Foreign Secretary to be guided by their discussion in replying to M. Monnet.

Czechoslovakia

(Previous Reference: CC(65) 25th Conclusions, Minute 2)

_The Foreign Secretary_ said that the full text was not yet available of the letter which had been sent to the Czechoslovak Communist Party by the Communist leaders of Bulgaria, East Germany, Poland, Hungary and the Soviet Union after their meeting in Warsaw on 14th–15th July. But from summaries it was clear that it called on the Czechoslovak Communist Party to curb liberal forces and to impose censorship. It described the present situation in Czechoslovakia as completely unacceptable. Meanwhile, although the withdrawal of Soviet troops had been resumed, their presence still created a background of uncertainty. It seemed that the Soviet aim was to strengthen the position of the conservative elements against the liberals in the Czechoslovak Communist Party before the extraordinary Party Congress which had been called in September. The Yugoslav and Rumanian Communist Parties had made plain
their sympathy with Czechoslovakia; and the French Communist Party had called for a meeting of European Communist Parties to discuss the Czechoslovak problem. It was possible that such a meeting would be held. It appeared that the Russians had not yet decided whether or not they would try to coerce Czechoslovakia if their policy of political pressure and sabre-rattling failed to achieve its purpose. But it was clear that the new leaders in Czechoslovakia would need to proceed cautiously if they wished to make progress with their policy of liberalisation. There would be obvious dangers if any member of the Government were publicly to express sympathy with the Czechoslovak leaders; and any Government statements would need to be very carefully considered. One of the lessons which could be drawn from the implied threat that armed force might be used against Czechoslovakia was the importance of maintaining the North Atlantic Treaty Organisation.

In discussion there was general agreement that although the situation in Czechoslovakia was dangerous, there was no action which we could usefully take. The Czechoslovak Government had not asked for help, nor, as far as we knew, sought to contact any Western Powers. Any attempt to intervene on their behalf with the Soviet Union would be counter-productive. The violent tone which characterised the letter to the Czechoslovak Communist Party was not unusual in Communist communications. The Soviet Union was clearly hoping to intimidate the present Czechoslovak Government or to promote its overthrow. Only if these tactics failed might they feel obliged to resort to armed force. In that event there could be no question of military intervention by the Western Powers; and the case would probably be taken to the United Nations.

The Foreign Secretary said that it was too early to assess the consequences of the coup which had taken place in Iraq on 17th July and had resulted in the overthrow of President Arif. There was no reason to suppose that the new Government would be any more anti-British than its predecessor. It was not yet possible to say whether it would adopt a more friendly attitude towards Jordan. President Arif was now in London where his wife was in hospital.

The Cabinet—

(2) Took note of the statements by the Foreign Secretary.

The Commonwealth Secretary said that the report in the Sun of 18th July that 20 British Army Saracen armoured cars were on their way to Nigeria was, as far as he knew, correct. They formed part of the normal arms supplies which it was our policy to send to the Federal Government. This was not the first time that arms of this kind had been supplied to the Federal Government since the civil war began. The armoured cars had been despatched by ship; and it would be some considerable time before they could have any effect on the military situation in Nigeria. The Sun had recently adopted an extreme pro-Biafran position in the Nigerian dispute. Lord Hunt would be returning on the following day from his relief mission to Nigeria; and it would be easier to assess the present situation when he had reported.
The Cabinet—

(3) Invited the Commonwealth Secretary to bring the situation in Nigeria before the Cabinet in the following week, in the light of Lord Hunt's report.

CONFIDENTIAL

3. The Cabinet had before them a joint memorandum by the Home Secretary, the Secretary of State for Education and Science, the Minister of Housing and Local Government and the Minister of Health (C (68) 88) to which was annexed a summary of the Report of the Interdepartmental Committee on Local Authority and Allied Personal Social Services (the Seebohm Committee) and the draft of a Written Answer to a Parliamentary Question announcing the publication of the Report.

The Prime Minister said that the memorandum by the Ministers to whom the Seebohm Committee had reported had been brought before the Cabinet not with a view to discussion of the substance of the Report, which was not yet available to Ministers generally, but solely in order that the Cabinet might consider what should be said on the publication of the Report and which Minister should say it. The proposed Answer gave no indication of the Government's views on the substance of the Report, still less on the related problems of the machinery of Central Government; but there was concern lest the public might draw from the identity of the Minister giving the Answer unwarranted conclusions about the decisions likely to be reached on Ministerial responsibility for the proposed local social work departments. In these circumstances it might be appropriate for the Lord President to give the proposed Answer, not in his capacity as Minister-designate of the merged Departments of Health and Social Security, but as co-ordinator of the social services.

In discussion it was suggested that, since the appointment of the Seebohm Committee had been announced by the then Home Secretary, it would be appropriate that the present Home Secretary should announce the publication of their Report. Announcement by the Lord President would be taken by the interests concerned as an indication of the way in which the issue of Ministerial responsibility was likely to be determined. It would therefore be preferable that the Answer should be given by the Prime Minister. It should, however, be clear that responsibility for arranging for outside interests to be consulted on the Report and for co-ordinating interdepartmental consideration of their views should rest with the Lord President as Chairman of the Social Services Committee.

The Prime Minister, summing up the discussion, said that he would give the proposed Answer announcing the publication of the Seebohm Report, but thereafter it would be for the Lord President, as co-ordinator of the social services and Chairman of the Social Services Committee, to co-ordinate both the arrangements for consultation with local authorities and other interests concerned, and
CONFIDENTIAL


The Cabinet—

(1) Took note that the Prime Minister would announce the publication of the Report of the Seebohm Committee in a Written Answer on the lines of the draft annexed to C (68) 88.

(2) Invited the Lord President, as Chairman of the Social Services Committee, to co-ordinate the arrangements for consultation with local authorities and other interests concerned on the Report of the Seebohm Committee and the interdepartmental consideration of the Report in the light of those consultations; and to report to the Cabinet in due course.

CONFIDENTIAL

4. The Cabinet had before them a note by the Secretary of State for Education and Science (C (68) 86) to which was annexed a summary of the conclusions and recommendations of the First Report of the Public Schools Commission.

The Secretary of State for Education and Science said that the principal recommendation of a somewhat unhelpful Report was that suitable independent boarding schools should make half their places available to pupils from maintained schools. The Commission estimated a requirement of 80,000 boarding places by 1980, of which 47,000 should be sought in independent schools: the cost of the scheme when in full operation would be £18.4 million. They also recommended that independent schools which were charities should be deprived of the relief which they enjoyed from income tax, selective employment tax and rates. He proposed that the Report should be published without any Government announcement on 22nd July. He had also submitted to the Social Services Committee the lines of a statement which he proposed to make after the summer recess, but the Committee had deferred consideration of this and of the recommendation about the privileges of charitable schools until they had had an opportunity to consider the full Report.

The Cabinet—

Agreed that, subject to further consultation with the Lord President and the Lord Privy Seal on timing, the Report of the Public Schools Commission should be published on 22nd July without any Government announcement.
The Cabinet considered a memorandum by the Lord Chancellor (C (68) 87) on the Reform of the House of Lords, to which was annexed the draft White Paper on the proposed reforms which had been prepared for the consideration of the Inter-Party Conference.

The Lord Chancellor said that the Ministerial Committee on the House of Lords, under his chairmanship, had come to the conclusion that the Government had to choose between implementing the proposals in the draft White Paper, which had been broadly agreed by the Inter-Party Conference, and some more radical solution which had yet to be devised and would have to be forced through by use of the Parliament Act procedure. They could not do nothing because they had announced their intention to legislate in The Queen’s Speech on the Opening of the present session of Parliament and the Prime Minister in his statement on 20th June had referred to the Government’s intention to introduce comprehensive and radical legislation at an early date. The proposals in the draft White Paper might not appear attractive presentationally, but were in fact radical in substance; they would abolish the built-in Conservative majority in the House of Lords and the power of the hereditary peers; they would end the Lords’ power to veto subordinate legislation; and they would provide a simpler procedure for overriding the House of Lords than that available under the Parliament Acts. In the view of his Committee the choice before the Government was a matter of tactics. If they sought to implement the proposals outlined in the White Paper, all three parties would encounter some opposition from their backbenchers, but the proposals could be expected to go through as a broadly agreed measure. If, however, the Government chose a radical unilateral solution they would have to force the Bill through under the Parliament Act procedure, and in view of the feeling among the Conservative peers in favour of forcing a General Election they would have to pay a heavy price in terms of the dislocation of their legislative programme. In the circumstances a substantial majority of the Ministerial Committee were in favour of going ahead with the preparation of a Bill to give effect to the White Paper proposals.

In discussion there was general agreement that at this stage the decision to be taken was essentially tactical in character. It was suggested that the Government’s best course might be to abandon the idea of legislation during the present Parliament and to concentrate on working out a truly radical solution for future enactment. But against this it was argued that the Government were bound to act during the present Parliament, given the terms of The Queen’s Speech and of the Prime Minister’s statement of 20th June and the damage which an unreformed House of Lords could inflict on the legislative programme for the next two sessions; and that in this situation the agreed proposals although unpalatable in some of their details were to be preferred to an attempt to force a different measure through under the Parliament Act.

* Previously recorded in a Confidential Annex.
There was no doubt that the draft White Paper proposals, and in particular the retention of the hereditary peerage, would be unwelcome to many of the Government's supporters, who might not appreciate how radical the proposals in fact were. A recent meeting of the Parliamentary Labour Party had shown support for the idea of a reformed Second Chamber, perhaps on an elected or regional basis. But it was not generally understood how damaging to the Government's legislative plans use of the Parliament Act procedure would be and this, once understood, would carry weight with those who were anxious to see particular measures passed into law. Moreover the proposals and the way in which they were presented in the draft White Paper might be capable of some amendment, though it would be difficult to make any significant change in the substance of the proposals while preserving agreement. A final decision should be taken in the autumn in the light of the then state of party feeling, but for the moment the draft White Paper proposals seemed the best available solution and work should go forward on this basis.

The Prime Minister, summing up the discussion, said that the majority of the Cabinet were of the opinion that, so far as could be judged at the moment, the best course open to the Government was to seek to implement the proposals in the draft White Paper and work should go forward on the preparation of the necessary Bill. The position should be reviewed in the autumn and a decision taken in the light of feeling among the Government's supporters and in the country generally. Publication of the proposals could play a useful part in crystallising opinion and talks were in progress to see whether agreement could be reached on this between the parties.

The Cabinet—

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

6. The First Secretary of State said that she and the Minister of Transport had had extended discussions with both sides of the National Joint Industrial Council for the bus industry about the pay negotiations for municipal busmen but that they had been unable to reach agreement with them. A special delegate meeting of the Transport and General Workers' Union had now called for a national strike; a final decision on this would be taken by the union's executive council on 25th July, the day before the Order extending the standstill on the municipal busmen's settlement was due to come into effect. The employers had, under pressure from the union, agreed to a settlement which would provide an extra 10s. a week, backdated to December 1967, and a further 10s. a week, payable from June 1968, both on the basic rate. This was substantially worse from the standpoint of incomes policy than the settlement which the Cabinet, when they had last considered the matter, had authorised her to approve. It was also much less satisfactory than the settlement which the union officials had at one time been willing...
to try to secure—namely an increase of 10s. a week on the basic rate payable from December 1967 and a bonus of 10s. a week for one-man operation, payable from June 1968. She considered that it would be a mistake for the Government to take any new initiative in the matter until the following week and that steps should be taken in the meantime to brief the Press on the issues involved. They could then attempt, in the following week, to persuade the parties to modify the settlement so as to provide an increase of 10s. a week on the basic rate backdated to December 1967 and a bonus of 10s. for one-man operation payable from June 1968. If this proved impossible, the Government would have no alternative but to extend the standstill, even though this might well provoke a national bus strike.

After a brief discussion, the Prime Minister, summing up, said that the Cabinet agreed that the Government should not take any initiative in relation to the municipal bus industry until the following week; that steps should be taken in the meantime to inform the Press of the issues involved; and that further action should be left to the Chancellor of the Exchequer, the First Secretary of State, the Minister of Transport and himself to decide.

The Cabinet—

Took note with approval of the Prime Minister’s summing up.

Cabinet Office, S.W.1,
18th July, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 1st August, 1968 at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. ANTHONY CRUSLAND, M.P., President of the Board of Trade (Items 1-4)
The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Paymaster General
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland

The following were also present:
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 3-5)
The Right Hon. JOHN MASON, M.P., Minister of Power

Mrs. EIRENE WHITE, M.P., Minister of State, Welsh Office (Item 5)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. P. E. THORNTON
Dr. F. H. ALLEN
Dr. T. SWAIN

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1. The Cabinet were informed of the business provisionally arranged for the remaining weeks of the Session in October. The timetable would depend to some extent upon the progress which the House of Lords were able to make with Government business during their extra sittings on 7th and 8th October.

_The Prime Minister_ said that the Leaders of the two Houses of Parliament and the Chief Whips were to be congratulated on the success of their efforts to secure the passage of a heavy programme of Government measures. He had taken the opportunity of expressing to the First Parliamentary Counsel, Sir Noel Hutton, on his recent retirement, the Government’s appreciation of the manner in which Parliamentary Counsel had discharged the heavy burden of drafting which had been laid upon them in the current Session of Parliament.

_The Prime Minister_ said that a Motion stood on the Order Paper in the name of Mr. George Willis censuring the Leader of the Opposition for seeking to involve the Lord President of the Court of Session in the work of the committee which the Leader of the Opposition was setting up to examine his proposal for a Scottish Assembly. The Ministers concerned should consider during the Recess, in consultation with the Lord Chancellor as appropriate, what action it would be necessary to take if this Motion or a formal Motion of Censure remained on the Order Paper when the House resumed.

The Cabinet—

Invited the Lord Privy Seal, the Secretary of State for Scotland, the Attorney-General and the Lord Advocate, in consultation with the Lord Chancellor as appropriate, to consider what action ought to be taken if either the existing Motion or a formal Motion of Censure were on the Order Paper when the House of Commons resumed sitting.

2. _The Foreign Secretary_ said that there was little information available about the meeting which had begun on 29th July at Ciena Nad Tisu in Czechoslovakia between the Presidium of the Central Committee of the Communist Party of Czechoslovakia and the Politburo of the Communist Party of the Soviet Union. Such reports as there were suggested that the meeting was going fairly well from the point of view of Czechoslovakia. But the Soviet Union was in a difficult position and could not make major concessions without appearing to suffer a diplomatic defeat. We had to be very careful about what we said to the Soviet Union on this issue. He had decided that it would be unwise for him to raise the question with the Soviet Ambassador or to instruct our Ambassador to Moscow to do so. But he had arranged for a
message to be conveyed informally to the Soviet Ambassador to the
effect that there were at present several promising possibilities for
improving East/West relations, but that it would be impossible to
follow them up if things went wrong in Czechoslovakia. Subsequently
the Soviet Ambassador had come to see him on 30th July to inform
him of a proposal by the Soviet Union and other Communist
countries to establish an international communications organisation,
called Inter-Sputnik, membership of which would be open to all
other countries. The Ambassador had not made any reference to
Czechoslovakia. But the Foreign Secretary had taken the
opportunity to repeat the message which had already been conveyed
informally to the Ambassador. The Ambassador’s reaction had
been cautious and defensive and he had laid emphasis on the needs
of Soviet military security, with particular reference to Germany.
Similar approaches had apparently been made in other capitals; and
it was clear that their purpose was to elicit world reaction on the
Czechoslovak issue.

The Cabinet—

Took note of the Foreign Secretary’s statement.
exceeding £1,000 million gross (undiscounted) would be earned; with the more realistic figure of 120 sales, the corresponding balance of payments benefit (undiscounted) would be £740 million. With 120 sales, the implied subsidy would be in the range 9–29 per cent. If we were now to cancel the project by unilateral action, we should almost certainly have to refund the French Government £140–£230 million, as a result either of a direct settlement or of an award by the International Court of Justice. In view of these uncertainties, the prospects for the project could not be effectively assessed; but the leaders of the British firms involved, whose professional reputations were at stake, were optimistic, and officials of the Ministry of Technology also took the view that it would be unwise to cancel the project at this stage, when we had a 5-year lead over the United States.

There were four possible courses of action:

1. To continue with the project as an act of faith. This could not be advocated.

2. To decide unilaterally to cancel now and to announce the decision immediately. This would be mistaken, as the project might still prove to be a success, and it would in any case expose us to the payment of damages nearly as great as the cost of continuing.

3. To decide to cancel now, and to plan a strategy of withdrawal leading to cancellation at the end of the year. This course would be hazardous since there would be a serious risk of leakage, and the fact that a decision had been reached several months before we announced the fact to our partners might ultimately have to be disclosed, e.g., in evidence to the Public Accounts Committee. It would also require us to involve our French partners in further expenditure which we knew would be fruitless.

4. To seek agreement with the French to
   
   (a) criteria relating to development costs and firm orders; and
   
   (b) joint consideration on whether to continue with the project if it appeared that the criteria were unlikely to be satisfied.

Course (4) would make it possible for us to assess the prospects of cancellation without damages and to provide for the possibility of technical and commercial success. If this course were favoured, he would hold discussions with M. Chamant, the French Minister of Transport, and propose a reappraisal of the situation by the Concorde Economic Prospects Committee.

The Attorney-General said that if, in the event of cancellation by the United Kingdom, the issue were referred to the International Court of Justice, we should have to prove that there had been a fundamental change in the circumstances surrounding the project, sufficient to justify a unilateral withdrawal and of such
a nature that it could not have been contemplated at the time of
the original agreement. Because the technical and market
prospects, though uncertain, did not seem poor enough to justify
cancellation, such a case would have to be based on the continuing
growth of the development costs. Even on costs, however, our
position was delicate because the previous Government had resisted
the inclusion of a break clause in the knowledge that the project
was highly speculative; and the present Government had on several
occasions agreed to continue the project with the knowledge of
mounting estimates, and this implied a commitment to continue at
these higher figures. We should now have to lay down a financial
limit beyond which we would decline to continue. From the point
of view of probable success in the International Court, £600 million
might be a reasonable figure for this purpose.

In discussion it was pointed out that the cost of Course (4)
recommended by the Minister of Technology, would exceed that of
Course (3) by £50 million in 1969-70. This saving was badly
needed to provide an adequate contingency allowance in the public
expenditure programme, without which it would be extremely
difficult to accommodate the various new items of expenditure which
would inevitably arise. However, if we were not to cancel the
project now, we should direct our attention in the months ahead to
the best means of withdrawing from, rather than of continuing with,
the project. If such contingency planning led to a satisfactory
strategy for withdrawal, a decision to cancel at the end of the year
could then be implemented without delay; and this modified
Course (3) would not be open to the objections stated by the
Minister of Technology. The chances of success had deteriorated
since the Cabinet reviewed the project in January: the technical
programme was behind schedule and these delays might mean that
action under Course (4) could not be taken until the end of 1969, up
to which time we should be continuing to spend on the project at
the rate of about £1 million a week. If Course (4) were to be
adopted, it was essential that the criteria should be strictly adhered
to, and that a marginal failure to meet them should not be allowed
to postpone the decision to cancel. If the French Government
were unwilling to accept the criteria, either in principle or in the
specific terms which we considered reasonable, we should cancel
the project unilaterally without delay.

It was argued that no decision on the future of the project
should be announced before the aircraft had made its first flight;
any earlier decision would make us more vulnerable to the risk of
damages. When the flight tests had shown whether the technical
problems could be overcome, the criteria proposed in Course (4)
would take effect. The criteria which we should propose to the
French would require very careful consideration. If we were to
propose that the limit of development costs should be £550 million,
when it was known that this was regarded by the United Kingdom
as a conservative estimate, the French would take this as being
tantamount to cancellation. A limit of £600 million should not be
open to this objection. The second criterion of firm orders from

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four major airlines was satisfactory; but it was for consideration whether it would be useful to add a third criterion about engine noise. If engine noise were not kept within acceptable limits, the market prospects for the aircraft would be considerably reduced. This point might, however, be subsumed in the criterion relating to firm orders.

The Prime Minister, summing up the discussion, said that on balance the Cabinet took the view that we should seek the agreement of the French Government to criteria, relating to development costs and firm orders, in the light of which we could subsequently decide whether or not to proceed with the Concorde project. If it became clear that the criteria or anyone of them would not be fulfilled, we should then withdraw. If the French Government rejected the concept of criteria, or objected to the criteria we considered reasonable, we should cancel at that point; but the Minister should report the situation so that the Cabinet might ratify the decision. In order that such cancellation might be effected expeditiously and with the minimum risk of damages, the necessary contingency planning should now be put in hand to develop the best strategy for withdrawal. The limit to be set on development costs should be £600 million at 1966 prices; but this should also be evaluated in terms of current prices and the latter figure should be used for the public presentation of our case in the event of a unilateral cancellation on our part. The criteria should be drafted by the Ministry of Technology in consultation with the Treasury, the Foreign Office, the Board of Trade and the Law Officers' Department, who should also consider whether a limitation on engine noise should be included as a third criterion. If the Departments concerned were unable to agree, the matter should be reported to the Cabinet. Until cancellation was imminent, it was accepted that the Ministry of Technology would work for the success of the project and should be seen to be doing so.

The Cabinet—

(1) Agreed to seek the agreement of the French Government to criteria on development costs and firm orders, in the light of which the future of the Concorde project could be determined.

(2) Agreed that the United Kingdom should take immediate action to withdraw from the project if and as soon as it was clear that the criteria or any one of them would not be met, or if the French Government rejected either the concept of criteria or such specific criteria as the United Kingdom Government considered reasonable.

(3) Invited the Minister of Technology, in consultation with the Foreign Secretary, the President of the Board of Trade, the Chief Secretary, Treasury, and the Attorney-General, to arrange for the preparation of suitable criteria on the lines indicated in the Prime Minister's summing up.
European Airbus

(Previous Reference: CC (68) 33rd Conclusions, Minute 4 (5))

The Cabinet considered a memorandum by the Minister of Technology (C (68) 91) about the continuation of the project definition stage of the A 300 European Airbus.

The Minister of Technology said that much of the expected increase in world air traffic over the next decade was expected to be carried by aircraft in the Airbus category. The A 300 European Airbus was therefore deliberately designed to meet a real future need and to keep Europe in the main stream of large civil aircraft development. The immediate issue was whether we should withdraw from the project now, or continue with the project definition stage, to which we had agreed with our French and German partners, until it was completed in four months' time. Although the project, as now defined, did not look economically viable and certain of the criteria incorporated in the Memorandum of Understanding had not been met, we should give the firms a chance to put forward more acceptable proposals. We should, however, lay down certain criteria which would have to be met if we were to continue further: we must insist that the production cost be cut by at least 10 per cent; that performance guarantees for airlines be improved; that an assured market for 75 aircraft, underwritten by Governments, be guaranteed; and that the recovery of the Government's investment be on the basis of a fixed margin, reducible only in conjunction with a reduction of manufacturers' profit to secure particular sales. If we withdrew now, not only would the French and German Governments hold us responsible for wrecking an important and promising project, but future prospects of collaboration in Europe would be considerably undermined. If at the end of the project definition stage no improvement in cost, performance and market were made, we should have sound economic arguments which would enable us to withdraw from the project without odium.

In discussion it was pointed out that estimated costs of the project had grown more quickly than those of any other aircraft project, including the Concorde. It seemed unlikely that the criteria we laid down would be fulfilled, and it would be better therefore to cancel the project now rather than spend a further £2 million to complete the definition stage. However, to withdraw now with no plausible case would cause a great deal of acrimony and probably prevent our being associated with the Advanced Combat Aircraft project. In any case, it was possible that under present circumstances the French might decide to announce their withdrawal from the Airbus project, and we should not make any move until we had studied the situation which would result. In addition our withdrawal from the Airbus now might prejudice our negotiations over Concorde.
The Cabinet—

(5) Agreed that, subject to the criteria outlined in C (68) 91 being strictly met, we should agree to defer for a further four months the decision whether or not to go ahead.

The Cabinet considered a memorandum by the Minister of Technology (C (68) 92) on the continuation of the United Kingdom/United States Advanced Lift Engine Programme.

The Minister of Technology said that the programme was begun two and a half years ago with the object of developing and proving an advanced technology engine suitable for installation in a VTOL production aircraft. Although there were no direct applications at present, the engine could be used either as a direct lift engine, as a booster for civil aircraft or as a large fan engine for inter-city VTOL transport aircraft. The development of the engine was being undertaken jointly by the Rolls-Royce Company and the Allison Division of General Motors. Although the technical work was divided equally our share of the costs was only 30 per cent of the whole and Rolls-Royce were prepared to subscribe 20 per cent of the total United Kingdom share if the programme went through to completion. The present programme would come to an end in May 1969 and should prove the technical feasibility of an advanced lift engine of this type. However more work was required to complete the programme, including tests to prove performance and mechanical integrity, so that the companies concerned could sell the concept to potential customers on a firm basis. Continuation of the programme was estimated to cost about half that envisaged earlier, before the projected United States/German AVS fighter aircraft was cancelled, and would help to cement the developing relationship between Rolls-Royce and Allison, with the possibility of increasing our chances of penetrating the United States market in acro-engines. There was thus a strong case for agreeing that the advanced lift engine programme should continue on the reduced scale proposed until the end-April 1970 at a total cost to the United Kingdom of £5:5 million, to which Rolls-Royce would contribute £1 million.

In discussion the view was expressed that in the light of the Cabinet’s previous discussion on the Concorde it would be appropriate to allow the advanced lift engine programme to continue.

The Cabinet—

(6) Agreed that the United Kingdom/United States advanced lift engine programme should continue on the reduced scale proposed until the end of April 1970.
4. The Cabinet considered memoranda by the Chancellor of the Exchequer (C (68) 89) and by the Secretary of State for Economic Affairs (C (68) 94) about the location of the Inland Revenue computer centre for southern England.

The Chancellor of the Exchequer said that the choice for the site for the computer centre lay between the Portsmouth/Southampton area and Plymouth. Neither area was in a development area though Plymouth was near one. A decision in favour of Plymouth would cost an additional £1 million and would delay completion of the Inland Revenue centralisation programme and its substantial economies by five years; meanwhile the Inland Revenue would be obliged to operate both manual and automated systems—a costly and inefficient arrangement. There was also a very real risk that the Inland Revenue Staff Federation would not co-operate in the implementation of the new scheme as a whole if none of the proposed new centres were situated in the south-east. In this connection he would point out that the fullest regard had been paid to regional policy in planning the location of the centres. The tax work from the London area was being transferred to centres in Manchester and Edinburgh; and other centres were being planned for East Kilbride, Bootle and Tyneside (all in development areas), Cardiff and Leeds/Bradford. For these reasons he invited his colleagues to agree that the computer centre for southern England should be located in the Portsmouth/Southampton area.

The Secretary of State for Economic Affairs invited the Cabinet to confirm the decision, which had been reached after most careful consideration by the Ministerial Committee on Environmental Planning, that the centre for southern England should be located in Plymouth. The considerations of regional policy were so overwhelmingly in favour of Plymouth that they should override the admitted practical difficulties for the Inland Revenue from this choice. The level of unemployment in Plymouth was considerably higher than in Portsmouth/Southampton. The Government had recognised the importance of attracting industrial and office work to Plymouth as an urban centre to be developed for the south-west as a whole and had undertaken to take every opportunity of moving Government work there. In Portsmouth, on the other hand, a shortage of office staff was developing and the popularity of the area was demonstrated by the very rapid recent rate of growth of rateable values for offices in Portsmouth as compared with those in the rest of the country and in Plymouth in particular. The Government had recently made clear that the growth of the south Hampshire area would be based on existing industry—or industry tied to the south-east—and would not be allowed to attract industrial and office expansion which would otherwise be suitable for the development areas. Plymouth was in any event an attractive town and he found it difficult to believe that the small number of key Inland Revenue staff who would be required to transfer to the centre in ten years' time could not be found, particularly in view of the 10–14 per cent annual rate of staff
wastage. As for the additional cost involved in the choice of Plymouth, £1 million was a relatively very small price to pay for the creation of an additional 2,000 jobs on the edge of a development area. The provision of office as well as factory work in development areas was of growing importance in order to provide balanced regional economies while the opportunities for providing office work on the present scale were few and infrequent.

In discussion some Ministers considered that the loss of efficiency, additional cost and staff difficulties involved in siting the centre at Plymouth outweighed the regional policy considerations in favour of such a choice while others considered that they did not.

The Prime Minister, summing up the discussion, said that on balance the Cabinet favoured the choice of Portsmouth/Southampton.

The Cabinet—
Agreed that the Inland Revenue computer centre for southern England should be located in the Portsmouth/Southampton area.

5. The Home Secretary said that he had thought it right to raise in Cabinet the question of the removal of the spoil tips at Aberfan because, while the decision taken in the previous week that the cost of removing the tips should be shared by the Government and the National Coal Board (NCB) subject to the provision of £0.25 million by local interests, had initially been welcomed in Wales, it had subsequently been misinterpreted to mean that the Aberfan Disaster Fund would be expected to contribute the whole of the £0.25 million, and this might deprive the Government of the public support attracted by the decision that the tips should be removed.

The Minister of State, Welsh Office, said that of the three local committees concerned, the Aberfan Parents Committee and the Tip Removal Committee were now against the proposed arrangement, and it was expected that the Disaster Fund Committee, which was meeting on the following day, would also by a majority reject it. This would place the Secretary of State for Wales in a difficult position because the original intention had been that he should raise a new fund in Wales which would be matched pound for pound by money saved from the Welsh Office allocation of funds for 1970–71. In view of the reaction in Aberfan it was unlikely that it would be possible to raise this fund, and the public were now asking why the removal should not be financed under the Derelict Land Scheme, for which a grant of 85 per cent was available. In view of the fact that a tip in the Rhondda Valley had been removed under this scheme the public would find it difficult to understand why it was inappropriate to the circumstances
of the Aberfan tip. The situation would be improved if it could be
made clear that the initial expenditure by the NCB and the
Government was not dependent on local contributions, so that the
work could at least begin notwithstanding a possible refusal by the
Disaster Fund Committee to contribute at this stage.

In discussion it was pointed out that, while the Derelict Land
Scheme could not be used because it could not be said that the
removal of the tip was necessary to attract industry to the area,
it would be possible to use powers under the Local Government
Act, 1966 which attracted a 50 per cent grant to which would be
added rate support grant on the remaining 50 per cent if the local
authority would co-operate; but they were understood to be
unwilling to do so. In view of the not ungenerous Government
offer and of the sums which the NCB were prepared to put into the
removal or landscaping of the tips, public opinion both in other
areas of Wales and in the country generally might well be critical
if the Government yielded to pressure to contribute a further
£0.25 million to the proposed scheme. On the other hand, it must
be recognised that opinion in Aberfan was now highly emotional,
that nothing short of the removal of the tips would be acceptable,
and that it might well be thought that this had a higher priority
locally than some of the amenity schemes contemplated by the
Disaster Fund. In this situation the best course might be to seek
to dissuade the Committee of the Disaster Fund from reaching a
decision on the scheme before the Secretary of State for Wales, who
would be returning at the weekend from an official visit to Brunei,
had had an opportunity of discussing the situation with the
Committee. The Secretary of State should then seek to persuade
the Committee to match pound for pound the £0.25 million which
the Government were prepared to contribute.

The Prime Minister, summing up the discussion, said that, while
the Cabinet appreciated the special problems created by the abnormal
state of public opinion in Aberfan, they were reluctant to agree that
the Government should contribute a larger sum to the removal of
the tips than that announced by the Secretary of State for Wales on
26th July. The Minister of State, Welsh Office, should therefore seek
to persuade the Committee of the Disaster Fund that they should
take no decision on the scheme until they had discussed it with the
Secretary of State for Wales on his return to this country.

The Cabinet—
Invited the Minister of State, Welsh Office, to proceed as
indicated in the Prime Minister's summing up of their
discussion.

Cabinet Office, S.W.1,
2nd August, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 22nd August, 1968, at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. FRED PEART, M P, Lord Privy Seal
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M P, Secretary of State for Education and Science
The Right Hon. CLEDWYN HUGHES, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M P, Secretary of State for Wales

The Right Hon. RICHARD CROSSMAN, M P, Lord President of the Council
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. GEORGE THOMSON, M P, Secretary of State for Commonwealth Affairs
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology

The Right Hon. LORD SHACKLETON, Paymaster General
The Right Hon. ROY MASON, M P, Minister of Power

The following were also present:

The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury
Mr. EDMUND DELL, M P, Minister of State, Board of Trade

Secretariat:

Sir BURKE TREND
Miss J. J. NUNN
Mr. R. R. D. McINTOSH
Mr. H. L. LAWRENCE-WILSON
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The Foreign Secretary said that we did not know the strength of the Warsaw Pact forces that had invaded Czechoslovakia on the night of 20th–21st August, but it was clear that their grip on the country was complete although some free radio stations were still operating. Ground forces of the Soviet Union, East Germany, Poland and Bulgaria were involved together with Soviet air forces. There were also indications of an increased level of activity in the Soviet long-range air and rocket forces but these did not appear to be in a high state of alert. A remarkable feature of the political situation was that no Czech leader had so far shown himself willing to act as a Soviet puppet. Mr. Dubcek, the Secretary of the Czech Communist Party, and others were in detention, but President Svoboda had issued a statement on the previous evening calling for the withdrawal of the invading troops and for the liberalisation programme in Czechoslovakia to continue; it might be, however, that the Soviet authorities hoped that he would be prepared to co-operate with them. The Czech people were behaving with very great restraint and, although there had been some deaths, widespread bloodshed did not seem likely. It was not clear why the Soviet Union had resorted to military action, despite the agreement reached at Bratislava; it might be that they did not consider that censorship was being sufficiently rigidly imposed by the Czech Government as a result of the agreement or that they feared the outcome of the elections for the Presidium of the Czech Communist Party which were due to take place on 9th September.

Our decision to publish a statement on the previous day condemning the Soviet action had been both right in principle and justified in its results. Our objective had been to avoid acting in isolation but to be among the leaders of the reaction of world opinion. Support had been rallied in the United Nations and seven members of the Security Council, including France, had called for a meeting of the Council, at which all but the Soviet Union and Hungary had voted for the matter to be inscribed on the agenda. Those voting in favour had included Algeria and also India and Pakistan, whose High Commissioners had been called to a meeting of Commonwealth representatives in London at the Commonwealth Office on the previous day where they had been briefed on the facts of the situation as we knew them and of our attitude to them. It was possible that there would be a vote on a suitable Resolution in the Security Council by the following day. There would be great advantage if, despite the certainty of a Soviet veto, this happened before a puppet Government had been set up in Czechoslovakia. We should decide, in the light of events, what further action would be appropriate in the United Nations.

As regards the North Atlantic Treaty Organisation (NATO), he had stressed in an interview on television about our attitude to the Czech crisis that recent events had demonstrated the Organisation's great importance. Nevertheless, it did not appear
that we faced the likelihood of general war in Europe but rather a serious setback to a better understanding between East and West. Although some precautionary action had been taken in NATO and some consideration given to the possible refugee problem, no general alert had been instituted.

Looking to the longer-term effects of recent events on our relations with the Soviet Union and on East/West relations generally, our objective should remain to obtain world-wide condemnation of the Soviet action but to avoid becoming singled out as particularly hostile. We should need to consider our attitude on trade and on Ministerial and official visits to countries which had participated in the aggression and for the present such visits should be avoided. He had himself cancelled his planned visits to Hungary and Bulgaria but was prepared to carry out that to Rumania unless the Rumanian Government preferred him not to do so.

In discussion, there was general agreement with the action which had been taken to issue a Government statement on the previous day and with its terms. There was agreement also that our policy should be on the lines indicated by the Foreign Secretary. It did not appear that there was at present any threat to peace in Europe generally and the Soviet Government had been at pains to impress on NATO Governments the limited nature of the action that was being taken. We had been aware that forces were being concentrated on the borders of Czechoslovakia and were not therefore taken by surprise; but the NATO authorities were being careful to do nothing which might increase tension. So far there were no indications that a similar move was intended against Rumania. There was at present a general understanding that the West would not intervene against the Soviet Union in Soviet bloc countries and that Soviet intervention in Berlin or in a NATO country would involve risk of general war. At the same time, it was clear that the regimes in Eastern Europe, and particularly that in East Germany, only remained in power by the ruthless use of military force and of censorship. If the Soviet Union were to fail in her objectives in Czechoslovakia it was possible that the regimes in the surrounding countries would disintegrate. It was not yet clear, however, that the Soviet Union would be able to find Czechoslovak nationals willing to form a puppet Government and she might have to withdraw her troops. In that event the Czech people might not totally have lost. We should consider how far it would be in our interest, despite the risks involved, for the Soviet Government to fail and whether we could do anything to encourage the Czechs to insist on the authority of their legal Government and to press for the Russians to withdraw their troops. While we should not seek to stimulate the Czechs to resist, it would be right for us to ensure, in concert with other like-minded countries, that the facts of the situation both inside and outside their country were available to them, particularly in the next few days, before it became clear whether or not a puppet Government would be installed. There would be

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advantage also in arrangements being made, for example, by the Labour Party and the United Nations Association, for public demonstrations to be held in this country in support of the Czech people and Government and for the Government to provide speakers for them. It was important that, both in the forthcoming debate in Parliament and in demonstrations, the attitude of the British people as a whole should be made clear to the Soviet Government. We should consider whether our Ambassador in Moscow should be recalled for consultation and whether there would be advantage in using the "hot line" to Moscow to reiterate our attitude and to ask the Soviet Government, even at this late stage, to withdraw her forces from Czechoslovakia. In general our aim should be to secure the continuance of the existing Czech Government and the withdrawal of Russian troops, though on the understanding that the Czech Government would have to make some concessions to Russian opposition to the programme of liberalisation.

In further discussion, it was agreed that no final decision should be taken at present on whether or not we should recognise any puppet Government that might be installed in Czechoslovakia. This decision would have to be taken in the light of events in concert with our allies. For the present, however, we should continue to recognise the existing legitimate Government. As regards trade, we should adhere to our traditional attitude of not interfering unilaterally with it. Special consideration would, however, be needed of our attitude to the forthcoming Trade Fair at Brno, on which we should seek the views of the Czechs themselves, and of trade concessions which were being considered in relation to the Soviet Union. There were currently 1,000 Czech students in this country on a six weeks' visit as well as other Czech nationals. Arrangements would be made to extend their visas for a month at a time in the hope that the situation would by then have clarified; they would not be sent back against their will.

The Prime Minister, summing up the discussion, said that there was general agreement in the Cabinet with the action which had been taken so far in relation to events in Czechoslovakia. The likely future course of events was unclear and it might be that another meeting of the Cabinet would be necessary early in the following week to consider the situation further and in particular any question of the recognition of a puppet Government. If in the meantime any urgent action became necessary, he would consider it with the Foreign Secretary. It would be helpful if the transcript of the television interview which the Foreign Secretary had given on the previous evening could be circulated to all members of the Cabinet. Ministers intending to make statements about our policy in relation to Czechoslovakia should consult the Foreign Secretary. An urgent examination should be made of prospective visits by Ministers and officials and other sponsored individuals or parties for cultural and other exchanges to the countries involved in the aggression against Czechoslovakia. In so far as such visits had

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already been firmly arranged and were to our advantage, they should in general be allowed to take place though they would need to be carefully watched in the light of future developments. But no new arrangements for such visits should be made at present.

As regards trade relations, we should not seek to close the Soviet Exhibition in London prematurely and, subject to the advice of the Czech representatives in London and to no further deterioration in the situation, our participation in the Brno Trade Fair should be allowed to proceed. An examination should be made of the implications of recent events on our trade policy with the Soviet bloc generally, including in particular the relaxation that had been intended of our quota restrictions on Soviet imports into this country when the trade situation permitted this; the implications for our policy on strategic exports and on the strategic embargo should also be examined with a view to Ministerial consideration early in September. Consideration should also be given to the possibility of increased BBC broadcasts of factual material to Czechoslovakia and to the possibility that the “hot line” to Moscow might be used to reiterate to the Russian Government our attitude to their actions.

The Cabinet—

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

(2) Invited the Foreign Secretary:

(i) to arrange for the transcript of his television interview of the previous evening about Czechoslovakia to be circulated to all members of the Cabinet;

(ii) to arrange for an urgent examination to be made of prospective visits to the countries involved in aggression against Czechoslovakia on the basis indicated by the Prime Minister;

(iii) to arrange for the possibility of increased factual broadcasts to Czechoslovakia to be considered;

(iv) to consider whether there would be advantage in using the “hot line” to Moscow to reiterate our attitude on Czechoslovakia.

(3) Invited the President of the Board of Trade to arrange for the Ministerial Committee on Commercial Policy and the Ministerial Committee on Strategic Exports to consider the implications of recent events on our policy in relation to the aggressor countries on trade and strategic exports respectively.

(4) Invited the Lord Privy Seal to draw the attention of the leader of the prospective Parliamentary delegation to Bulgaria to the question whether it was desirable to proceed with the visit at the present juncture.
2. The Prime Minister said that, after discussion with the Lord Privy Seal on the previous day, he had concluded that the Government should take the initiative in recalling Parliament, and had informed the Deputy Leader of the Conservative Party (Mr. Maudling) and the Leader of the Liberal Party (Mr. Thorpe) of the decision later in the day. It was desirable that the sitting should not be prolonged more than was necessary; but, once Parliament was recalled to consider events in Czechoslovakia, a debate on the situation in Biafra seemed inescapable. It was therefore proposed that the House should sit for two days, on 26th and 27th August.

In discussion it was suggested that the debate on Biafra should not appear to be given equal importance with that on Czechoslovakia. Both debates would take place on a Motion for the Adjournment, but, while that on Czechoslovakia should run until 10 p.m. on 26th August, it might be for the convenience of Members if the House sat on 27th August only from 11 am. to 4 p.m., as on a Friday.

The Prime Minister, summing up the discussion, said that the Lord Privy Seal should seek the agreement of the Opposition parties to this timetable and to the necessary procedural Motions being taken formally. He himself would open the debate on Czechoslovakia, the Foreign Secretary winding up; and the Opposition might be invited to open the debate on Biafra, in which the Commonwealth Secretary would speak for the Government. In view of the importance of obtaining a good attendance for the debate on Czechoslovakia a two-line Whip should be issued, but Members who were too far away to come back without inconvenience should not be pressed to do so.

The Cabinet—

(1) Endorsed the decision to recall Parliament to discuss the situation in Czechoslovakia.

(2) Invited the Lord Privy Seal to seek the agreement of the Opposition parties to the arrangement of the business of the House of Commons on the lines indicated in the Prime Minister's summing up.

(3) Invited the Paymaster General to arrange the business of the House of Lords to coincide with that of the House of Commons.

Cabinet Office, S.W.1,
22nd August, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 24th September, 1968, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs (Items 1 and 2)
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Barbara Castle, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. Denis Healey, M.P., Secretary of State for Economic Affairs
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Minister of Housing and Local Government
The Right Hon. Lord Shackleton, Paymaster General
The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer
The Right Hon. Richard Crossman, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department
The Right Hon. Anthony Crosland, M.P., President of the Board of Trade
The Right Hon. FRED PEART, M.P., Lord Privy Seal
The Right Hon. Anthony Crosland, M.P., President of the Board of Trade
The Right Hon. Richard Marsh, M.P., Minister of Transport
The Right Hon. Cledwyn Hughes, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. George Thomas, M.P., Secretary of State for Wales
The Right Hon. Roy Mason, M.P., Minister of Power

The following were also present:
The Right Hon. Lord Shepherd, M.P., Minister of State for Commonwealth Affairs (Item 2)
The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Item 2)
The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury

Secretariat:
Miss J. J. Nunn
Mr. R. R. D. McIntosh
Mr. H. L. Lawrence-Wilson
Mr. P. E. Thornton

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The Prime Minister reported that the Parliamentary Committee had considered how best to handle the proposal put forward informally by M. Jean Monnet that the Labour Party should join the Action Committee for a United Europe, and the problem, which had arisen in connection with the report of the Labour Party Fuel Study Group, of establishing satisfactory liaison between the National Executive Committee (NEC) of the Labour Party and the Government on the consideration of major questions of policy.

The Committee had taken the view that the invitation to join the Action Committee for a United Europe was primarily a matter for the NEC, though the Parliamentary Labour Party were also concerned and the Government had an interest in ensuring that the Labour Party’s representations on the Action Committee were of appropriate national and international standing. It had been agreed that he should in the first place ask the Acting General-Secretary of the Labour Party, Miss Barker, to call a meeting of the officers of the Labour Party and the Parliamentary Labour Party to consider the invitation, and such a meeting, at which the Lord Privy Seal and the Chief Whip would be present, would take place shortly.

The Committee had also considered a letter from Miss Barker dated 26th July, copies of which he had sent to members of the Government, expressing concern at the failure of Ministers to take account of the work of Labour Party Study Groups in formulating Government policy. The Committee had agreed that liaison between the Government and the Party should be improved but considered it important that there should be communication in both directions. It was disturbing that Study Groups were set up on matters directly related to the work of individual Departments without the responsible Minister being informed. He had therefore proposed in his reply to Miss Barker that representatives of the NEC and of the Government should meet to consider arrangements for establishing more satisfactory liaison.

The Cabinet—

Took note of the Prime Minister’s statement.

The Cabinet were informed of the business to be taken in the House of Commons in the week after the summer recess.

The Lord Privy Seal said that it was hoped to complete the remaining business in time for Parliament to be prorogued on Friday, 25th October, but the new Session would not be opened until Wednesday, 30th October, in case it should prove necessary to defer the prorogation until 28th or 29th October.
Rhodesia

(Previous Reference: CC (68) 30th Conclusions, Minute 6)

The Prime Minister said that Mr. J. R. A. Bottomley of the Commonwealth Office was returning to London later that day from his visit to Rhodesia. Until he did so there was little to report. The Commonwealth Secretary had made it clear publicly that we should be prepared to resume the discussions with Mr. Ian Smith the leader of the illegal régime, only if there was a possibility of securing a settlement on the basis of the six principles which we could honourably accept; and that we should never slam the door.
There could be no question of our reaching an agreement which was not in accordance with our own six principles and unless there were what Ministers had described as a substantial change in circumstances in Rhodesia so as to justify reopening discussion with the other countries of the Commonwealth on the principle of no independence before majority rule (n.i.b.m.r.). Although Mr. Ian Smith had recently demonstrated his ability to resist pressure from his own Right-wing supporters—for example, in introducing legislation to remove the mandatory death penalty for “freedom fighters”—the constitution promulgated in Rhodesia contained provisions contrary to each of the six principles. In some respects it appeared that Mr. Smith might be ready to move closer to our position but there were as yet no indications of his willingness to give assurances on the provision for a “blocking quarter” in a new constitution for Rhodesia or in the formation of a broad-based Government. It was right that the Government should continue to explore the possibility of achieving a negotiated settlement. They recognised that this could in certain circumstances expose them to criticism within the Commonwealth or at the United Nations. But equally there was a real danger that, with the passage of time, other pressures could develop to inhibit an honourable settlement. Right-wing and racialist tendencies could develop further in Rhodesia; and the Government of South Africa, where public opinion favoured the Rhodesian Right wing, might be obliged to adopt a more active policy of support for them with a growing danger of racial conflict in Southern Africa.

CONFIDENTIAL

3. The Cabinet considered a memorandum by the First Secretary of State (C (68) 99) on the breakdown of wage negotiations for manual workers in the engineering industry.

The First Secretary of State said that the gap between the latest offer of the Engineering Employers Federation (EEF) and the claim put forward by the Confederation of Shipbuilding and Engineering Unions (CSEU) was now very large. The National Committee of the Amalgamated Engineering and Foundry Workers Union (AEF) had decided by a vote of 31 to 30 to call a strike in support of the claim from 23rd September. This decision had been critically received by some of the other unions concerned but the Executive Council of the CSEU had subsequently endorsed the strike decision, though the date had now been postponed until 21st October. Some of the unions were balloting their members on the strike issue and the result of the ballot by the Electrical Trades Union (ETU), which was expected to show a large majority against the strike, would be known on 7th October. The EEF considered that early intervention by the Government would strengthen the influence of
the militants and discourage those union leaders who wanted to avoid a strike. They would be prepared to make a small improvement in their offer but did not think that this would be acceptable to the CSEU. Opinion among the union leaders was divided. Some of them were optimistic that a settlement could be reached without a strike, but there appeared to be unanimity among the unions concerned that the EEF's current offer was far from satisfactory. Although at least one influential trade union leader favoured Government intervention now, others were strongly opposed to it. Her own view was that, while the Government would find it increasingly difficult to seem to be standing by inactively as the threat of a major strike drew nearer, it would be a mistake to intervene before the results of the ETU ballot were known. In the meantime she was considering, and having costed, possible alternative bases for settlement which might be put forward when the time was right.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that it would be a mistake for the Government to intervene before the results of the ETU ballot were known and endorsed the course of action proposed by the First Secretary of State.

The Cabinet—

(1) Took note, with approval, of the Prime Minister’s summing up.

The Prime Minister said that the Government’s policy for prices and incomes was likely to come under heavy criticism at the Labour Party Conference. Arrangements had been made for a small group of Ministers, under the chairmanship of the Chancellor of the Exchequer, to consider the objectives of incomes policy from the latter half of next year. In the meantime it was important that all Ministers should make clear their support for the existing policy and for the decision which the Cabinet had taken in relation to the extension of compulsory powers when the existing legislation lapsed.

In discussion it was pointed out that much of the opposition at the Conference would be likely to come from representatives of the trades unions. This might be reduced if it were made clear that the Government were examining the objectives of incomes policy after the present powers expired and that they were not necessarily wedded to the principle of a statutory incomes policy.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the First Secretary should tell the Conference that the Government were examining the objectives of incomes policy from the latter half of 1969. In the meantime it must be made clear that they stood by the present policy and by the statements which had been made in Parliament about the duration of compulsory powers.

The Cabinet—

(2) Took note, with approval, of the Prime Minister’s summing up.
4. The Cabinet considered a memorandum by the Minister of Power (C (68) 100) on proposals by the Labour Party Fuel Study Group for the establishment of a National Hydrocarbons Corporation.

The Minister of Power said that the Fuel Study Group in their report made proposals of major importance about future natural gas and oil policy which would require careful study: but decisions were not urgently required. However, it might well be necessary for Government spokesmen at this year’s Labour Party Conference to give the Government’s view on these proposals, which were at variance with existing Government policy so far as the future functions of the Gas Council were concerned. The Fuel Study Group recommended that the proposed National Hydrocarbons Corporation (NHC) should take over some of the Gas Council’s principal responsibilities as well as assuming new functions in the development of oil, gas and petro-chemical exploitation at home and abroad. If the Government indicated to the Conference a willingness to consider seriously the proposals to transfer major responsibilities from the Gas Council, which would be contrary to the recent announcement of Government policy, this would seriously undermine the morale of the Gas Council at a time when all its energies must be devoted to the speedy exploitation of North Sea natural gas. As for the other proposed functions of the NHC it might be found that these might be equally well or better performed—to the extent that the Government decided they should be the responsibility of a public body rather than private companies—by existing public corporations such as the Gas Council itself, the National Coal Board, or partnerships between these bodies and private companies. He recommended that Government spokesmen should take a non-committal line at the Conference on the proposals; undertake to study the report; but sound a warning about the objections to the proposed transfer to the NHC of the Gas Council’s present responsibilities for buying, storage and distribution of natural gas.

In discussion there was general agreement that while the general objectives of the report by the Fuel Study Group could be accepted the actual proposals would need careful consideration before the Government were in a position to make any substantive pronouncement about them.

The Prime Minister, summing up the discussion, said that at the Conference the Government should be prepared to indicate that they accepted the general objectives of the report by the Labour Party Fuel Study Group but had not yet taken a view on the relative merits of various possible methods, including the suggested National Hydrocarbons Corporation, for achieving these objectives. He would endeavour to arrange that the National Executive
Committee of the Labour Party would propose at the Conference the establishment of a working group, drawn from members of the Government and of the Executive Committee, to consider the Study Group’s proposals further.

The Cabinet—

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

_Cabinet Office, S.W.1,
24th September, 1968._
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 8th October, 1968, at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister

The Right Hon. LORD GARDINER, Lord Chancellor (Item 1)

The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity

The Right Hon. DENIS HEALEY, M.P., Secretary of State for Economic Affairs (Item 1)

The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs

The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Commonwealth Affairs

The Right Hon. ANTHONY WEBWOOD BENN, M.P., Minister of Technology

The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government

The Right Hon. LORD SHACKLETON, Paymaster General (Items 1 and 2)

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury

The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council

The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department

The Right Hon. FRED PEART, M.P., Lord Privy Seal

The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland

The Right Hon. GEORGE THOMSON, M.P., Secretary of State for Education and Science

The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science

The Right Hon. RICHARD MARSH, M.P., Minister of Transport

The Right Hon. CLEDDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. ROY MASON, M.P., Minister of Power

The Right Hon. FREDERICK MULLEY, M.P., Minister of State for Foreign Affairs

The Right Hon. Sir ELWYN JONES, O.C., M.P., Attorney-General

The following were also present:

SECRET

MISS J. J. NUNN
Mr. R. R. D. MCINTOSH
Sir ROBIN HOOPER
Mr. H. L. LAWRENCE-WILSON

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The Prime Minister said that, following the visit of Mr. J. R. A. Bottomley to Salisbury where he had had talks with Mr. Smith, the leader of the illegal regime in Rhodesia, an informal group of the Ministers most closely concerned had considered what action we should now take on the Rhodesian problem. Mr. Bottomley’s visit had been a probing operation to establish whether a further meeting between British Ministers and Mr. Smith was likely to offer any prospect of an honourable settlement of the Rhodesian problem and to make sure that, if any such meeting were to take place, Mr. Smith accepted in advance that any settlement must be in accordance with our six principles and in particular that for us the “blocking quarter” of elected Africans, the right of appeal to the Privy Council on the entrenched provisions of a constitution for Rhodesia and the establishment of a broad-based Government to supervise the move of Rhodesia to independence were not negotiable points. This had been ensured, although Mr. Smith had stated his reservations also and had given no indication that he was prepared to make the concessions necessary if we were to achieve an honourable settlement. A further probing operation had therefore been necessary to seek to clarify certain ambiguities in Mr. Smith’s response to Mr. Bottomley and to ensure that Mr. Smith was in no doubt of the British Government’s attitude on the above mentioned points. But this having been done it was recognised that Mr. Smith could not be expected to show his hand except at a meeting at the highest level. A wide variety of possible sites for a meeting with Mr. Smith had been considered against the background of his desire for a neutral site, but he had now accepted that a meeting might take place in two of Her Majesty’s Ships at Gibraltar.

Although there would be objections among Government supporters in Parliament and in the country, and also in many Commonwealth countries, to a further attempt to reach a settlement with the illegal régime, there were strong grounds for doing so now. We had always said that we were willing to seek an honourable settlement and we should be open to criticism if we failed to establish whether a satisfactory basis for this now existed. Mandatory sanctions against the illegal régime were now at their strongest, Mr. Smith had shown signs of an ability to over-ride the extremists in his régime and it was likely that, if we were not willing to seek a settlement now, the régime in Rhodesia would become more extreme and that South Africa would increasingly support it with very serious consequences for Southern Africa as a whole. We might then face pressure to take the lead in imposing and enforcing sanctions against South Africa, although we had always made it clear that we could not contemplate a confrontation with her.

It was unlikely that we should succeed in reaching a settlement with Mr. Smith that was acceptable to us. If we were to succeed, there would be broad support in the Labour Party and the country for...
a settlement provided that it was clearly in accordance with the six principles, even though there would be some who would object to any settlement short of no independence before majority rule (n.i.b.m.r.). Some African Commonwealth countries could be expected to support such a settlement openly and others, while objecting publicly, would privately support it. But it was clear that we must expect a very sharp reaction from a number of Commonwealth countries. The South African Government, who were fully aware of the points of difference between ourselves and the illegal régime, were known to be anxious to see an agreement reached and were believed to be exerting pressure on Mr. Smith to this end. If we were to fail to reach agreement, we should not have lost anything politically and there would be advantages for us in having demonstrated our willingness to continue to seek a settlement provided that this did not involve any departure from the six principles. In these circumstances, the balance of advantage lay in his meeting Mr. Smith in an attempt to reach an honourable settlement. If the proposed talks were to take place, he would be accompanied at them by the Commonwealth Secretary and the Attorney-General.

The Commonwealth Secretary said that it would be difficult politically and as a matter of duty for us to refuse to hold further talks with Mr. Smith. Our attitude had always been that we were willing to reach a settlement with the régime on an acceptable basis and we could only establish whether this now existed by having talks with Mr. Smith himself. There were new elements in the Rhodesian situation. There was increasing awareness that another opportunity to seek a settlement was unlikely to arise for a long time and that, if none was reached, the situation in Rhodesia would deteriorate. There had been political changes in the régime and the mandatory death penalty for freedom fighters had been removed. Although there would be difficulties with Afro-Asian Commonwealth countries if we were to have fresh talks with the régime, there had been recent indications that a number of them now accepted the political necessity for further exploratory talks.

In discussion, the view was expressed that no further talks with Mr. Smith should take place and that in any event we should not inflate his position by arranging a further meeting between him and the Prime Minister. Any settlement of the Rhodesian problem that fell short of n.i.b.m.r. would be seen as a betrayal of the Africans in Rhodesia which we had been forced to make out of weakness. It might have serious economic consequences for us and lead Africans in Rhodesia to turn to terrorism. No confidence could be placed in Mr. Smith. He had made it abundantly clear that he was not prepared to allow majority rule in Rhodesia in any measurable period of time and, by negotiating with him, we should further weaken our position in respect of human rights and race relations which had already been damaged by our actions on Commonwealth immigration. If we were to make a stand against white imperialism, we should have a position of principle which would command wide support, as had been clearly shown during the Labour Party Conference.
settlement with the régime would be acceptable which did not reinforce the six principles by a large, jointly sponsored education programme for Africans there, so that they could rapidly qualify to vote. This should be made a breaking point in any talks. There must be provision also for the release of all detainees and for a full and free election campaign to take place in Rhodesia after their release.

On the other hand, it was argued that, although the prospects of achieving an honourable settlement were not good, it would be wrong to refuse talks with Mr. Smith and useless to arrange them unless the Prime Minister himself took part. It would be difficult in present circumstances to defend publicly the refusal to establish whether a settlement was possible, and this could only be done in talks at the highest level. If we could achieve a settlement consistent with the six principles, this would command general public acceptance in this country; it had been made clear on a number of occasions that, if a substantial change of circumstances took place in Rhodesia, we would be prepared to reconsider our commitment to n.i.b.m.r. There was increasing recognition among African Commonwealth countries that the alternative to a settlement was likely to be apartheid, which would be far worse for Africans in Rhodesia, and some African leaders thought that we should not be serving the best interests of Africans in Rhodesia if we refused to accept a settlement, even if this fell somewhat short of that which had almost been achieved in the talks on HMS Tiger in December 1966. The fact that we had ruled out the use of force against the régime and the likelihood that the effectiveness of mandatory sanctions could not long be maintained left no real alternative for us but to make a further attempt to secure a settlement. Any settlement must, however, be fully consistent with the six principles and any derogation from these, for example, by allowing Chiefs to count in the “blocking quarter” of elected Africans or which made this device in any way less than fully effective, would be unacceptable to us. A settlement would also be subject to a satisfactory test of acceptability in Rhodesia, and, until this had been carried out, sanctions would remain in force. If a settlement on this basis could be reached with Mr. Smith, the Prime Minister should have authority to accept it on behalf of the Government provided that it was fully accepted also by Mr. Smith.

The Prime Minister, summing up the discussion, said that, in seeking to bring down the illegal régime in Rhodesia and to insist on majority rule there before independence, we had been faced with three major difficulties: the facts of geography had stood in the way of a successful economic blockade; the accident of history had enabled Rhodesia to enjoy virtual independence for 40 years with a police force and armed services under local control; and, as a result of a denial of opportunities for education, employment and political activity, responsible African leadership was almost wholly lacking. Nevertheless there was general agreement that if we did not make a further attempt now to seek an honourable agreement with the illegal
régime no opportunity to do so was likely to arise for at least another year or two, and that in the meantime the régime would at best consolidate itself and at worst move rapidly nearer to South Africa and to a policy of apartheid. Such a development would not be to the advantage of the 4 million Africans in the country. On a balance of the considerations, therefore, the Cabinet endorsed the action that had been taken to resume discussions. They were agreed on the paramount necessity of standing firm on the six principles and of opposing the perpetuation of white supremacy. They authorised the Commonwealth Secretary, the Attorney-General and himself to initial an agreement consonant with these principles if Mr. Smith himself was prepared to do so. If, however, Mr. Smith insisted on referring any agreement to his colleagues in Salisbury, the representatives of the United Kingdom would similarly insist on referring back to the Cabinet. Every effort would be made to ensure that, in elaboration of the six principles, agreement was reached at the talks with Mr. Smith on a programme of African education in Rhodesia aimed at ensuring progress towards majority rule, although whether this should be a breaking point in the talks would depend on the assessment by the three Ministers of the position as a whole. The paramount consideration in the talks from our point of view would be that, whether they resulted in a settlement or not, we must be seen to have maintained our basic policy of refusing to accept the perpetuation of white minority rule in Rhodesia in the long term.

The Cabinet—

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

The Minister of Technology drew attention to the indications given recently by the Vice-President of the United States, Mr. Hubert Humphrey, that in the event of his being successful in the forthcoming Presidential Election he would be prepared to discontinue the American bombing of North Vietnam. It would be desirable for the Cabinet to consider what attitude the United Kingdom might adopt if such a change of policy were to occur, and possibly to indicate informally in advance that the change would have our support.

The Prime Minister said that it would not be appropriate for the Cabinet to discuss the matter in the absence of the Foreign Secretary, and it would be useful before they did so to know what view the United States Secretary of State, Mr. Dean Rusk, held of the progress of the current negotiations in Paris between the representatives of the United States Government and of North Vietnam. He would accordingly arrange for the Foreign Secretary to be informed that the matter would be discussed at a meeting of the Cabinet after his return.

The Cabinet—

Agreed to defer to a later meeting discussion of our attitude in the event of a change of United States policy on bombing North Vietnam.
2. The Cabinet were informed of the business to be taken in the House of Commons in the second week after the summer recess. It was noted that it would be necessary to provide for a debate on Rhodesia before the end of the Session and that it would be convenient so to arrange the business that the Southern Rhodesia Order could be taken on the same occasion.

The Prime Minister said that he proposed to make a statement on 16th October about the merger already announced between the Ministries of Health and Social Security, and about the establishment of the new Civil Service Department to take over the Civil Service management functions of the Treasury. He would also mention the merger of the Foreign and Commonwealth Offices, but proposed that, since the House would wish to be informed on a number of questions of detail flowing from the merger, a fuller statement should be made by the Foreign Secretary on the same day. The statements would coincide with the laying of the relevant Orders. The Order giving effect to the merger of the Ministries of Health and Social Security would need to be approved by affirmative resolution which would be debated on 22nd October, and, if approved, would come into effect on 1st November.

3. The First Secretary of State said that on 24th September the Cabinet had agreed that she should not intervene in the dispute in the engineering industry before the result of the ballot arranged by the Electrical Trades Union (ETU) was known. The voting figures would be available later in the day and were expected to show a large majority against the strike. The result of the ballot arranged by the National Union of General and Municipal Workers, which was also expected to show a majority against the strike, would be available on 11th October. Informal discussions which she had had in the past week with leading personalities in the industry indicated that, although neither side would formally request it, both the trade unions and the employers were in favour of early intervention by the Government. Intervention was, in her view, now unavoidable; her Department could not any longer refuse to play its traditional role of conciliator in a dispute of such importance. She considered that the right course would be for her to invite the parties to take part in intensive joint discussions under her chairmanship, beginning on Monday, 14th October. It would of course be necessary to pay full regard in these discussions to the implications of any settlement for the prices and incomes policy and there was no guarantee that a strike could in fact be avoided. But the soundings she had taken in the industry suggested that there was still some room for manoeuvre, provided care were taken to avoid humiliating the union leaders who had instigated the strike proposals.
The Prime Minister, summing up the discussion, said that the Cabinet endorsed the course of action proposed by the First Secretary of State who should keep the Chancellor of the Exchequer and himself in close touch with the progress of the discussions.

The Cabinet—

Invited the First Secretary of State to hold joint discussions with representatives of the employers and trade unions in the engineering industry on the lines indicated in the Prime Minister's summing up.

Cabinet Office, S.W.1,

8th October, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 15th October, 1968, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Paymaster General
The Right Hon. ROY MASON, M.P., Minister of Power

The following were also present:
The Right Hon. FREDERICK MULLEY, M.P., Minister of State for Foreign Affairs
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Miss J. J. NUNN
Mr. R. R. D. MCINTOSH
Sir ROBIN HOOPER
Mr. H. L. LAWRENCE-WILSON
Mr. P. E. THORNTON
Mr. J. CROCKER
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The Cabinet had before them a note by the Prime Minister and the Commonwealth Secretary (C (68) 107), to which were attached copies of the joint Press Statement issued on Sunday, 13th October, 1968, at the end of the talks in HMS Fearless at Gibraltar, and of the Statement of British Proposals for a Rhodesia Independence Settlement.

The Prime Minister said that the talks which had taken place in HMS Fearless at Gibraltar with Mr. Smith, the leader of the illegal regime in Rhodesia, and two of his colleagues, had ended late on Sunday evening, 13th October, with the issue of a joint communique. Earlier in the same day he had handed to Mr. Smith a document setting out the basis on which, subject to the approval of the Cabinet, a Rhodesia Independence Settlement would be introduced to Parliament. Mr. Smith and his colleagues had taken this document to Salisbury for consideration with their colleagues, on the understanding that adequate time would be allowed for this consideration and that the Commonwealth Secretary would fly out to Salisbury if this would be of assistance.

The talks in HMS Fearless, though hard-hitting, had been more constructive and less repetitive than those in HMS Tiger in December 1966. Some progress had been made towards agreement on the less fundamental points of difference and, in addition, Mr. Smith had showed himself willing to accept the new proposal which we had made that there should be an accelerated joint educational programme for Africans in Rhodesia, to which the Chancellor of the Exchequer had agreed that we would be prepared to contribute up to £5 million annually for 10 years on a pound-for-pound basis. Mr. Smith had also been willing to accept that the Royal Commission, which would have the responsibility for supervising the test of acceptability in Rhodesia of any constitutional settlement, should also investigate the registration system for voters. It was important that this should be done since it had become clear during the talks that the complexity of the system was a deterrent to registration.

The fundamental difference between the two sides lay in their different attitudes to unimpeded progress towards majority rule. In our Statement we had maintained our requirement for absolutely firm guarantees in the form of a “blocking quarter” of directly elected Africans and of a right of appeal to the Privy Council. The talks had indicated that, as a price for a settlement, Mr. Smith might be willing to accept a blocking quarter, which he had not done in discussions earlier in the year with Sir Alec Douglas-Home, and to accept cross-voting between the “A” and “B” Rolls (though not on the basis which we required). But neither he nor his colleagues would accept that there should also be a system of appeal to the Privy Council on matters affecting progress towards majority rule, though they would accept this on matters of law in civil and criminal
cases. They regarded any such appeal arrangements as unnecessary, as unprecedented for an independent country, and as an unacceptable derogation from Parliamentary sovereignty. The Rhodesians had admitted that these objections applied not merely to the Privy Council but to any judicial or other authority that might be proposed for this purpose inside or outside Rhodesia. We had stated categorically that an effective blocking quarter and an external guarantee were essential features of any settlement that we could accept. It had also been made plain to him that further executions of men sentenced for terrorist offences or who had been under sentence of death for long periods would severely prejudice the prospects for any settlement and that public opinion in this country was strongly opposed to the continued presence in Rhodesia of members of the South African armed forces or police. Mr. Smith had said that the internal security situation in Rhodesia did not require South African assistance.

The next move lay with Mr. Smith and his colleagues; and, in contrast with what had happened after the talks in HMS Tiger, no time limit had been set for a response by the illegal regime to our proposals. We had stood firm on our six principles and, in so doing, had gained credit and minimised the risks that we had taken in having talks with Mr. Smith. There had been no sharp reactions to these talks from Afro-Asian States; and the Governor of Rhodesia had welcomed our stand on the blocking quarter and the fact that we had not slammed the door on further talks. It was impossible to predict what Mr. Smith would now do. It did not seem likely that the régime would accept the settlement that we had proposed, even though the Governor considered that if Mr. Smith were to recommend the settlement to the existing Rhodesian electorate it would be accepted by a substantial majority.

The Commonwealth Secretary said that in the talks we had achieved a defensible position in relation to our trusteeship for the African majority in Rhodesia while showing ourselves to be flexible, and indeed generous, towards the illegal régime on matters which did not affect this trusteeship. We had also succeeded in pressing Mr. Smith to move nearer to our position than he had been willing to do in discussions with Sir Alec Douglas-Home. Mr. Smith was willing to accept our plans for African education, an enquiry into the system for registering voters, safeguards for detainees and the inclusion of Africans in his Government. We could therefore claim that substantial changes had taken place in the Rhodesian situation such as would justify our not insisting on no independence before majority rule (n.i.b.m.r.). Moreover, we could show that we had made a great effort to secure a settlement on an honourable basis.

The Attorney-General said that, in seeking to secure agreement that there should be an external guarantee for unimpeded progress towards majority rule in Rhodesia, we had been willing to concede that a right of appeal to the Privy Council should be provided only during the first 15 years after independence in Rhodesia and to reduce this if necessary to 10 years. We had also suggested, as an alternative, that there should be a treaty of guarantee on the lines of
the Cyprus treaty even though this would leave us with a continuing obligation to intervene militarily. But this suggestion had been rejected. Moreover, it was not certain that Mr. Smith would in fact accept other elements in the proposed settlement that we regarded as essential. He had not formally accepted the blocking quarter, or our proposals for cross-voting, and his colleague, Mr. Lardner-Burke, had made it clear that he would wish to see the Declaration of Rights in the independence constitution drafted so as to allow of legislation permitting permanent preventive detention. Satisfactory clarification of these points would be essential before any settlement would be possible.

In discussion, there was general agreement that the outcome of the talks with Mr. Smith had been as satisfactory as could have been expected. There was value for us in the emphasis that had been placed on the six principles rather than on the n.i.b.m.r. pledge; and in our having left the way open for further talks to take place on the basis of the statement of our position which had been given to Mr. Smith. Mr. Smith had been left in no doubt that his declared policy of no majority rule in Rhodesia in his lifetime was unacceptable to us. This was likely to remain true even if the Conservative Opposition were to come to power in this country. It might be that Mr. Smith had never seriously intended to reach a settlement, and that he would choose the right of appeal to the Privy Council, rather than the blocking quarter, as the issue on which to break off negotiations, since he might consider that our position would then be less easily understood publicly. We had, however, safeguarded ourselves against this by establishing that the regime were not objecting to appeals to the Privy Council as such but to any effective external guarantee for human rights and for the first principle of unimpeded progress to majority rule in Rhodesia. It was in fact the first principle which was the real sticking point for him and his colleagues: and we should bring this out.

The Prime Minister, summing up the discussion, said that the Cabinet approved the Statement which had been handed to Mr. Smith of our proposals for a Rhodesia Independence Settlement. They also approved its publication in a White Paper. This would incorporate a statement which he would make in the House of Commons later that day outlining recent developments in the Rhodesian situation, and explaining our proposals. Both Houses of Parliament would wish to hold Debates on Rhodesia, which were likely to take place in the following week on the Order in Council to renew the Southern Rhodesia Act, 1965. It was not the present intention to publish detailed records of the talks in HMS Fearless, as had been done after those in HMS Tiger. Agreement had been reached with Mr. Smith that neither side would publish such records without consulting the other, even if there were a breakdown in negotiations. For the present at any rate, publication of them would in any event not be helpful. It seemed unlikely that Mr. Smith would accept our proposals, but further consideration of the Rhodesian situation should await his response to them.
The Prime Minister in conclusion said that he wished to pay tribute to the Royal Navy for the excellence of the arrangements that had been made for the talks with Mr. Smith at Gibraltar.

The Cabinet—

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

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2. The Cabinet considered memoranda by the Minister of Transport (C (68) 103) and the Chancellor of the Exchequer (C (68) 108) about the reorganisation of London Transport.

The Minister of Transport said that the Government were publicly committed to the transfer to the Greater London Council (GLC) of responsibility for the London Transport Board (LTB) and the Transport (London) Bill was being drafted for early introduction in the coming session of Parliament to effect this transfer. A prerequisite of the transfer, agreed between his predecessor and the GLC, was that the LTB should be commercially viable when the GLC took it over. Although the National Board for Prices and Incomes (NBPI) had accepted earlier this year the LTB's case for fare increases of about £8 million this year the Transport Tribunal had subsequently sanctioned increases amounting only to about £4 million. In consequence it would be necessary to raise fares by some £8 million (instead of £4 million) in 1969 in order to achieve viability. This very large increase, effected by the Government after it had abolished the Transport Tribunal, would be made in the autumn of 1969—towards the end of the life of the present GLC—and he would have to announce it in November of this year during the passage of the Transport (London) Bill through Parliament. The size of the increase expected to be needed in order to achieve viability was known to the GLC and would therefore be known to the Opposition; and he could not refuse to reveal the Government's intentions on fares, which were central to the purposes of the Bill. Sir Reginald Goodwin, the leader of the GLC Labour Group, had expressed to him the greatest concern about the size of the proposed increase: the Labour Group did not in any event accept the view of the GLC that the LTB should be expected to cover its costs entirely from fares. Mr. Aubrey Jones, the chairman of the NBPI, had said that if LTB fares were referred again to the Board the latter would be as helpful as possible but he thought an increase of more than £8 million might be required for viability. The social and other consequences, including those for prices and incomes policy, of an increase of £8 million or more in 1969 were unacceptable. The Government should therefore either abandon the Transport (London) Bill—a course which he did not recommend—or limit next year's fares increase to £4 million and make up the difference required for viability by a capital payment to the GLC of about £50 million.

The Chancellor of the Exchequer said that, while he did not underestimate the difficulties to which the Minister of Transport had drawn attention, he found neither of the proposed alternatives...
Acceptable. Abandonment of the Bill would mean abandoning the policy, to which the Government were firmly and publicly committed, that urban transport should be a responsibility of local rather than central Government. It would also have serious consequences for public expenditure. Even after allowing for the proposed writing-off of 90 per cent of LTB’s existing capital debt and for a fares increase next year of £8 million, an annual deficit of £7 million was forecast for 1970-71 and could be expected to grow thereafter. A capital payment of £50 million to the GLC was equally unacceptable. It would add substantially to Supply Votes and would bring the same adverse reactions at home and abroad as had followed the Vote on Account in February. More seriously, it would involve a very substantial increase in public expenditure and in the Government’s borrowing requirement and could be expected to lead to consequential demands for Government subsidies to public transport elsewhere. The additional expenditure could not be afforded unless it were accommodated by offsetting savings elsewhere which would lead to a distortion of priorities. The Chairman of the NBPI had responded helpfully to the approach from the Minister of Transport. He proposed therefore that the Transport (London) Bill should be introduced as planned; that the Government should agree now that the fares increase necessary to achieve viability would be made in order to effect the transfer of responsibility to the GLC; and that the NBPI should now be asked to make recommendations on the fares increase required to achieve this viability.

In discussion, although some urged that the fares increase required in 1969 to achieve viability was unacceptably large, there was wide support for the Chancellor’s proposals and against any further subvention, for example by writing off 100 per cent instead of 90 per cent of the existing capital debt of the LTB. While it was the case that the Passenger Transport Authorities to be set up in other conurbations would receive tapering annual subsidies, a very large number of municipal transport undertakings operated without subsidy. A dangerous precedent would be created by any further subvention and the GLC did not in any event want one.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that despite the serious difficulties involved in raising fares to the extent that would be required in 1969, the Transport (London) Bill should be introduced next session as planned and the NBPI should be asked to make recommendations on the fares increase required to enable the LTB to achieve commercial viability. The Minister of Transport could explain, during the passage of the Bill through Parliament, that the NBPI was investigating the scale of fare increases required to enable the LTB to achieve viability, which was an agreed prerequisite for transfer of responsibility to the GLC. The Minister of Transport would no doubt consider whether or not to make the point that the GLC could, if they chose, limit the fares increase below what would otherwise be required by providing assistance to the LTB from the rates.
The Cabinet—

(1) Agreed that the Transport (London) Bill should be introduced as planned in the 1968-69 session.

(2) Invited the Minister of Transport, in consultation with the First Secretary of State, to request the NBPI to make recommendations on the fare increases required in order to make the London Transport Board commercially viable when responsibility for the Board was transferred to the GLC.

3. The Cabinet considered a memorandum by the Lord Privy Seal (C (68) 102) about the legislative programme for 1968-69.

The Lord Privy Seal said that the Cabinet would wish to review the legislative programme for 1968-69 in the light of developments since the decisions taken at their meeting on 20th June before considering the proposals to be mentioned in The Queen’s Speech on the Opening of Parliament. The main programme approved by the Cabinet had been estimated to require as much Parliamentary time as could be expected to be available for legislation during an ordinary session; and he had therefore had to question closely any proposals for adding to it. He had, however, felt bound to recommend the inclusion in the programme of a New Towns Bill to raise the limit on advances to Development Corporations and the Commission for the New Towns, and of the Local Government (Amendment) Bill, which was necessary to enable the urban programme to be launched. In addition, he proposed to add to the Contingent List a Shipbuilding Industry (Amendment) Bill which might be necessary to increase the guarantee limit for British shipyard orders. These additions would make it even more necessary to resist pressure for further Bills if serious overloading of the legislative programme was to be avoided; of the Bills included provisionally in June, only Atomic Energy Authority (Amendment) had dropped out. He would continue to keep the programme under review in the light of the progress of Bills in Parliament and, in particular, of the decision expected at the end of the year on whether to introduce Industrial Relations this session.

In discussion of the contents of the legislative programme the following points were made:

(a) The Ministerial Steering Committee on Economic Policy had decided that there was urgent need for a Redundancy Payments Bill to withdraw the rebate to employers on the "age-weighted" element of redundancy payments; without it, employers' contributions would almost certainly need to be raised again during the session.

(b) The Gas Bill now in the Reserve List was badly needed to strengthen the Gas Council and facilitate the exploitation of natural gas; it had received policy approval in May and the then Minister of Power had announced the intention to introduce it. It now seemed
unlikely that Petroleum Exploration (Safety), which had been included in the list of Second Reading Committee Bills, would be required, and this might help to free drafting resources.

(c) Air Corporations was required to reconstitute British European Airways' capital structure and implement the Government's undertaking to enable the Corporation to operate in a fully commercial manner. It ought to have a firm place in the programme.

(d) There now seemed less prospect of legislation to implement the recommendations of the Committee on Intermediate Areas (the Hunt Committee); the Industrial Development (Amendment) Bill, which had been included in the programme for introduction if time was available, might not therefore be required.

(e) The desirability of a Cigarette Advertising Bill had been referred to the Home Affairs Committee for consideration; little progress had been made in finding effective means of controlling advertising.

(f) If time could be found there was a strong case for a Productivity Consultants Bill to improve industrial efficiency.

The Prime Minister, summing up the discussion, said that the Cabinet recognised that a case could be made for legislation on several topics not included in the programme; but approval of policy by the relevant Ministerial Committee did not carry with it a place in the programme. It was for the Lord Privy Seal, as Chairman of the Future Legislation Committee, to control demand on Parliamentary time and drafting resources. The Cabinet approved the additions which the Lord Privy Seal suggested should be made to the programme. The Lord Privy Seal should keep the programme under review, giving due weight to the points made in discussion.

The Cabinet—

(1) Approved the additions proposed in C (68) 102 to the provisional legislative programme approved in June.

(2) Invited the Lord Privy Seal, in keeping the programme under review, to take note of the points made at (a) to (f) of their discussion.

4. The Cabinet considered a note by the Lord Privy Seal (C (68) 104) covering a draft of The Queen's Speech on the Prorogation of Parliament.

The Lord Privy Seal said that the draft had been examined by the Ministerial Committee on The Queen's Speeches and that so far as he knew there were no points of substance outstanding except that the terms of the reference to Rhodesia had still to be decided.

In discussion it was suggested that if it were decided to ratify the Non-Proliferation Treaty it might be appropriate to insert a reference to the decision, but the general feeling was that if any reference were to be made, the Opening Speech would be the better place for it.
The Cabinet—

(1) Invited the Commonwealth Secretary, in consultation with the Lord Privy Seal, to submit to the Prime Minister a suitable passage on Rhodesia for inclusion in the Opening Speech.

(2) Subject to (1) approved the draft of the Prorogation Speech annexed to C (68) 104.

5. The Cabinet had before them a note by the Lord Privy Seal (C (68) 105) to which was attached a draft of The Queen’s Speech on the Opening of Parliament.

The Lord Privy Seal said that the Ministerial Committee on The Queen’s Speeches had made a special effort to produce a draft which would be easier to read than the Speeches in previous years. The draft at present ran to about 920 words, compared with the usual 1,000 words, but a passage on Rhodesia had still to be added.

In discussion a number of amendments were made to the draft and the following main points were made:

(a) The draft contained no reference to agriculture; the omission might give offence to the industry, which had grown accustomed to a regular reference, and there might be advantage in inserting a short paragraph.

(b) The reference to the extension of nursery schools in deprived areas should be associated with the reference to the urban programme, since there had been no decision to provide more schools outside that programme.

(c) It would be better to make no reference to giving teachers greater control over their professional affairs, since policy on this had not been settled.

(d) There might be advantage in announcing in the Speech the setting up of a constitutional inquiry into the relationship between the various parts of the United Kingdom, the Channel Islands and the Isle of Man. But this could not be judged until decisions had been taken on policy on devolution.

The Cabinet—

(1) Invited the Commonwealth Secretary, in consultation with the Lord Privy Seal, to submit to the Prime Minister a suitable passage on Rhodesia.

(2) Invited the Lord Privy Seal to consider the points made at (a), (b) and (d), in consultation with the Ministers concerned.

(3) Subject to (1) and (2) and to the amendments agreed in discussion, approved the draft Speech annexed to C (68) 105.

Cabinet Office, SW1,
15th October, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 17th October, 1968, at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, MP, Prime Minister

The Right Hon. MICHAEL STEWART, MP, Secretary of State for Foreign and Commonwealth Affairs (Items 1-4)

The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. BARBARA CASTLE, MP, First Secretary of State and Secretary of State for Employment and Productivity (Items 1-4)

The Right Hon. DENIS HEALEY, MP, Secretary of State for Defence

The Right Hon. PETER SHORE, MP, Secretary of State for Economic Affairs

The Right Hon. WILLIAM ROSS, MP, Secretary of State for Scotland

The Right Hon. EDWARD SHORT, MP, Secretary of State for Education and Science

The Right Hon. RICHARD MARSH, MP, Minister of Transport

The Right Hon. CLEDWYNN HUGHES, MP, Minister of Agriculture, Fisheries and Food

The Right Hon. GEORGE THOMAS, MP, Secretary of State for Wales

The Right Hon. ROY JENKINS, MP, Chancellor of the Exchequer

The Right Hon. RICHARD CROSSMAN, MP, Lord President of the Council

The Right Hon. JAMES CALLAGHAN, MP, Secretary of State for the Home Department (Items 3-6)

The Right Hon. FRED PEART, MP, Lord Privy Seal

The Right Hon. ANTHONY CROSLAND, MP, President of the Board of Trade

The Right Hon. GEORGE THOMSON, MP, Minister without Portfolio (Items 1-4)

The Right Hon. ANTHONY WEDGWOOD BENN, MP, Minister of Technology

The Right Hon. ANTHONY GREENWOOD, MP, Minister of Housing and Local Government

The Right Hon. LORD SHACKLETON, Paymaster General

The Right Hon. ROY MASON, MP, Minister of Power

The following were also present:

The Right Hon. JUDITH HART, MP, Parliamentary Secretary, Treasury

The Right Hon. JOHN SILKIN, MP, Parliamentary Secretary, Treasury

The Right Hon. SIR ELWYN JONES, Q.C., MP, Attorney-General (Item 5)

Secretariat:

Miss J. J. NUNN

Sir ROBIN HOOPER

Mr. H. L. LAWRENCE-WILSON

Mr. P. E. THORNTON

Mr. J. CROCKER

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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 and Commonwealth Secretary said that the main topics considered at the opening meeting of the 23rd Session of the United Nations General Assembly, from which he had returned on 15th October, were the Czechoslovak situation, disarmament and the Middle East. In addition to making a major speech in the General Assembly, he had held meetings with a number of the Foreign Ministers present in New York. As regards the Middle East, he had reiterated to Mr. Riad, the Egyptian Foreign Minister, and to Dr. Eban, the Foreign Minister of Israel, the need to provide the Special Representative of the Secretary-General, Dr. Jarring, with constructive proposals on which to continue his mission in the Middle East. There was a widespread feeling that unless this was done Dr. Jarring would not continue. Dr. Eban had appeared ready to make a statement which would open the door for discussions between Israel and Jordan, and he understood that the Israeli proposals had now been communicated to Dr. Jarring. It was for Israel to make some concession, and he understood that she would do so by ceasing to insist on direct negotiations with the Arab States. The situation in the Middle East, though still difficult, therefore showed signs of improvement. Mr. Riad had indicated that Egypt was ready to consider proposals by the shipowners for releasing the ships at present trapped in the Suez Canal.

On Czechoslovakia, the Soviet Foreign Minister, Mr. Gromyko, had stated that the situation there was of concern only to the Warsaw Pact countries. This had alarmed the United States and others, especially when Mr. Gromyko had subsequently extended this concept to cover the "Socialist commonwealth", which was not defined as having any geographical limitation. A meeting had been held in New York of representatives of the North Atlantic Treaty Organisation (NATO) countries (except Iceland and Portugal) who had attended the opening meeting of the 23rd Session of the United Nations General Assembly, and the NATO Ministerial Council, which was to meet in November instead of, as usual, in December, would consider the implications of the Soviet attitude. The objectives would then be to persuade other NATO countries to undertake additional commitments, as we had done earlier this year, and to secure a satisfactory statement on the duration of the NATO Alliance, since it was open to member countries to give notice of their intention to cease to be parties to the North Atlantic Treaty after it has been in force for 20 years. He had had discussions with the Yugoslav and Turkish representatives on the attitude that should be adopted towards possible Soviet action against Yugoslavia; this also would have to be considered by the NATO Ministerial Council.
He had also had talks with the Foreign Ministers of the European Economic Community (EEC) countries including M. Debré: but these could be considered under a later item of the agenda.

The Foreign and Commonwealth Secretary said that, while in New York, he had had discussions with the Foreign Ministers of Guatemala and Argentina about the problems of British Honduras and the Falkland Islands respectively. These had been constructive and it seemed likely that progress would be made with both problems.

In discussion, it was agreed that in due course memoranda setting out the latest position on our negotiations with Guatemala about British Honduras and with Argentina about the Falkland Islands should be circulated for consideration by both the Defence and Oversea Policy Committee and the Cabinet.

The Foreign and Commonwealth Secretary said that, during his recent visit to New York, he had met the Nigerian representative at the United Nations who had said that recent difficulties with the Red Cross in Nigeria had been resolved. Although the situation in Nigeria was still serious, the Federal forces were carrying out relief work as they advanced and it was clear that no massacre of the Ibos was intended.

The Cabinet—

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

(2) Invited the Foreign and Commonwealth Secretary in due course to circulate memoranda on British Honduras and the Falkland Islands for their consideration.

It was agreed, in discussion, that the Cabinet would wish to give early consideration to the situation in Vietnam and to our attitude to it.

The Prime Minister said that Mr. Smith, the leader of the illegal régime, had now made a statement in Salisbury on his attitude to the British proposals for a settlement of the Rhodesian problem which had been handed to him at the end of the talks in HMS Fearless. The burden of this had been that the main obstacle to agreement had been the British insistence that the entrenched clauses of the independence Constitution should be safeguarded by a system of appeals to the Privy Council. It had been recognised during the discussions in HMS Fearless that Mr. Smith might seek to conceal his unwillingness to accept the proposed settlement as a whole by concentrating attention on this point, which might be difficult for us to explain publicly, and on alleged British obduracy. In fact, it had been clearly established that Mr. Smith’s objection was not merely to the Privy Council as such as the proposed appellate body, but to any form of extra-parliamentary guarantee, internal or external, for the entrenched clauses.
The Minister without Portfolio added that the British side had repeatedly tried to elicit from Mr. Smith a written assurance that the rest of the package (including the "blocking quarter" of directly elected Africans) was acceptable to him: but he had refused to commit himself.

The Prime Minister said that it was now for Mr. Smith to reply formally to the British proposals and to the Prime Minister's offer to send the Minister without Portfolio to Salisbury for further discussions. Meanwhile, Ministers should avoid being drawn into argument on Mr. Smith's statement, or anything else he might say.

The Cabinet—

(3) Took note, with approval, of the Prime Minister's statement.

3. The Cabinet considered a note by the Secretary of State for Foreign and Commonwealth Affairs (C(68) 113) to which was attached a copy of his telegram of 13th October to the Prime Minister from New York.

The Foreign and Commonwealth Secretary said that since the French Government had imposed their veto on negotiations for British membership of the European Economic Community (EEC) there had been initiatives of two main kinds. There had been the proposals for a trading arrangement, between the Six and the United Kingdom and some other European countries, which the Germans had seen as a prelude to our eventual membership of the Community and which the French had seen as a substitute for United Kingdom membership. These proposals had never held attractions for us: the negotiations involved could be as laborious and difficult as those for entry into the EEC and it was difficult to see how they could be reconciled with the General Agreement on Tariffs and Trade (GATT). The other main line of approach had been the Benelux proposals which aimed to achieve co-operation, between the United Kingdom and as many of the Six as would participate, in those fields which were outside the scope of the EEC Treaties and therefore not subject to French veto. We had welcomed this latter approach. Recently the Belgian Government had taken a new initiative on these lines which he had discussed in New York with the Foreign Ministers of Germany, Belgium and Italy. M. Harmel, the Belgian Foreign Minister, had proposed that the subject of European co-operation should be placed on the agenda of the Ministerial Council of the Western European Union (WEU) on 21st/22nd October and the French Government had agreed to this suggestion. The aim of M. Harmel and the other Foreign Ministers with whom he had discussed this initiative would be to establish at this meeting of WEU a special group to study the scope for closer European collaboration, beginning with foreign policy and defence and extending perhaps to technology and cultural exchanges; and to report in time for substantive discussion of the group's
recommendations at the Ministerial meeting of WEU in January. The agreement of the French Government to the inclusion of this item on the agenda had been a surprise and it was possible that the French, feeling their increasing isolation and the irritation of their partners in the EEC, would participate helpfully in the discussions. It was more realistic to suppose, however, that the French would at some stage seek to obstruct progress by, for example, preventing the inclusion in the discussions of non-members of WEU (an extension to which we and the Five attached importance) or restricting the subjects which they were prepared to discuss. If the French did prove obstructive the work should if necessary go ahead without them. The Federal German Government continued to vacillate in their European policy. French agreement to inclusion of the item on the WEU agenda had enabled the Germans also to agree to participate in these discussions but whether they would continue to do so if the French made trouble remained to be seen. Although the Federal German Government had become increasingly irritated with the French Government, particularly since the invasion of Czechoslovakia, there was no doubt that they still attached the greatest importance to maintaining their close links with France.

He proposed that the United Kingdom Government at the meeting of WEU on 21st/22nd October should support M. Harmel's initiative and seek agreement there to the establishment of the special group with instructions to report, if necessary without unanimity, in time for decisions on substance to be taken at the WEU Council meeting next January. If the French Government proved obstructive we should be prepared to seek the agreement of the Five to setting these studies in hand without France.

The following points were made in discussion:

(a) An important programme of practical European collaboration was now under discussion within the North Atlantic Treaty Organisation (NATO) framework, particularly about the proposed advanced combat aircraft and in the Nuclear Planning Group. We must not endanger the prospects of achieving European collaboration in defence, which was of vital concern to us, by opening up defence discussions in WEU. The French had a veto in WEU and might also argue that defence discussions in WEU made unnecessary the current discussions which we were holding with the Germans and others within the NATO framework. Moreover, it was essential to conduct European defence discussions within the framework of NATO which, unlike WEU, included both the United States and Scandinavian countries. In matters of defence we had at present no bargaining strength with the Federal German Government: this might come if the current discussions were brought to a successful conclusion. The initiative now proposed in WEU must be taken in such a manner as not to endanger the current defence discussions within NATO.

(b) While there might be some scope for redeployment of our forces in the context of European collaboration, there were strong political and economic objections to any increase in the cost of our defence programme to the Exchequer or the balance of payments.
(c) When the Government originally decided to apply for EEC membership they had also considered the possible alternatives of a North Atlantic Free Trade Area (NAFTA) and of "going it alone". The chances of establishing NAFTA in the foreseeable future seemed if anything more remote now than then. We therefore had no alternative to "going it alone", in the sense of pursuing our own economic and political interests as best we could—whether bilaterally or multilaterally—and building up our economic strength as rapidly as possible. This policy was not, however, inconsistent with the Foreign Secretary's present proposals.

(d) It was argued that the time had come to end fruitless initiatives to gain entry into the EEC. There was no doubt considerable scope for European collaboration in many fields—on bilateral as well as multilateral bases—but this would be prevented so long as the French Government considered we were proposing collaborative projects simply as a device for gaining entry into the EEC. Domestic and European public opinion was becoming increasingly less interested in the question of our entry into the EEC, which would not become a live issue for many years. On the other hand, it was pointed out that the Government had decided to maintain their application for membership of the EEC after the French veto and remain firmly committed to this policy which must be pursued consistently. Moreover, we could not ignore the interests of some of the Five who were increasingly concerned to promote our closer association with them. M. Harmel's proposals need in no way conflict with our objective of establishing a strong United Kingdom economy or with other major British objectives.

The Prime Minister, summing up the discussion, said that the Cabinet approved the proposals by the Foreign Secretary in support of M. Harmel's initiative at the forthcoming meeting of the Council of WEU. The Foreign Secretary should give further consideration to means of giving greater content to the proposals for collaboration and should also take account of the points made in discussion, particularly the importance of avoiding a conflict of interests on defence.

The Cabinet—

Took note with approval of the summing up by the Prime Minister.

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4. The First Secretary of State said that the negotiations on the pay claim for manual workers in the engineering industry, which had been taking place under her chairmanship since 14th October, had now reached a crucial point. The employers, in her view rightly, had adopted a very firm line especially in their insistence on obtaining satisfactory productivity conditions in exchange for any improvement in their offer. They had been successful in this and the unions had tabled a memorandum on productivity which enabled a fruitful discussion on productivity and training to take place.
Subsequently the employers put forward an improved offer tied to productivity conditions and based on improvements in minimum rates rather than minimum earnings levels. The estimated cost was about 10 per cent over the three years, but these cost estimates were not at all reliable. The unions were claiming that because of the delay in reaching a settlement the effective duration of the agreement would be four years rather than three.

The unions had reacted sharply against this latest offer and the employers might be ready to improve it but by how much was not clear. One possibility would be to drop the proposal for a general increase entirely and to offer a bigger increase on the basic rate which would have the advantage of doing more for women and lower-paid employees. A meeting of the National Committee of the Amalgamated Union of Engineering and Foundry Workers had been called for Friday, 18th October, but it was not clear whether this was in expectation of a new offer which the union leaders could recommend to the National Committee as a satisfactory settlement, or whether they hoped in recommending a rejection of a new offer to secure confirmation of the decision to call a strike on a sounder legal basis in view of the interim injunction now being sought in the courts. It was clear that the productivity conditions were a major step forward and she thought that a settlement involving increases of perhaps 10½–11 per cent should be acceptable. There was some hope that a satisfactory agreement might be reached during the course of the day and she asked for discretion to endorse such an agreement after consultation with the Prime Minister and the Chancellor of the Exchequer.

In discussion there was general agreement that the First Secretary should be authorised to agree a settlement as proposed. It was emphasised however that this was a claim of crucial importance to the economy and to incomes policy, that the employers were standing firm, and that the great majority of the employees were opposed to a strike. It was all the more important therefore that a satisfactory settlement should be reached which was not a defeat for incomes policy or a victory for militancy.

The Cabinet—

(1) Invited the First Secretary of State, in consultation with the Prime Minister, the Chancellor of the Exchequer and other Ministers concerned, to seek a settlement of the claim on behalf of manual workers in the engineering industry on the lines indicated in her statement.

The First Secretary of State said that decisions were required on three inter-linked pay issues. An interim offer of 15 per cent had been made to ships' clerks in the London docks, of which 5 per cent was said to be covered by increases in productivity and 10 per cent could be represented as a payment on account in advance of the major productivity settlement under Stage II of the Devlin programme. This interim offer had been accepted by the Transport and General Workers' Union (TGWU) and by most of the ships' clerks but not those in the Royal group of docks. An increase of
about 10 per cent had been given to Liverpool dockers without proper advance notice under the voluntary early-warning system; and at Hull there was a claim by clerks and tallymen for an increase of 5s. an hour, equal to 50 per cent on the time rate. These claims and settlements were all far beyond what could be justified under the incomes policy. The London ships' clerks had received a 20 per cent pay increase only 12 months previously, and there was a serious danger that a fresh increase of 15 per cent would lead to a further round of the traditional leap-frogging between their pay and that of the dockers. In these circumstances the best solution was to proceed as quickly as possible to a proper productivity settlement under Stage II of the Devlin programme. To this end both sides of the industry had now agreed to her proposal to convene, later this month, a meeting of the National Modernisation Committee of Docks.

In the meantime, while the TGWU had accepted the 15 per cent offer in London, an unofficial go-slow had begun in the Royal Docks in protest mainly about the productivity conditions attached to the interim offer. The employers had issued a warning that from Monday, 14th October, clerks who did not work in accordance with their agreement would be paid only for the work they did. On 16th October a mass meeting at the Royal Docks reaffirmed the go-slow tactics and put forward a claim for a general increase of 3-3½ per cent unrelated to productivity; and for an unspecified additional increase on account of past productivity achievements. The employers had decided from today to send home those ships' clerks who refused normal working; and she had just heard that the Royal Docks had been brought to a standstill that morning by the failure of the ships' clerks to report for duty. It now seemed likely that the engineering negotiations might be concluded before the Government needed to disclose their intentions on the offer to ships' clerks. But even if it proved possible to avoid prejudice to the engineering negotiations, it was clear that acquiescence in the 15 per cent offer, assuming that a settlement was now possible on this basis, would have a very serious effect on incomes policy generally. On the other hand a major dock strike would have the gravest consequences for the economy. In all the circumstances, she thought that the right course would be to secure a settlement up to the limit of the 15 per cent interim offer but for less if possible; and she sought discretion to proceed on this basis.

In discussion there was general support for the course of action proposed by the First Secretary of State. It was emphasised that the effect of a dock strike, which in London alone might cost the balance of payments £50-£70 million over three weeks, would deal a severe blow to our post-devaluation economic strategy and that this could not be contemplated. Although a settlement of 15 per cent would certainly be harmful to incomes policy it need not be fatal. If a satisfactory engineering settlement were achieved this would tend to offset the adverse repercussions of a bad settlement for ships' clerks. Incomes policy did not have to be abandoned simply.
because of one breach, however serious. It was all the more necessary to continue to apply it as strictly as possible, bearing in mind that each month it operated was a gain for our post-devaluation economic progress.

On the other hand it was urged that acquiescence in the 15 per cent increase for the ships' clerks, even if it was now unlikely to complicate the engineering negotiations, might well be fatal to incomes policy. Such a major breach of the policy would increase pressures elsewhere. The gas and steel industries were already pressing for increases beyond those justified by the incomes policy criteria and an offer in line with the policy which had been made to the miners had been turned down by the Executive of the National Union of Miners. A claim of up to 20 per cent for teachers was also shortly expected. But apart from these important practical considerations it was wrong that the incomes policy should be applied less stringently to those in a strong negotiating position than to those who were in a weak position. The interim offer would be most unlikely to buy peace in the docks but would provoke exaggerated demands from other dock workers. Moreover it was now far from certain that a settlement within the 15 per cent offer could be reached. If a stoppage was inevitable anyway the right course would be for the Government to take a stand based on incomes policy rather than sacrifice the policy to no purpose.

The Prime Minister, summing up the discussion, said that the ships' clerks' claim presented the Government with a most difficult choice. While it was clear that to concede the 15 per cent increase would be harmful to incomes policy, the balance of opinion in the Cabinet favoured a settlement within this total if the alternative was a stoppage in the docks which would have the most serious effects on our economic prospects. The First Secretary of State should therefore attempt to secure a settlement for the ships' clerks in London within the 15 per cent offer put forward by the employers, bearing in mind the need to avoid endangering a successful outcome to the engineering negotiations. If it nevertheless proved impossible to settle within this limit and a serious stoppage appeared to be unavoidable, a new situation would be created which the Cabinet would have to consider.

The Cabinet—

(2) Invited the First Secretary of State to be guided by the Prime Minister's summing up in seeking a settlement of the ships' clerks' dispute in London.

*5. The Cabinet considered a memorandum by the Lord Chancellor (C (68) 111) on the reform of the House of Lords to which were annexed a revised draft of the White Paper setting out the Government's proposals and a draft Parliament Bill.

* Previously recorded in a Confidential Annex.
The Lord Chancellor said that at their meeting on 18th July, the Cabinet had decided that the best course open to the Government appeared to be to implement the proposals worked out by the Inter-Party Conference and that work should go ahead on the preparation of the necessary Bill; the position was to be reviewed in the autumn in the light of the feeling of the Labour Party and in the country generally. Since then the Committee of Ministers under his chairmanship had given careful consideration to the draft Bill, now in an advanced state of preparation, and to the problems of presentation, and had concluded that it would be preferable to publish the White Paper as a statement of the Government’s proposals and not as an agreed document. This would enable them to present the proposals, which were undoubtedly radical in substance, in a way more attractive to their own supporters; a revised draft of the White Paper intended for unilateral publication had been examined by the Committee in detail at their last meeting. He proposed that the White Paper and Bill should be shown to the other parties in draft and was confident that if this course was followed they would still be prepared to co-operate despite the change in presentation; consultation was in any case essential to avoid public criticism. He sought the authority of the Cabinet to consult the Leaders of the Conservative and Liberal Parties on the drafts, and as time was short it would be helpful if the Cabinet considered the draft White Paper at their present meeting. If this course of action were agreed, he proposed that it should be announced in the course of the Debate on the Address.

In discussion there was general agreement with the approach suggested in the Lord Chancellor’s memorandum, even though some aspects of the proposals were not as radical as might be desired. The point was made that it might be desirable to take the opportunity to reduce further the number of law lords and bishops. It was pointed out, on the other hand, that so long as the House of Lords retained its judicial functions its membership must include a sufficient number of persons qualified to discharge those functions; and that the law lords did not vote on political issues. As for the bishops, it would be premature to reduce further the number in the House of Lords at a time when the whole question of the relationship between the Church of England and the State was under examination. There might be pressure for representation from the non-conformist Churches, but it should not be too difficult to deal with if it arose.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were in sympathy with the approach proposed by the Lord Chancellor. As the White Paper had already been examined by a Committee of senior Ministers, it would not be necessary for the Cabinet to consider it in detail, and discussion should concentrate on points of major significance.

The Cabinet then turned to consideration of the White Paper. The following were the main points made in discussion:

(a) Paragraph 29, which was largely new, was an attempt to forestall the inevitable criticism of the increase in the Government’s
powers of patronage which the proposals entailed. In practice, there were substantial safeguards against the abuse of patronage in the practice of consulting the Leaders of the Opposition Parties and in the existence of the Political Honours Scrutiny Committee, but these could not be made public; the problem was one of reassuring the public, and the paragraph would make a useful contribution to this end. There was general agreement that the idea of an advisory committee, despite its superficial attractiveness, was unworkable; such a committee would come under intolerable pressure.

(b) Paragraph 48 raised the difficult question of Scottish representation in the reformed House. Specific provision for Scottish peers dated back to the Act of Union and some form of statutory recognition of the special position of Scotland was essential; the words in square brackets towards the end of the paragraph should therefore stand; they would also cover the special interest of Wales. It was pointed out on the other hand that this was a subject to which considerable thought had been given and which was still under consideration. It might be possible to insert a suitable reference in a preamble or even a declaratory clause in the Bill; but it was unlikely that direct and binding provision could be made, and the words in square brackets were therefore inappropriate. It would however be desirable to include some assurance that the special position of Scotland would be recognised in the legislation, if this were practicable, without purporting to bind the Prime Minister in advising on the exercise of the Prerogative.

The Cabinet—

(1) Approved the proposals in C (68) 111.

(2) Invited the Lord Chancellor to reconsider paragraph 48 of the draft White Paper in the light of the discussion recorded at (b) above.

(3) Subject to (2) approved the draft White Paper annexed to C (68) 111 for the purpose of consultation with the Leaders of the Conservative and Liberal Parties.

6. The Cabinet considered a memorandum by the Lord President (C (68) 106) about the proposed earnings-related pensions scheme, and memoranda by the Chancellor of the Exchequer about the effect of the scheme on the pensions entitlement of public service employees (C (68) 112) and the frequency of pension reviews under the scheme (C (68) 110).

The Lord President said that the scheme set out in C (68) 106 would, if adopted, complete the fulfilment of the Government's pledges to introduce a wholly earnings-related insurance system. Earnings-related short-term benefits had already been introduced; the current scheme would apply the same principle to retirement pensions. When Ministers came to examine the pensions system they found that the existing arrangements could not remain in operation for much longer because of the burden which the successive increases in the flat-rate contribution placed on the lower-paid
workers. The choice lay between replacing the present system by financing pensions increasingly out of taxation, and re-casting the whole structure of benefits and contributions. They had chosen the second alternative, believing that it would entitle the contributor to claim social insurance by right, and in particular to acquire pension rights which would make it unnecessary for him to apply for supplementary benefit. The proposals aimed at creating a State system of earnings-related benefits compatible with the continued existence of healthy private insurance schemes. It was essential that the contributor to the State scheme, as to the private scheme, should regard his contribution as a form of saving, and not as a form of taxation. Both types of scheme inevitably pre-empted taxable resources; but once the link between contributions and benefits was understood, the insurance principle would enable more revenue in total to be raised than would be tolerable if contributions were indistinguishable from taxation. If, however, the contributions were to be considered as savings, it was necessary so to arrange the pension formula that the better paid would accept that the system gave them a reasonable return, while at the same time the lower paid were raised above the supplementary benefit level. The formula chosen to achieve this balance related contributions and benefits to earnings up to a ceiling of about one-and-a-half times the national average. The initial rate of contribution would be 6\% per cent for employees and 6\% per cent for employers, plus the employer's contribution to the redundancy fund. Pensions would be based on earnings averaged over a whole working life, each year's earnings being revalued in line with increases in the national average. The benefit would amount to 60 per cent of earnings up to half the national average and 25 per cent thereafter. The scheme would mature over 20 years. The Exchequer contribution would continue at about the present level. Consultations with both sides of industry would be necessary before the details could be finally settled, and it was proposed to publish a White Paper shortly before the Christmas Recess as a basis for discussion with a view to the introduction of a Bill early in the 1969-70 Session.

The Cabinet might wish to defer a detailed discussion of the scheme until a later meeting, but at this stage he would draw attention to the relationship between public and private insurance schemes and to the question of the degree of dynamism to be applied to the pensions of existing pensioners. Private occupational pension schemes had expanded considerably in recent years and it was not intended that the State scheme should undermine them. Since, however, payment of both State and private pensions could result in some cases in an individual receiving benefit in excess of his wages on retirement, it was proposed to permit a partial “abatement” whereby the percentage of earnings paid by members of approved occupational schemes and their employers would be reduced with a related reduction in the employees' State pension which the employer would undertake to make good from his occupational scheme. It had not been found possible to provide for full transferability of pension

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rights, but it was proposed to provide that a contributor on leaving a pensioned post could either preserve his accrued pension rights or recover his own contributions.

It had been thought politically necessary that the scheme should give some advantage to the existing pensioners, who would never obtain even partial entitlement to the improved pension payable under the new scheme. The original intention had been to secure to pensioners a fair share of increasing national prosperity by raising the pension in line with increased national average earnings (earnings dynamism). It had become clear in the course of discussions, however, that the Government could not at present accept the cost of earnings dynamism for existing pensions. They were committed as a minimum to making the pension proof against inflation, i.e., to increasing it in line with increasing prices; but since in recent years pensions had risen faster than prices it would be necessary to offer something more than price dynamism if pensioners were not to be worse off than recent experience had led them to expect. It was therefore proposed to undertake to review benefit rates in the light of specified factors such as the movement of prices and earnings, but without commitment to more than price dynamism. In order, however, to make this arrangement publicly acceptable, it was thought necessary to undertake to review benefits annually rather than biennially.

The Chancellor of the Exchequer said that the earnings-related pension scheme had been worked out in close collaboration with the Treasury, and he was broadly in agreement with it except on the proposed annual uprating of benefits. The review of social benefits was the first forward-looking piece of social planning which the Government had undertaken. For this reason it was important that the scheme should not be allowed to pre-empt excessive resources which they might later find, in the light of other long-term plans, could be more usefully devoted to, for example, education or housing. On the proposed pension formula, the cost of the scheme with earnings dynamism on a biennial review would have risen by the year 2002 to £10,971 million. An annual review would add about £550 million in what would otherwise be the off-years between upratings. Moreover, an annual review of pensions under the new scheme would create pressure for annual increases in old-scheme pensions and in supplementary benefits, and the repercussions might spread to wage adjustments and to other public sector pensions and pay. It was consequently important to maintain the flexibility of the new scheme for as long as possible, bearing in mind that, while it would be possible to move from biennial to annual reviews, it would not be possible to move in the opposite direction.

The effect of the earnings-related pension on the pension entitlement of public service employees raised problems which would have to be discussed with staff interests, and, while negotiations would not be easy, there was some possibility that agreement could be reached provided that compensating improvements were conceded in other features of the occupational schemes in return for an abatement of the public service pension. If, however, the
staff demanded expensive compensating improvements, it would not be possible to abate the contribution to contributory public service pensions to take account of the increase in the State pension contribution.

In discussion it was observed that current pensioners were interested almost exclusively in protecting their pension against inflation, and had shown little interest in the concept of obtaining a fair share in rising national prosperity. They would therefore press hard for annual reviews of benefits based on the cost of living. But if earnings dynamism were not adopted at least in part, pensioners' standard of living would gradually fall behind that of the working population. Moreover, some element of earnings dynamism would make the scheme more attractive for the lower paid. It was also suggested that, since some of the economic assessments contained in C (68) 106 might be open to question, it would be helpful to the Cabinet to have a collective view from the economic advisers about the economic effects of the scheme.

The Prime Minister, summing up the discussion, said that the Cabinet would wish to resume their consideration of the earnings-related pension scheme at a later meeting. In the meantime it would be useful if those Ministers who wished to raise points on the Lord President's paper would send their comments to the Lord President, who should consider them in consultation with the Chancellor of the Exchequer and the Minister of Social Security. Arrangements should also be made for the comments of the economic advisers on the economic effects of the scheme to be obtained.

The Cabinet—

1. Agreed to resume their discussion at a later meeting.
2. Invited Ministers who wished to comment on C (68) 106 to send a note of their points to the Lord President before the discussion was resumed.
3. Invited the Chancellor of the Exchequer to arrange for the economic advisers to consider the economic effects of the proposed earnings-related pensions scheme.

Cabinet Office,
17th October, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 24th October, 1968,
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P, Prime Minister
The Right Hon. MICHAEL STEWART, M.P, Secretary of State for Foreign and
Commonwealth Affairs (in the Chair (or part of Item 5)
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P, First Secretary of State and Secretary
of State for Employment and
Productivity
The Right Hon. DENIS HEALEY, M.P, Secretary of State for Defence
The Right Hon. PETER SHORE, M.P, Secretary of State for Economic
Affairs
The Right Hon. WILLIAM ROSS, M.P, Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P, Secretary of State for Education and
Science
The Right Hon. RICHARD MARSH, M.P, Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P, Minister of Agriculture, Fisheries
and Food
The Right Hon. GEORGE THOMAS, M.P, Secretary of State for Wales
The Right Hon. JUDITH HAET, M.P, Paymaster General
The Right Hon. ROY JENKINS, M.P, Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P, Secretary of State for Social
Services
The Right Hon. JAMES CALLAGHAN, M.P, Secretary of State for the Home
Department
The Right Hon. FRED PEARL, M.P, Lord President of the Council
The Right Hon. ANTHONY CROSSLAND, M.P, President of the Board of Trade
The Right Hon. GEORGE THOMSON, M.P, Minister without Portfolio
The Right Hon. ANTHONY WEDGWOOD BENN, M.P, Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M.P, Minister of Housing and Local
Government
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. ROY MASON, M.P, Minister of Power
The Right Hon. JOHN DIAMOND, M.P, Chief Secretary, Treasury
The following were also present:
The Right Hon. Sir ELWIN JONES, QC, M.P, Attorney-General (Items 1
and 2)
The Right Hon. JOHN SILKIN, M.P, Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
MISS J. J. NUNN
MR. R. R. D. McINTOSH
Sir ROBIN HOOPER
Mr. H. L. LAWRENCE-WILSON
Mr. P. E. THORNTON
Mr. J. CROCKER

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1. The Cabinet considered arrangements for the Debate on the Address. It was agreed that the Chief Whip, in consultation with the Ministers immediately concerned, should give further consideration to the question whether a free vote should be permitted to Private Members on the Government side of the House on the question of reducing the age of voting to 18, and should report their conclusions to the Cabinet in case it proved necessary to indicate the Government’s intentions during the Debate on the Address.

The Prime Minister recalled that a Ministerial Committee, under the chairmanship of the former Lord President (Mr. Crossman), had reported on proposals for devolution to Scotland and Wales, particularly in the administrative and Parliamentary spheres. These proposals had been further discussed by the then Lord President with the Secretaries of State for Scotland and for Wales, the Leader of the House of Commons and the Chief Whip, and subsequently by this Group of Ministers, with the addition of the Home Secretary, under his own chairmanship. It had been decided to recommend to the Cabinet that The Queen should be advised to refer in her Speech on the Opening of Parliament to the appointment of a Constitutional Commission, with the powers and status of a Royal Commission, to consider further the functions of the central legislature in relation to the countries, nations and regions of the United Kingdom, and the constitutional relationship between the United Kingdom, the Channel Islands and the Isle of Man. The Group, enlarged by the addition of the Ministers principally concerned with local government and regional questions, would meet again to discuss the terms of reference of the Commission and the passage to be recommended for inclusion in The Queen’s Speech, and would report to the Cabinet on the following Tuesday. The proposal to devolve on the Secretaries of State for Scotland and for Wales certain functions in respect of health, agriculture, ancient monuments, royal palaces and tourism had been discussed bilaterally with the Ministers concerned, and, subject to further consideration of points of detail, he proposed to refer to these measures in his speech on the Debate on the Address. It was proposed to anticipate the criticism that the appointment of a Constitutional Commission was a means of delaying action to deal with the problems created by the rise of nationalist movements by including a dynamic element in the terms of reference so that the Commission would be required to take account of developments which occurred while it was sitting, such as the Government’s response to the recommendations of the Royal Commissions on Local Government in England and in Scotland (the Redcliffe-Maud and Wheatley Commissions) and any decisions the Government might take in respect of the problems of Northern Ireland. It was important that the Government should not be inhibited in taking any necessary decisions in respect of local government in Great Britain and of the problems of Northern Ireland, and further consideration was being given to the question whether Northern Ireland should or should not be included in the remit of the Constitutional Commission.
In discussion it was suggested, on the one hand, that fuller consideration should be given to constitutional questions of such fundamental importance before the Government committed themselves to recommending the appointment of a Constitutional Commission, and in particular that there would be advantage in waiting until the Reports of the Redcliffe-Maud and Wheatley Commissions were received. On the other hand, it was argued that there was some expectation that a reference to the problems of devolution would be included in The Queen's Speech, and that if the terms of reference could be drawn in such a way that the Government were not precluded from making progress with reforms while the Commission was sitting, the appointment of such a body would be a valuable means of securing progress in this field. It would, in particular, ensure that the advocates of separatism were compelled to put forward specific proposals for public discussion.

The Prime Minister, summing up the discussion, said that the Group of Ministers involved in the recent discussions on devolution, with the addition of the Secretary of State for Economic Affairs, the Minister of Housing and Local Government and the Paymaster General, should meet again before the next meeting of the Cabinet to consider the implications of including Northern Ireland in the remit of the proposed Constitutional Commission, the terms of reference of the Commission, and the passage which The Queen might be recommended to include in the Speech on the Opening of Parliament. The Home Secretary should prepare a paper on these points and should revise for the consideration of the Cabinet the paper (MISC 215 (68) 4) which he, with the Secretaries of State for Scotland and for Wales, had prepared on the proposal to appoint a Constitutional Commission. Both these papers should be circulated to the Cabinet as well as to the Group of Ministers.

The Cabinet—

(1) Took note that the Prime Minister would convene a meeting of the Ministers principally concerned to consider the points indicated in his summing up, and would thereafter report to the Cabinet.

The Home Secretary informed the Cabinet that the Vietnam Solidarity Campaign and other bodies were planning a large demonstration in London on Sunday, 27th October, and that, although the majority of demonstrators were opposed to violence, there was evidence that a small group of extremists would attempt to make use of the demonstration to provoke the police into repressive action. The organisers of the demonstration had agreed with the police that the route should run from the Embankment at Charing Cross, by way of Ludgate Circus, Fleet Street and the Strand, to Whitehall. Some of the extremists proposed to leave the main demonstration in Trafalgar Square and make for Grosvenor Square. He had discussed the demonstration with the Commissioner of Police of the Metropolis, who believed that he could maintain control of the demonstration, and thought that to use his power under the Public Order Act 1936 to prohibit it would do more harm
the police would be present in strength in Whitehall and round the Palace of Westminster. They proposed to keep a single line open for traffic in Whitehall, but otherwise to allow the demonstrators to sit in the roadway. They had adequate powers to deal with violence, and the Home Secretary's reply to Parliamentary Questions later that day would draw attention to the penalties available to the courts. It was not proposed to bring in troops to aid the civil power, or to call for police reinforcements from outside London. The Commissioner of Police thought that there was some risk that after the main demonstration was over bands of extremists might attempt to cause damage, but believed that police precautions were adequate to deal with them. Instructions had been given that aliens known to have been convicted of violence should not be allowed to enter the country to take part in the demonstration, but there was no ground on which to prevent other foreign students from entering the country.

The Cabinet—
(2) Took note of the Home Secretary's statement.

SECRET

2. The Foreign and Commonwealth Secretary said that at the Ministerial Meeting of Western European Union (WEU) in Rome on 21st–22nd October, the Belgian Foreign Minister had put forward his proposals for closer co-operation between European countries in foreign policy and defence. These were supported by all the Ministers present except the French who rejected them in uncompromising and contemptuous terms. At an informal discussion with all the other Ministers, except the French, he had proposed that since the French refused to agree to the Belgian Foreign Minister's proposals being pursued in WEU they should be followed up outside it. The Dutch and Italians had warmly supported this; the representatives of the Federal German Republic, Belgium and Luxembourg had said that they would need to consult their Governments; and it had been agreed that a further meeting should be held at the time of the North Atlantic Treaty Organisation (NATO) Conference in November. All in all the outcome at Rome had been very much as he expected. He would be in close touch with the Foreign Ministers of the other countries concerned before the next meeting of WEU at the end of January. In the meantime further moves towards closer European co-operation might well take place in the context of the informal talks on defence which the Secretary of State for Defence proposed to hold at the time of the NATO Conference.

The Cabinet—
(1) Took note of the Foreign and Commonwealth Secretary's statement.

SECRET
The Cabinet had before them a note by the Secretary of the Cabinet (C (68) 118) covering a telegram from the British High Commission Residual Mission in Salisbury containing the text of aide-mémoire by Mr. Ian Smith, leader of the illegal régime.

The Prime Minister said that a meeting of Ministers had been held on 23rd October to consider Mr. Smith's aide-mémoire on the proposals for a Rhodesian settlement which had been communicated to him in HMS Fearless. No further decisions were required from the Cabinet at this stage; but he invited the Minister without Portfolio to inform them of the latest position.

The Minister without Portfolio said that Mr. Smith's aide-mémoire gave no clear indication of the Rhodesian régime's attitude towards the British proposals, and it would be necessary to consider its full implications and to press Mr. Smith to state which of our proposals he found acceptable and which he did not. It would also be necessary to make clear to Mr. Smith that we had gone to the limit in making concessions. In particular, there must be a second guarantee to reinforce the blocking quarter. Alternatives to the system of appeal to the Judicial Committee of the Privy Council were being considered by the Foreign and Commonwealth Office, and he would report further to his colleagues: but any proposals which might be put forward must constitute a genuine alternative, not merely a fall-back position, and must offer an effective—if possible a more effective—safeguard than the Privy Council proposal itself. The South African Government had been requested to convey our views to Mr. Smith and we should have to see how far they were prepared to go in bringing pressure to bear on Mr. Smith. All this would require time. It was important if he was to visit Salisbury that some prior assurance should be obtained that he should be allowed to see Mr. Nkomo and the Reverend Sithole and discuss the British proposals with them.

The Prime Minister said that at Gibraltar Mr. Smith had appeared willing to allow Messrs. Nkomo and Sithole to visit London, but had not committed himself on access to them in Rhodesia itself; it was important that he should do so. He thought there were three possible hypotheses: that Mr. Smith genuinely wanted an agreement and that it was merely a question of the price he was prepared to pay; that he did not wish for agreement but hoped to throw the blame for a breakdown on us, in which case he had played his cards badly; or that Mr. Smith, who was indecisive by nature and subjected to considerable pressure in different directions, did not really know what he wanted. The attitude of South Africa was difficult to evaluate at this stage. While the South African Government had not changed their fundamental attitude it seemed probable that they wanted good relations with their neighbours and stability on their northern borders, and it seemed reasonable to assume that they would work to this end both by direct contacts with the Rhodesian régime and through their political contacts in Rhodesia. Though the position was by no means clear, Mr. Smith appeared to have induced his colleagues to accept that agreement was possible provided that the problem of an external guarantee could be resolved. Most
Nigeria

(Previous Reference: CC (68) 42nd Conclusions, Minute 2)

probably he wanted an agreement but was not yet prepared to take a decision and outface the hostile reactions of his own supporters. The Ministerial Group which had been set up to consider Rhodesian matters would discuss the aide-mémoire further and a report would be made to the Cabinet in the following week. Meanwhile, he would take the line in Parliament and in public that there was nothing further to say at this stage. Mr. Smith's aide-mémoire had not been published and would not be. If necessary, he would say that Press speculation which had appeared about the aide-mémoire's contents was wide of the mark.

In discussion, it was pointed out that the position would have to be held in the United Nations. The United Kingdom Representative at the United Nations, Lord Caradon, would have to be informed of developments, though there was nothing of substance that he could say at present.

The Cabinet—

(2) Took note, with approval, of the statements by the Prime Minister and the Minister without Portfolio.

(3) Agreed to resume their discussion at their next meeting in the light of the further consideration to be given to the matter by the Ministerial Group.

The Lord Chancellor said that it was deeply offensive to many people, that, while we were sending relief supplies to Biafra, we were continuing to supply arms to the Nigerian Federal Government. We should consider offering publicly to cease the supply of these arms if the French were prepared to cease sending arms to Biafra.

In discussion, it was pointed out that, although the French Government were aware that arms were being supplied to Biafra from France and could prevent their export if they wished, they were not themselves supplying them. They had stated this publicly and also at the recent meeting of the Western European Union in Rome. It was not therefore open to us to make the offer proposed by the Lord Chancellor. Our policy was to support the Federal Government against the rebellion by Biafra and in this we had the support of the great majority of African States. There was no inconsistency between continuing to supply arms to the Federal Government and, at the same time, doing what we could to alleviate the suffering resulting from the war. Although it was clear that Biafra would not be able to establish itself as a separate State, it was impossible to forecast how long hostilities in Nigeria would continue, but the fact that in areas reconquered by Federal troops the inhabitants were returning to their homes pointed against a protracted campaign, even though arms supplies of the kind the Lord Chancellor had referred to tended to prolong it. International observers had established that genocide against the Ibos was not taking place.

The Cabinet—

(4) Agreed that our policy on the supply of arms to the Federal Government of Nigeria should not be changed.
The Foreign and Commonwealth Secretary said that a wish had been expressed that the Cabinet should consider United States policy in Vietnam and the possibility that we might dissociate ourselves from it and, in particular, from the bombing of North Vietnam. During his recent visit to the United States, he had made enquiries about United States policy towards Vietnam. The public attitude of the United States Government was that they were prepared to stop the bombing of North Vietnam if they had an assurance that the Government in Hanoi were prepared to make a reciprocal gesture. They had already stopped the bombing of large areas of North Vietnam but were not willing to stop it permanently or unconditionally. None of the candidates for the United States Presidency had indicated a willingness to stop the bombing unconditionally. The public attitude of the Government of North Vietnam was that they were unwilling to promise any reciprocal gesture if the bombing was stopped and that in any negotiations they would not meet the Government of South Vietnam or regard anyone but the National Liberation Front as representing that country. There were signs that the heavy burden of the war on North Vietnam was forcing a reduction in her military activities. Although there had been no progress in the official talks in Paris between representatives of the United States and of North Vietnam, highly confidential discussions about a possible package settlement had been taking place there and it was believed that the Soviet Union was urging the North Vietnamese to make the necessary reciprocal gesture. The package under discussion consisted of a complete cessation of the bombing of North Vietnam together with acceptance by her of the Government of South Vietnam as a party to discussions, the re-establishment of the demilitarised zone between North and South Vietnam and the cessation of attacks on cities in South Vietnam. Our policy had always been to persuade the United States against any action that would escalate the conflict in Vietnam and, in particular, against bombing Hanoi or Haiphong. In view of the delicate state of negotiations between the United States and North Vietnam, we should not at this point change our policy and dissociate ourselves from that of the United States.

In discussion, the view was expressed that it was unrealistic for the United States to require a prior assurance of reciprocal action by the North Vietnamese before the bombing was stopped. Although North Vietnam could not give such assurance in advance, she had indicated that if the bombing were to stop there would be a response. The United States should therefore stop the bombing for a period without seeking prior guarantees. We should make it plain publicly that this was our view and that we were no longer associated with United States policy in Vietnam.

On the other hand, it was argued that it would be wrong for us to change our policy at this time. If we were to do so, we might well encourage North Vietnam not to agree to the proposed package settlement and, in addition, it might appear that we were intervening

* Previously recorded in a Confidential Annex.
in the United States Presidential election campaign. It would be necessary to carry out a full reappraisal of our policy towards the United States when the outcome of the Presidential election was known and our policy in Vietnam should be covered in this. There were arguments for taking the opportunity offered by the forthcoming change in the United States Administration to disengage from a leading position on Vietnam which did not give us great influence over United States policy and was out of line with the position of our friends in Europe. It would not be easy for us to do this, however, particularly in view of our position as co-Chairman of the Geneva Conference and it was a fact that at various times in recent years we had influenced United States policy on Vietnam. Moreover, no attempt on the part of the Government to play a more passive role on Vietnam would eliminate the need to take a definite line in response to critics of United States policy in Parliament and the country. One difficulty in our situation was that much greater publicity had been given to our support for United States policy than to our role as a mediator or to our attempts to prevent escalation of the war in Vietnam.

The Prime Minister, summing up the discussion, said that there was general agreement that we should not at this time change our policy on Vietnam. Although there would be some advantage in seeking to play a more passive role in this area of policy, it would be difficult for us to do so and we should not in any event under-estimate the part which our influence had played in shaping United States policy on Vietnam. Moreover, the Soviet Union, who feared direct Chinese intervention in Vietnam, attached importance to our role as co-Chairman of the Geneva Conference in the Western interest. A full appraisal would, however, be necessary of the implications of the outcome of the United States Presidential election for our policies, including that for Vietnam, and the Cabinet would wish to resume their discussion when this appraisal had been made.

The Cabinet—

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

CONFIDENTIAL

4. The First Secretary of State said that the ships' clerks in the Royal group of docks in London had unanimously voted in favour of a return to work so that negotiations with the employers could be resumed. This would give her Department a chance to influence the negotiations in a direction more compatible with prices and incomes policy. In the engineering industry the employers and unions had reached agreement, in the talks which had taken place under her aegis in the previous week, on a number of important issues. In particular the unions had agreed to accept method study and a new wage structure based on job evaluation and they had made some concessions on training. It had at one time seemed
likely that they would be able to conclude a settlement which would be consistent with the prices and incomes policy and would include a number of useful measures for improving productivity. Unfortunately the talks had broken down on 18th October—ostensibly at least on the issue of equal pay for women. The situation was now very confused. At her suggestion the employers had agreed to propose the immediate setting up of a joint working party to discuss job evaluation for women. This would be a useful move in that it would help to get away from the concept of a special rate for women. But it was too early to say what the unions’ reaction would be or how the situation would develop in the next few weeks. On the whole she was not unhopeful as the package on which agreement had been provisionally reached in the previous week contained elements which both the employers and the unions would be reluctant to lose.

The Prime Minister said that the fact that a national engineering strike had been averted was largely due to the skilful way in which the First Secretary and her Department had handled a very difficult situation.

The Cabinet—

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

5. The Cabinet resumed their consideration of a memorandum by the Secretary of State for Social Services (C (68) 106) about the proposed earnings-related pensions scheme and of memoranda by the Chancellor of the Exchequer on the effect of the scheme on the pensions entitlement of public service employees (C (68) 112) and on the frequency of pension reviews under the scheme (C (68) 110). They also had before them a note by the Chancellor of the Exchequer (C (68) 117) to which was appended a note on the scheme’s economic effects prepared by a group of Economic Advisers.

The Secretary of State for Social Services recalled that at their previous discussion the Cabinet had concentrated on two aspects of the scheme, the degree of dynamism to be promised and the frequency of pension reviews. These were crucial to the whole structure of the scheme, but there were a number of other points requiring consideration, in particular the relationship between the scheme and occupational schemes, the proposed levels of contributions and benefits and the proposed abolition of the married women’s option. There was also the all-important question of presentation; in his judgment the acceptability of the proposals would depend largely on the skill with which they were presented. He had in mind a White Paper which would have much of the character of a Green Paper; it would be designed to stimulate public discussion and provide a basis for consultation with affected interests, and would leave it open to the Government to modify their proposals in the light of the views expressed. It would help in meeting the tight timetable if the Cabinet were prepared to consider the White Paper in page proof.
In discussion the following main points were made:

(a) The scheme proposed in C (68) 106 would not be a funded scheme, but would be financed on a pay-as-you-go basis; in this respect it departed radically from earlier thinking in the Labour Party. The idea of a funded scheme had great attraction, but it would wreck the occupational schemes which now covered a large proportion of all workers and provided a large part of private savings. The basis of the present proposals was that provision for old age would rest on a partnership between the State and private schemes, with the latter responsible for most of the savings element.

(b) The reactions of occupational pensioners would be crucial and it was therefore reassuring that the National Association of Pension Funds had expressed the view that an option to contract out on an abatement basis would be an essential part of any State scheme which sought to do more than cover basic needs. It would not be easy to negotiate amendments in the public service schemes, but there was considerable pressure for improvements in the benefits available under them and there was some possibility that agreement could be reached if improvements were conceded to offset the adverse effects of the State schemes. Those affected included, in addition to the Civil Service, contributors to the general local government scheme, the police and teachers' schemes and the various nationalised industry schemes and extensive consultation would be needed.

(c) It was proposed that under the new scheme working wives should be treated in the same way as single women in employment and be required to pay contributions; under the present scheme they were free to opt out if they so wished and had been doing so in increasing numbers. The change would not be popular with married women, particularly the higher paid who would face a steep increase in contributions; though single women who were already liable to pay full contributions might regard it as only fair. But there were sound reasons of principle in favour of the proposed change; in other respects, such as the treatment of widows, the proposed scheme was generous to women and the change would be in harmony with current moves towards equal pay. Women earning less than £5 or so a week would not be liable for contributions in any case. Some misgivings were expressed about the effect of the change on the willingness of married women to return to teaching, a matter of vital importance to the schools, but the general feeling of the Cabinet was in favour of abolishing the married women's option. The White Paper should be drafted on this basis as a means of sounding public opinion; payment of contributions by married women was not essential to the scheme and the decision could be reconsidered if the public reaction were unfavourable.

(d) The proposals envisaged a much smaller surplus in the fund in the early years than had been contemplated in earlier thinking. This was largely the result of the proposal that the scheme should
mature after only 20 years, but it was arguable that it would be wise to plan for a larger surplus. A larger surplus would mean higher contributions but employers' contributions would increase much less than employees' under the proposals as they stood and it would seem reasonable to find the extra money from this source if the economic implications of doing so were acceptable. It would be useful if the Economic Advisers could produce a report on the desirability of a larger surplus and the implications, particularly in terms of prices and higher export costs, of financing such a surplus by increasing employers' contributions.

(e) It was suggested that it would be better to abandon the idea of an identifiable National Health Service contribution within the total contribution; such contributions were in reality taxes and as such foreign to the nature of the scheme. It was pointed out on the other hand however that a recent survey had shown that 60 per cent of people believed that the National Health Service was financed wholly or mainly from these contributions. It would be difficult to find a satisfactory reason for doing away with the contributions and there was therefore a presentational advantage in retaining them.

(f) When the scheme was fully operative lower-paid workers who had hitherto had to rely on supplementary benefit would be assisted through retirement pensions financed by contributions. This had been a main object of those who worked out the proposals, but might be used to found the charge that the Government were in effect switching part of the burden from the Exchequer to the contributors. In fact the effect of the proposals taken as a whole would be to increase the cost to the Exchequer, not reduce it, and it would be important to bring this point out in presenting the scheme. Higher-paid workers would admittedly be worse off, but this was the price of lifting the pensions of the lower paid above supplementary benefit level.

The Foreign and Commonwealth Secretary, summing up the discussion, said that he would report to the Prime Minister the progress which the Cabinet had made. They were agreed that the success of the proposals would depend very largely on their presentation and that the White Paper should have something of the character of a Green Paper, being designed to provide a basis for discussion without committing the Cabinet to every particular. The morning's discussion had ranged widely and the Cabinet had reached provisional conclusions that the married women's option should be abolished and an identifiable National Health Service contribution be retained. But a decision on the main structure of the scheme must depend on the conclusions reached on the linked questions of the degree of dynamism to be guaranteed and the frequency of pension reviews, and the Cabinet should resume their consideration of these questions at their next meeting.

The Cabinet—

(1) Took note with approval of the Foreign and Commonwealth Secretary's summing up of their discussion.
(2) Invited the Chancellor of the Exchequer to arrange for the Economic Advisers to consider the desirability of building up a large surplus during the early years of the scheme and the economic implications of doing so by raising employers' contributions, and to circulate a note of their views.

(3) Agreed to resume their discussion at a later meeting.

Cabinet Office, S.W.1,
24th October, 1968.
CABINET

CONCLUSIONS of a meeting of the Cabinet held at 10 Downing Street, S.W.1., on Tuesday, 29th October, 1968, at 11.00 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign and Commonwealth Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence (Items 1 and 2)
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales
The Right Hon. JUDITH HART, M.P., Paymaster General

The following were also present:

The Right Hon. SIR ELWYN JONES, Q.C., M.P., Attorney-General
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secrecy:

Sir: BURKE TREND
Miss J. J. NUNN
Mr. R. R. D. MCINTOSH
Dr. F. H. ALLEN

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1. The Prime Minister said that the Cabinet would wish to congratulate the Home Secretary on the successful handling of the Vietnam demonstration in London on the previous Sunday, 27th October, which had both vindicated the Home Secretary’s advice that the demonstration should not be prohibited and demonstrated the efficiency and good sense of the Metropolitan Police.

2. The Chancellor of the Exchequer said that he was increasingly disturbed by the strength of consumer demand and the threat which this posed to the Government’s economic strategy. There were signs that activity in the economy generally was now growing strongly and while this was in many respects welcome it appeared to be too dependent on increasing consumption. It was now clear that personal consumption in the second half of the year would be considerably higher than had been forecast at the time of the Budget. With exports rising sharply and better prospects for investment there was every reason to expect that we should be moving into a period of high pressure of demand in the early part of next year. It was important that the Government should, so far as practicable, anticipate developments of this kind; and early action to moderate the growth of consumer demand was in his view now required. He did not favour the use of the purchase tax regulator since this would suggest that the Government’s general economic strategy was no longer working. He considered that a tightening of the hire purchase (HP) regulations would be the most appropriate instrument. He had deliberately avoided using this measure in the Budget so that it would be available if needed later on. It would have an immediate though modest effect on demand, and as this would disappear after about six months, it would be particularly appropriate for dealing with the situation up to the next Budget, when the prospects for the latter half of 1969 would be much clearer. He accordingly proposed that the HP regulations should be amended so that on motor cars the deposit would be increased from 33½ per cent to 40 per cent and the period of repayment reduced from 27 months to 24. Comparable changes would be made for the other affected items, though he was still considering whether furniture should be excluded.

In discussion it was argued that the case for taking action now had not been made out. The tightening of HP regulations would increase unemployment and was thus at variance with the very recent decision to spend £10 million on winter works. The general view, however, was that some action to moderate the growth of consumption was called for. But it was argued that a decision should be postponed until the middle of November when further information about the likely progress of the economy would become available.

* Previously recorded in a Confidential Annex.
available. This might well indicate a need for more drastic action than the Chancellor was proposing. For example, there might well be a case for using the regulator, which would not only have a larger effect on demand but would also, by increasing taxation, provide the Government with more room for manoeuvre on public expenditure. The use of HP regulations in the present situation was in any case open to objection on other grounds. Its effect would be concentrated on a narrow range of industries which were not suffering from shortage of capacity. In particular it would penalise the motor industry at a time when its profitability was very low and when there was no real evidence that exports were being frustrated by the pressure of home demand; and it would reinforce the feeling of insecurity in the industry which was a potent cause of unofficial strikes.

On the other hand it was strongly urged that experience showed the dangers of failing to take moderate action to affect demand in good time. There could be no doubt that consumption was rising strongly and there was a growing expectation that some restraining action would soon have to be taken. There would be no advantage in postponing a decision, which would simply mean that when the Government did eventually take action they would appear to have been pushed into it by pressure of outside opinion. If, in the event, the tightening of HP regulations failed to restrain the growth of consumption to the extent required, further corrective action could be taken. The scope of the new regulations should, however, be further considered with a view to excluding furniture, which was an important element in the expenditure of young married couples.

The Prime Minister, summing up the discussion, said that on balance the Cabinet agreed that the hire purchase regulations should be tightened on the lines proposed by the Chancellor. An announcement should be made on Monday, 4th November; and in the meantime the Chancellor of the Exchequer should consider with the President of the Board of Trade the possibility of excluding furniture other than carpets from the operation of the new regulations.

The Cabinet—

(1) Agreed that the hire purchase regulations should be tightened on the lines indicated in the Prime Minister’s summing up.

(2) Invited the Chancellor of the Exchequer, in consultation with the President of the Board of Trade, to consider the possibility of excluding furniture other than carpets from the operation of the new regulations.

(3) Invited the President of the Board of Trade to announce on Monday, 4th November, the Government’s decision to amend the hire purchase regulations.

SECRET
3. The Chief Whip recalled that the Cabinet had asked him on 24th October to give further consideration to the question whether a free vote should be permitted on the reduction of the age of voting to 18. He had concluded that about two-thirds of the Government's supporters were in favour of reducing the voting age to 18, but, since there was no guarantee that Members sympathetic to the proposals would attend and vote, he proposed that a two-line Whip should be issued to Private Members and a three-line Whip to Ministers. After discussion it was agreed that a firm two-line Whip should be issued to both Private Members and Ministers.

The Cabinet considered a memorandum by the Home Secretary (C (68) 119) on the proposal to establish a Commission on the Constitution, and a further note (C (68) 120) covering the proposed terms of reference for the Commission revised in the light of discussion by the Ministers primarily concerned.

The Home Secretary recalled that the Cabinet at their previous meeting had asked him to set out the arguments in favour of the establishment of a Commission on the Constitution and of the inclusion in its remit of Northern Ireland, the Channel Islands and the Isle of Man. This he had done in C (68) 119, but the terms of reference proposed in that paper had been revised as a result of discussion on the previous day by a group of Ministers under the chairmanship of the Prime Minister. He was convinced that, since the terms of reference in this form would enable the Government to take any action which seemed necessary in respect of Northern Ireland while the Commission were sitting, it would be wrong to exclude Northern Ireland from their consideration. It would, however, be necessary to consult the Northern Ireland Government, who were unlikely to decline to be included in the remit, and the Governments of the Channel Islands and the Isle of Man. Because of the necessity for consultations both with these Governments and with the Opposition Parties in the United Kingdom Parliament, the proposed reference to the Commission in The Queen's Speech on the Opening of Parliament spoke of the Government's intention to begin consultations on the appointment of a Commission on the Constitution.

The Prime Minister said that a group of the Ministers primarily concerned had considered the Home Secretary's paper on the previous day and had concluded that it would be right to recommend The Queen to announce the proposals in the Speech on the Opening of Parliament. They had been concerned to ensure that the Commission would be able to start from the Reports expected early in the New Year from the Royal Commissions on Local Government in England and in Scotland (the Redcliffe-Maud and Wheatley Commissions), and that the Government would not be precluded from acting on those Reports and in respect of the problems of Northern Ireland while the Commission were sitting. The terms of reference annexed to C (68) 120 seemed sufficiently dynamic to
secure both objectives, and he would make it clear during the Debate on the Address that the establishment of a Commission would not be a means of avoiding decisions within the Commission’s field. It would be necessary in any event to reach a Government view on the problems before the Commission, since the Scottish and Welsh Labour Parties would have to give evidence to the Commission and would look to the Government for some advice in doing so.

In discussion it was suggested that the primary objective of the Government’s policy should be to prepare reasonable and attractive proposals for the countries and regions of the United Kingdom during what remained of the lifetime of the present Parliament. It would have been an advantage if some proposals could be produced before a Constitutional Commission was established so as to rebut the suggestion that the appointment of a Commission was no more than a delaying device; but it was unrealistic to suppose that the Government could produce satisfactory policies within a matter of months. They might not be able to do so before the end of the Parliament, but in that case it would still be advantageous to have established a Constitutional Commission. The Commission, by hearing evidence in public, would compel the nationalist parties to declare their policies and would constitute a valuable means of promoting public understanding both of the extent of devolution at present, particularly in Scotland, and of the probable consequences of separatist policies. The risk that the special interests of the various parts of the United Kingdom might be overlooked in an attempt to work out a pattern of government of general application could be obviated by enabling the Commission to work through Panels reinforced by the appointment of Assistant Commissioners to reflect the opinion of the part of the United Kingdom under consideration by a particular Panel; and if the terms of reference were sufficiently dynamic there would be no need to exclude English regions, because developments arising out of the Redcliffe-Maud Report would go ahead and these developments would themselves have a bearing on the problems of Scotland and Wales which it would be wrong to attempt to exclude from the Commission’s thinking.

In further discussion of the proposed terms of reference the question was raised whether the omission from the original draft of the reference to “the form of the constitution” would preclude the Commission from considering the desirability or otherwise of a written constitution. If, as seemed probable, this possibility would remain open to them, it might be advisable to ensure that evidence was submitted on the dangers inherent in the introduction of a written constitution. A written constitution would destroy the sovereignty of Parliament and put obstacles in the way of rapid action by a Government desiring to introduce change; it would tend towards the preservation of individual rights and privileges and against the interests of the community as a whole. Critics of the Government might also suggest that the proposed reference in The Queen’s Speech to “the central institutions of government” meant that the way would be open for an attack on the monarchy and the advocacy of republican government. This was not, however,
the intention, as could be made clear to the Commission at a later
stage. There would in any event be a further opportunity for the
consideration of the terms of reference in the light of the
consultations before the Commission were appointed.

The Prime Minister, summing up the discussion, said that the
Cabinet were agreed that The Queen should be recommended to refer
in her Speech on the Opening of Parliament to the Government's
intention to begin discussions on the appointment of a Commission
on the Constitution. The authorities in Northern Ireland, the
Channel Islands and the Isle of Man should be informed of the
intentions shortly before The Queen's Speech was delivered; and a
similar communication should be made to the Chairmen of the Royal
Commissions on Local Government in England and in Scotland,
respectively. The terms of reference could be considered further in
the light of the consultations, and it would be desirable to appoint
a Committee of Ministers to consider questions arising on the
appointment of the Commission.

The Cabinet—
(1) Agreed that The Queen should be recommended to
establish a Commission on the Constitution, with terms
of reference covering the countries, nations and regions
of the United Kingdom and the relationship of the
Central Government with the Channel Islands and the
Isle of Man.

(2) Took note that the Prime Minister would:
(i) Recommend The Queen to include in her Speech on
the Opening of Parliament an appropriate reference
to consultations on the establishment of a
Constitutional Commission.

(ii) Arrange for a Committee of Ministers to consider
questions arising on the appointment of the
Commission on the Constitution.

(3) Invited the Home Secretary, the Secretary of State for
Scotland and the Minister of Housing and Local
Government to notify the appropriate authorities in
Northern Ireland, the Channel Islands and the Isle of
Man and the Royal Commissions on Local Government
in England and in Scotland, respectively, of the
Government's intentions before The Queen's Speech was
delivered.

The Minister of Transport said that he would be subject to
considerable criticism because The Queen's Speech contained no
reference to legislation on the reorganisation of the ports. The
intention was, however, to publish proposals in a White Paper in the
near future, and it would help to allay the suspicions of the
Government's supporters if The Queen were recommended to include
in her Speech on the Opening of Parliament a statement that the
Government would bring forward proposals for reorganising the ports under public ownership. This could then be elaborated in the Debate on the Address.

After brief discussion, the Prime Minister said that it would be difficult to secure the addition of a wholly new passage to The Queen’s Speech at so late a stage, and, since the Leaders of the Opposition Parties had to be given a copy of the Speech during the afternoon, they would become aware that there had been an addition at the last minute. In view of this, the best course would be for him to refer during the Debate on the Address to the Government’s intention to publish a White Paper.

4. The Cabinet considered a memorandum by the Minister of Technology (C (68) 109) on progress in reaching agreement with the French on criteria for the Concorde project; and a memorandum by the Attorney-General (C (68) 114) assessing the legal position following the latest negotiations.

The Minister of Technology said that, following the discussion by the Cabinet on 1st August, he had consulted the Foreign Secretary, the President of the Board of Trade, the Chief Secretary, Treasury, and the Attorney-General with a view to drawing up criteria in the light of which we should wish to see the future of the Concorde project determined, and to which we should seek to obtain the agreement of the French. The criteria on which they had decided were:

(i) An upper limit of £600 million (at 1966 prices) on development costs which if it looked like being exceeded would call into question the wisdom of continuing with the project and would free either Government from an automatic obligation to continue.

(ii) Firm orders by 31st December, 1969, from four major airlines of which one must be an American airline.

As a result of his discussion with the French Minister of Transport, M. Chamant, on 24th September, and of subsequent correspondence, the French had now put forward the proposals set out in Annex C to C (68) 109. It was unlikely that M. Chamant would be willing to recommend his Government to go further than these proposals, although they fell short of our criteria in several important respects. While M. Chamant accepted the criterion of firm orders by the end of 1969, he held that if there remained any hope of firm orders neither side should be entitled to withdraw but only to discuss with the other the continuation of the project. The French version of the criterion on development cost could not be invoked until the end of 1969; it would not automatically release each Government from the obligation to continue but would only authorise the responsible Ministers to propose to their Governments an amendment to the 1962 Agreement which would so release them. His memorandum (C (68) 109) discussed the five possible courses which were now open.
to us in the light of M. Chamant's proposals. Immediate unilateral cancellation would be even more hazardous now than before his exchanges with the French. If we engaged in further discussion, or correspondence, to define our interpretation of M. Chamant's paragraphs and to defend such freedom of action as we already possessed, the French might withdraw their compromise proposals and we could well be in a worse position in relation to possible unilateral action than we were now. He therefore recommended that we should settle with the French on the basis of the position that had now been reached.

The Attorney-General said that the French had been skilful in neither rejecting the concept of criteria (which would have strengthened our legal position), nor committing themselves to withdrawal from the project if the criteria were not met. While it was regrettable that the criteria proposed by the French would not take effect until the end of 1969, he took the view that an acceptance of these proposals would represent a gain. He therefore favoured acceptance, as recommended by the Minister of Technology, with the proviso that we should tell the French that our agreement was without prejudice to the right of the parties in international law to terminate where there was a fundamentally altered situation.

In discussion it was pointed out that acceptance of M. Chamant's proposals would in effect commit the United Kingdom to the project until 31st December, 1969, by which time the greater part of the expenditure on development would have been incurred; for all practical purposes, we should therefore be committing ourselves to completion of the project. The proposals made no contribution to our domestic problem of reducing public expenditure. The proposed limit on the cost of development was £600 million, of which the United Kingdom's share would be £300 million. If cancellation was deferred until the end of 1969, we should save only £40-50 million of this total of £300 million. If we were to cancel unilaterally in January, 1969, the saving would be about £125 million; and if cancellation took place in the middle of 1969, the saving would be about £85 million. However, these savings did not take account of the heavy damages we might have to pay if judgment went against us in the International Court. If we were now to accept M. Chamant's proposals, we should aim to preserve the maximum freedom of action, including the possibility of unilateral cancellation early in 1969. For this purpose, it would be desirable to include the proviso proposed by the Attorney-General in any acceptance of the French proposals. At the same time we might consider reducing the technical, financial and commercial risks which were inherent in the project by inviting the United States to join the consortium. However, though partnership with the United States would greatly increase the project's chances of success, it was unlikely that the French would consent to such an arrangement. Furthermore, it was probable that neither of the American companies concerned would be willing to participate in a project in which the French had design leadership, although they might subsequently have
some interest in the development of a “stretched” version. Work on the project in the coming 12 months, including flight tests, might reveal a number of technical problems, including engine noise and the sonic bang, but the effects of these on the development cost and on airline orders would be safeguarded by the proposed criteria.

The Prime Minister, summing up the discussion, said that on balance the Cabinet agreed that M. Chamant’s proposals should be accepted, but it should be made clear that our acceptance was without prejudice to the right of the parties in international law to terminate where there was a fundamentally altered situation. The Attorney-General should prepare a draft letter on these lines for the Minister of Technology to send M. Chamant; the letter should be circulated to the Cabinet for information. The desirability of inviting the United States companies to participate in the Concorde project should be considered separately by the Steering Committee on Economic Policy.

The Cabinet—

(1) Agreed to accept the criteria proposed by M. Chamant, with the proviso that this should be without prejudice to the right of the parties in international law to terminate where there was a fundamentally altered situation.

(2) Invited the Attorney-General to prepare a draft letter of acceptance from the Minister of Technology to M. Chamant.

(3) Invited the Minister of Technology to bring the question of inviting American companies to collaborate in the Concorde project before the Steering Committee on Economic Policy.

Cabinet Office, S.W.1,
29th October, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 31st October, 1968, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister

The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign and Commonwealth Affairs

The Right Hon. Lord Gardiner, Lord Chancellor

The Right Hon. Barbara Castle, M.P., First Secretary of State and Secretary of State for Employment and Productivity

The Right Hon. Denis Healey, M.P., Secretary of State for Defence

The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs

The Right Hon. William Ross, M.P., Secretary of State for Scotland

The Right Hon. Edward Short, M.P., Secretary of State for Education and Science

The Right Hon. Richard Marsh, M.P., Minister of Transport

The Right Hon. Cledwyn Hughes, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. George Thomas, M.P., Secretary of State for Wales

The Right Hon. Judith Hart, M.P., Paymaster General

The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer

The Right Hon. Richard Crossman, M.P., Secretary of State for Social Services

The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department

The Right Hon. Feed Peart, M.P., Lord President of the Council

The Right Hon. Anthony Crosland, M.P., President of the Board of Trade

The Right Hon. George Thomson, M.P., Minister without Portfolio

The Right Hon. Anthony Wedgwood Benn, M.P., Minister of Technology

The Right Hon. Anthony Greenwood, M.P., Minister of Housing and Local Government

The Right Hon. Lord Shackleton, Lord Privy Seal (Items 1-4)

The Right Hon. Roy Mason, M.P., Minister of Power

The Right Hon. John Diamond, M.P., Chief Secretary, Treasury

The following were also present:

The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Item 4)

The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury
SECRET

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. R. R. D. McIntosh
Sir Robin Hooper
Mr. J. Crocker

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The Chancellor of the Exchequer recalled that at their meeting on 29th October the Cabinet had decided that the hire purchase regulations should be tightened and that an announcement to this effect should be made on Monday, 4th November. Since then there had been mounting speculation in the Press about the Government's intentions and this made it necessary, in his view, to bring forward the date of the announcement. To delay it until 4th November would mean that there would be intense speculation over the weekend, with damaging consequences for sterling, and that pressure from the motor industry against the change would build up. It would not be practicable to announce the decision that day as copies of the new regulations could not be distributed to the provincial offices of Her Majesty's Stationery Office in time. He proposed therefore that the decision should be announced in Parliament on Friday, 1st November, and that in answer to questions about its timing it should be explained that the Government had intended to make the announcement during the Debate on the Address but that in view of speculation in the Press they had felt it necessary to advance the date.

In discussion it was suggested that the Government should not allow themselves to be deflected from their original decision by Press reports. But the general view was that, whatever the motives and origin of the reports might be, speculation was now so strong that it would be dangerous to delay the announcement until after the weekend.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the decision to tighten the hire purchase regulations should now be announced on Friday, 1st November. In view of the damaging nature of the Press reports in question he would arrange for the leak procedure to be instituted.

The Cabinet—
Invited the President of the Board of Trade to announce on Friday, 1st November, the Government's decision to tighten the hire purchase regulations.

SECRET

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

The Secretary of State for Social Services said that, in accordance with the decision of the Cabinet on 17th October, he and the Lord Privy Seal had shown the draft White Paper on the Reform of the House of Lords (annexed to C (68) 111) to Lord Carrington, the Leader of the Conservative Opposition in the House of Lords. Lord
Carrington had subsequently informed them that the Shadow Cabinet had considered the draft and agreed that it reflected the proposals for the reform of the House of Lords agreed to by the Inter-Party Conference before the discontinuance of its meetings, subject only to the removal of the reference in paragraph 49 to the consideration of the remuneration of voting peers by the National Board for Prices and Incomes (NBPI). The reference in the draft White Paper could be removed, and the problem itself might perhaps be dealt with by asking the Chairman of the NBPI (Mr. Aubrey Jones) to preside over a separate Committee on the analogy of the Committee on the Remuneration of Ministers and Members of Parliament, which had sat in 1964 under the chairmanship of Sir Geoffrey Lawrence, who was also the Chairman of the equivalent under the Conservative Administration of the NBPI. The Conservative Party had indicated their willingness to enter into discussions on the conventional, as distinct from the statutory, elements in the proposed scheme for reform, and there was a good prospect that the proposals could be carried through virtually as an agreed measure. The Liberal Party had also indicated that they were willing to accept the draft White Paper as a statement of the proposals on which agreement was reached in the Inter-Party Conference.

The Lord Privy Seal said that the Conservatives appeared to have only two other reservations. They disliked the suggestion that a Committee appointed to review the composition of the reformed House of Lords might advise the Prime Minister on the exercise of his power to recommend the appointment of peers; and they adhered to their view that the Parliament Bill should not take effect until the beginning of the next Parliament.

The Cabinet—

(1) Took note of the statements by the Secretary of State for Social Services and the Lord Privy Seal.

(2) Agreed that the White Paper on the Reform of the House of Lords should be published on 1st November, subject to the deletion of the reference in paragraph 49 to the National Board for Prices and Incomes.

The Foreign and Commonwealth Secretary said that he had nothing of substance to add to his last report to the Cabinet on Vietnam. The possibility of agreement was still in the balance, and the conflicting reports of what the North Vietnamese representative in Paris had said to the Press did not significantly alter the position.

The Foreign and Commonwealth Secretary said that he had been pressing the Israeli Government to say publicly that they accepted and would implement the Security Council Resolution, and also to define what they meant by “secure borders”. If they would do so, then talks between Israel and Jordan might become possible.
United States Government had been taking action in the same sense. The position was a difficult one. There were differences in the Israeli Cabinet, many of whom distrusted President Nasser of the United Arab Republic, and despised King Hussein of Jordan. There was also a large section of Israeli public opinion which saw no alternative to military force as a safeguard of Israel's security. This created a dangerous situation.

The Foreign and Commonwealth Secretary said that he had seen the Argentine Foreign Minister, Dr. Costa Mendez, in New York, and that some progress had been made. He hoped that it would be possible to raise the status of the unilateral statements which it was intended should accompany the Memorandum of Understanding, and turn them into a formal Exchange of Letters. This could probably be done, so far as the British statement was concerned, if it were shortened and certain phrases to which the Argentinians took exception were omitted. The details would be worked out in discussion with the Argentine Ambassador in London and he would report further to the Cabinet.

The Cabinet—

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

4. The Prime Minister said that the Rhodesian régime had been asked to furnish in time for consideration at this meeting of the Cabinet a statement of points arising out of the proposals made in HMS Fearless which the régime agreed to and which did not need further discussions; matters which they wanted to discuss on the basis that they found them unacceptable; and points in the proposals on which they wished to ask for clarification or redrafting. The Rhodesian reply had now been received and he invited the Minister without Portfolio to comment.

The Minister without Portfolio said that the request to the Rhodesian régime had had the desired effect of clarifying their intentions on a number of important points. Although there were a number of points of agreement, it was clear that there was a fundamental gap between the régime and ourselves—explicitly on the system of appeals to the Judicial Committee of the Privy Council, and on the cross-voting percentage, and implicitly on the legality of permanent preventive detention, on the arrangements for the test of acceptability, and on the attitude towards African nationalist leaders. The immediate question was whether he himself should go to Salisbury and if so when. He could not be in Salisbury during the celebrations of the anniversary, on 11th November, of the illegal
declaration of independence; and if reasonable time was to be left for discussions, these would have to start on Monday, 4th November if they were not to be postponed for a fortnight or more. There had been enough in the régime’s reply to warrant a postponement and further long-range discussion if we wished: but the balance of advantage appeared to be in going to Salisbury now. The Government would lose the advantages they had gained vis-à-vis public opinion if they now laid themselves open to charges of procrastination. The Governor of Rhodesia held strongly that the exchanges which had taken place since the meetings in HMS Fearless should now be followed up by face-to-face discussions. The objective of these would be to establish whether a basis existed for a settlement consistent with our principles and the pledges we had made. If this proved impossible, the breach, if there was to be one, should come in circumstances in which it had been clearly demonstrated that the British Government had done their utmost to secure agreement but had been frustrated in doing so by profound differences of principle. Either way, the matter would have to be considered again by the Cabinet before any final decisions were reached.

The details of his brief would be considered at a meeting that afternoon of those Ministers most directly concerned; but he suggested that the general line should be as follows:

(i) There must be a strong and effective second safeguard to reinforce the “blocking quarter”. We should take our stand in the first instance on the system of appeals to the Judicial Committee of the Privy Council.

(ii) There should be no erosion of the cross-voting proposals put forward in HMS Tiger. A reduction of the cross-voting percentage might seriously delay majority rule.

(iii) We could not countenance any attempt to legalise permanent preventive detention.

(iv) The Rhodesian régime should make a clear and positive offer to both the Zimbabwe African People’s Union and the Zimbabwe African National Union that, if they would commit themselves to peaceful political activity, the ban on them would be lifted.

(v) Satisfactory assurances should be obtained from Mr. Smith that he had abandoned the position that there would be no majority rule in his lifetime. We should be placed in an impossible position if we reached agreement with him and he then made further public declarations in this sense.

The recent meeting of the Commonwealth Committee on Sanctions had gone very much as expected. It was clear that the representatives of the African Commonwealth countries felt deeply and that their misgivings were to some extent shared by the representatives of India. But there had been a considerable—if inarticulate—“middle” body of opinion, which realised that our attempts to seek a political settlement were in the interests of the
Africans. It would therefore remain very important to seek to maintain the morale of Commonwealth African leaders and to keep them informed of developments. After his discussions in Salisbury he would try, before returning to London, to see President Kaunda of Zambia, President Nyerere of Tanzania, President Obote of Uganda and President Kenyatta of Kenya. He proposed to take the Joint Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr. Maurice Foley) with him in order that Mr. Foley might visit some or all of these personalities if he himself had to return urgently to London.

In discussion the point was made that Mr. Smith had come out categorically against appeals to the Privy Council and the whole principle of a second guarantee. In these circumstances, was there any basis for further discussion; and would not a breakdown be to our disadvantage? As against this, it was argued that before the discussions in HMS Fearless, Mr. Smith had been equally intransigent over the blocking quarter. Whether there was any real flexibility in his position was a matter for speculation; but he was unlikely to show his hand before negotiations began. Provided that we could show that we had done our utmost to secure a settlement, but had been unable to do so within the six principles, a breakdown would redound to our advantage rather than Mr. Smith's. If Mr. Smith broke on any of the points to which he was at present objecting, he would receive little sympathy from any section of political opinion in Britain. As compared with the present situation, the British Government had little to lose by a breakdown, and everything to gain by trying for a settlement. But the public presentation of the discussions would need careful handling if confidence was to be maintained, in Britain and elsewhere, in our determination not to yield on essential points.

The Prime Minister, summing up the discussion, said that there was general agreement that the balance of advantage lay in sending the Minister without Portfolio to Salisbury immediately. His detailed instructions would be discussed with him that afternoon at a meeting of those Ministers most directly concerned. The House of Commons would have to be informed as soon as possible; and this could best be done on Friday morning, 1st November, which would allow time to inform Commonwealth Governments. Meanwhile, in the Parliamentary debate on foreign affairs later that day, the Foreign and Commonwealth Secretary and the Minister of State for Foreign and Commonwealth Affairs (Mr. Mulley) should merely say that discussions were still proceeding but that it was hoped to make a statement on the following day. They could however, if questioned, say that Commonwealth Governments were being kept informed.

The Cabinet—

Took note, with approval, of the Prime Minister's summing up of their discussion.
5. The Cabinet resumed their consideration of a memorandum by the Secretary of State for Social Services (C (68) 106) about the proposed earnings-related pensions scheme and of memoranda by the Chancellor of the Exchequer on the effect of the scheme on the pensions entitlement of public service employees (C (68) 112) and on the frequency of pension reviews under the scheme (C (68) 110). They also had before them notes by the Chancellor of the Exchequer to which were appended notes by a group of Economic Advisers on the general economic effects of the scheme (C (68) 117) and on the desirability of building up a larger surplus in the early years by raising employers' contributions (C (68) 121).

The Secretary of State for Social Services said that the Cabinet's previous discussions had shown substantial acceptance of the proposals set out in his memorandum (C (68) 106), but there was one major point of disagreement, namely whether benefits should be reviewed annually or biennially. The arguments on both sides had been deployed at the meeting on 17th October (CC (68) 42nd Conclusions, Minute 6) and he did not wish to repeat all that he had said then. The crucial point was that, once it was accepted that the Government could not commit themselves to full earnings dynamism but only to ensure that benefits at least kept pace with prices, there would be nothing in the scheme to attract existing pensioners unless they were given the promise of annual reviews. He believed that an undertaking to review benefits annually was essential to the successful presentation of the scheme and it would have the additional advantage that it would enable the Government to present in a more favourable light their decision to confine the October 1969 uprating of benefits to the increase necessary to cover the increased cost of living. Moreover, an annual review was the only part of the proposals which could be implemented during the life of the present Parliament.

The Chancellor of the Exchequer said that he felt bound to resist the proposal for annual reviews not only because of the additional cost but also because of the extent to which it would pre-empt resources in the closing decades of the century. The cost would be formidable—£50 million every other year after five years, rising to £550 million after 30 years; that was on the basis of full earnings dynamism, but it would be unrealistic to assume that the Government could hold benefit increases to strict price dynamism. Annual reviews of pensions under the present insurance schemes would also involve additional expenditure on supplementary benefits and public service pensions and possible repercussions on the pay of the Services; and all this would have to be found by retrenchment in other fields. The danger of pre-empting too large a proportion of resources was perhaps even more serious. The present proposals rightly looked a long way ahead, but the planning of the other social services was on a much shorter term basis. They must beware of committing now to pensions resources which, it might appear at a later stage, could have been used to better advantage in developing other social services; it would
always be possible to move from biennial reviews to annual, but not in the reverse direction. The frequency of reviews was his main point of concern about the proposals and if his view on this were accepted he was prepared to agree to the proposed 60 per cent/25 per cent benefit formula and to separate superannuation and social insurance funds.

In discussion there was general agreement that annual reviews had presentational advantages and that if the principle was not conceded the Government would be under pressure to provide something more generous than a cost-of-living adjustment in the autumn of 1969; it would, however, be very much cheaper to do this than to incur a commitment to annual reviews. Moreover it seemed likely that the attitude of pensioners to the Government would be influenced more by the generosity (or otherwise) of the 1969 review than by any promise of future increases, though the introduction of a special cost-of-living index for pensioners would tend to focus attention on the relation between pensions and prices. Some members of the Cabinet considered that the repercussions in other fields, such as wage settlements, of a decision in favour of annual reviews might have been overstated, but the general feeling was that the principle would inevitably be extended to public service pensions and possibly farther.

It was suggested that a possible compromise might be to plan the new scheme on the basis of biennial reviews and full earnings-dynamism, but to concede annual reviews to existing pensioners. This might make it possible to avoid the extension of annual settlements to other fields. Experience suggested, however, that the existence of two separate classes of pensioner would be a continual source of grievance. It would be better in putting forward the proposals to present them as a scheme for the future and for future pensioners; existing pensioners could judge the Government on its record.

In further discussion the following main points were made—

(a) The separation of superannuation and social insurance funds would add to administrative costs, but would be justified by the presentational advantages. A recent survey had shown that 60 per cent of people wrongly regarded the National Health Service as mainly paid for out of national insurance contributions and only 39 per cent thought that pensions came mainly from contributions. There was a great need to educate the public, and the institution of a separate superannuation fund would help to spread the realisation that contributions towards pensions were savings against future needs.

(b) It was questioned whether it was wise to commit the Government to the idea of a constant attendance allowance when neither the scope of the arrangements nor their cost could be defined. On the other hand it was pointed out that the absence of any such provision was the biggest single gap in social provision; a survey now in progress would help to clarify the incidence of need, but enough was known to show that provision of this sort was both necessary and
practicable. The White Paper should say that the Government accepted the principle, but would await the report of the survey before deciding what should be done.

e The implications of the scheme for the armed services and other public service pensioners would have to be worked out in the course of negotiations with those affected. The White Paper would do no more than make clear that abatement would be allowed, though complete contracting out was impossible.

d It was confirmed that the proposals would increase the total cost to the Exchequer, not decrease it, despite the consequential saving on supplementary benefit.

e It would be unwise to announce publication of the White Paper in advance, in case deterioration in the economic situation should render publication on that date inopportune. The aim should be to publish sufficiently early in December to escape the distractions of Christmas, though the first week in January would be a possible alternative if publication in the Recess were acceptable. To defer publication until Parliament reassembled would leave too little time for negotiation.

The Prime Minister, summing up the discussion, said that the general feeling of the Cabinet was in favour of biennial reviews rather than annual, but with this exception they endorsed the proposals in C (68) 106, including the contribution and benefit formula and the proposal for separate superannuation and social insurance funds. Drafting of the White Paper should go ahead with a view to publication, if possible, in mid-December; the position should be reviewed later in the light of the economic situation. The White Paper should contain a firm outline of the Government's proposals, but should not commit the Government to every detail; there should be room for discussion and negotiation, particularly as respects the treatment of occupational pensioners. The Ministerial Committee on Social Services should scrutinise the draft White Paper before submitting it to the Cabinet for final approval; and the Secretary of State for Defence and other Ministers concerned should be consulted on any passage affecting public service pensioners.

The Cabinet—

(1) Subject to the adoption of biennial pension reviews, approved the proposals for an earnings-related pension scheme set out in C (68) 106.

(2) Invited the Secretary of State for Social Services to arrange for the draft of a White Paper on the lines indicated in the Prime Minister's summing up to be considered by the Social Services Committee with a view to its submission to the Cabinet before the middle of December.

(3) Agreed to consider, when the draft White Paper was before them, whether it should be published in mid-December or later.

Cabinet Office, S.W.1.
31st October, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 12th November, 1968, at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign and Commonwealth Affairs
The Right Hon. RICHARD CROSSMAN, M.P., Secretary of State for Social Services (Items 1 and 2)
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. FRED PEART, M.P., Lord President of the Council
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. ROY MASON, M.P., Minister of Power

The Right Hon. LORD GARDINER, M.P., Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity (Items 1-4)
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales
The Right Hon. JUDITH HART, M.P., Paymaster General
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury

The following were also present:
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (Items 1-4) The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Mr. R. R. D. MCINTOSH
Mr. H. L. LAWRENCE-WILSON
Mr. P. E. THORNTON
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1. The Prime Minister said that recent attempts to secure the participation of Ministers in broadcast programmes, particularly the “World at One” on sound radio and the television programmes conducted by Mr. David Frost, had underlined the necessity for Ministers to consult his office before accepting an invitation, in accordance with the procedure laid down in “Questions of Procedure for Ministers” (CP (66) 5). In programmes primarily designed for entertainment a Minister might be placed at a disadvantage either by the selection of the other participants, or by the presence of a hostile audience, or by distortion produced by subsequent editing.

In discussion it was pointed out that Ministers were placed in a dilemma by invitations to participate in discussion of particular problems. They might refuse to participate, in which case the presentation might be inaccurate and one-sided, or they could take part in order to ensure the Government’s point of view was stated, but would then run the risks which the Prime Minister had indicated. Some Ministers might prefer to participate, if at all, only in programmes concerned with current affairs, in which the subject was likely to be more seriously treated. But there were precautions which could be taken to avoid embarrassment in either type of programme; for example, the Minister could insist that the programme should not be transmitted live and that he be given an opportunity to object to any alterations subsequently made in it. Some topics could not, however, be suitably handled in a programme designed primarily to provide entertainment: for example highly technical subjects, of which it was difficult to give an accurate account in the time and by the methods available. But if for any reason a Minister declined an invitation to take part in a programme, he was liable to be pilloried for his refusal; and those responsible for the broadcast might claim that since he had refused to take part he had no right to correct any inaccurate or misleading impression which the programme might have given. There might therefore be advantage in Ministers either agreeing among themselves that they would not appear in any programme designed primarily for entertainment, or adopting a set of agreed rules to govern their participation.

The Prime Minister, summing up the discussion, said that there had been occasions when a Minister had been able to use one of the programmes in question with success to put a particular line of policy before a wide audience; but they must recognise that the purpose of the programmes was not to facilitate Ministerial communication with the public, and a Minister should not take part unless he was in a strong enough position to defeat any critics that might have been asked to participate with him. It would be helpful if the Paymaster General would arrange for the Home Publicity Committee to examine the question whether any rules could be drawn up to guide Ministers invited to participate in broadcast programmes, and in particular to enable them to reach a satisfactory agreement with the broadcasting authorities on the manner in which the programme would be
conducted. In the meantime Ministers should continue to refer to his office any invitations to take part in a broadcast programme.

The Cabinet—

(1) Invited the Paymaster General to arrange for the Home Publicity Committee to consider the question of Ministers participating in broadcast programmes, on the lines indicated in the Prime Minister's summing up.

(2) Took note that Ministers invited to participate in broadcast programmes should continue to consult the Prime Minister's office before accepting an invitation.

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

The Prime Minister reported that the Parliamentary Committee had considered on 7th November the attitude to be taken by the Government on the Divorce Law Reform Bill, which was likely to be reintroduced in the present Session. They had agreed that, as in the previous Session, the Government should be neutral, save that the Lord Chancellor should be free to express his personal support for the Bill. Since the previous Session's Bill had made some progress in the House of Commons, the Committee considered that it would be appropriate to provide Government time in order that the House might have the opportunity to reach a conclusion on the Bill in the present Session. Time could be provided at less cost to the Government early in the Session than during the summer and it had therefore been agreed that, if the Bill was not sponsored by a Member who secured a high place in the Ballot for Private Members' Bills, arrangements should be made for the Second Reading of the Bill to be put down for discussion after 10.00 p.m. so that it could be adjourned to a morning sitting.

In discussion it was reported that the Members who had secured the first three places in the Ballot had been unwilling to sponsor the Bill, and that it had been taken up by Mr. Alec Jones in ninth place. It was therefore proposed that he should put it down for the first Friday available for Private Members' Bills, when it was unlikely to be reached, and subsequently for debate after 10.00 p.m. with a view to the adjournment of the discussion to the following morning. Mr. Leo Abse was understood to have objected to this arrangement, but it could be explained to him and to Mr. Jones that the intention was to give the Bill an opportunity to get into Standing Committee before other Private Members' Bills, and hence a good possibility of passing through the House of Commons early in the Session.
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The Cabinet—

(1) Took note of the Prime Minister's report.

(2) Invited the Lord President, in consultation with the Chief Whip, to explain to Mr. Leo Abse and Mr. Alec Jones that the proposed arrangements for discussing the Divorce Law Reform Bill in morning sittings would be likely to facilitate the early passage of the Bill.

3. The First Secretary of State said that at their meeting on 4th November the Ministerial Committee on Prices and Incomes had unanimously agreed that the interim settlements which had been concluded in October in the building and civil engineering industries should be referred to the National Board for Prices and Incomes (NBPI) as soon as possible, accompanied if necessary by a statutory direction to defer payment of the increases. The background to this decision was that in May this year the unions' claims for a 12 per cent pay increase had been referred to the NBPI. The Government had made it clear at the time that while negotiations on the claim could continue during the NBPI's enquiries, no commitment should be entered into before the Board's report, which was now expected to be ready at the end of November, had been published. In spite of this the unions and the employers had concluded interim settlements which provided for an increase of nearly 5 per cent (when a cost-of-living bonus paid in March 1968 was taken into account) but contained no productivity features. The Ministerial Committee on Prices and Incomes had concluded that the interim settlements were a clear breach of the incomes policy and that it would be damaging to allow them to go through. The unions and the employers had been consulted about the proposed reference and had not reacted unduly strongly against it; the opposition had come almost entirely from within the Parliamentary Labour Party (PLP). She had arranged to meet the employers and unions in the building industry later in the day; she would see whether some compromise solution more compatible with the Government's incomes policy could be found and would report the results to a meeting of the Ministerial Committee on Prices and Incomes on the following day.

In discussion it was pointed out that there would almost certainly need to be a debate in the House of Commons if a reference to the NBPI were made. Over 100 Labour Members had signed a motion opposing the reference, and the Opposition might put down a motion of their own for debate on a supply day. It was strongly argued that those members of the PLP who had signed the motion were out of touch with opinion in the trade unions and that they should be firmly reminded that the only alternative to a prices and incomes policy was deflation and the deliberate creation of unemployment. There was wide support for the view that the Government should give a firm lead on this issue both in public speeches and in discussion with their own supporters and that they should make clear to the PLP their determination to operate the incomes policy effectively.
The Prime Minister, summing up the discussion, said that the First Secretary should report at the meeting of the Ministerial Committee on Prices and Incomes on the following day the outcome of her discussions with the unions and employers in the building industry. If, in the light of these discussions, it were decided to proceed with the reference to the NBPI, an early meeting of the Parliamentary Labour Party should be arranged at which the First Secretary and other Ministers concerned could explain the reasons for the decision and the Government's determination to operate the incomes policy effectively.

The Cabinet—

Invited the First Secretary of State—

(i) to report to the Ministerial Committee on Prices and Incomes the outcome of her discussions with the unions and employers in the building industry;

(ii) to consult the Lord President and the Chief Whip with a view to arranging a meeting of the Parliamentary Labour Party if this should prove necessary.

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4. The Foreign and Commonwealth Secretary informed the Cabinet that the Minister without Portfolio, who was conducting the current negotiations with the regime in Salisbury, had suspended discussions during the celebrations of the third anniversary of the illegal declaration of independence by Rhodesia and was now visiting the capitals of the East African members of the Commonwealth, pending a resumption of contact with the regime later in the week. His interim report on the discussions during the previous week had now been considered by the group of Ministers responsible for supervising the negotiations. It disclosed not only that the regime were maintaining their opposition to any external form of second guarantee against retrogressive amendment of the Constitution (such as would be provided by our own proposal that in addition to the "blocking quarter" provision, any amendment of the entrenched clauses of the new Constitution must be subject to appeal to the Judicial Committee of the Privy Council) but also that they were still at odds with us on many other points which we regarded as essential to a satisfactory settlement of the constitutional dispute, including such questions as cross-voting, the composition of the Legislature, the criterion for continued detention of individuals, and so forth. It had become clear that no further progress on these points would be achieved unless we were prepared to offer some alternative form of second guarantee and to disclose this in reasonable detail. It was now proposed, therefore, that we should inform the regime that we were prepared to contemplate an alternative form of second guarantee whereby proposed amendments of entrenched provisions of the Constitution would not only be required to achieve a three-quarters
majority in the Legislature on both Second and Third Readings of the relevant legislation but would also have to be submitted to a referendum, which would take place between these stages. A request for such a referendum could be initiated by a small number of members of the Rhodesian Parliament and would automatically be referred to the Judicial Committee of the Privy Council, who would decide whether the proposed amendment involved unjust discrimination between the races or infringed the fundamental principles of the Declaration of Rights or would constitute an impediment to progress to majority rule. If they so decided, it would be necessary for two-thirds of the electorate registered on the “A” and “B” Rolls, counted separately, to vote in favour of the proposed amendment before the legislation could proceed to Third Reading. As an additional safeguard it would be provided that no referendum of this kind could be held—and therefore no amendment to the entrenched provisions of the Constitution could be made—until 200,000 Africans were registered on the “B” Roll, which would not be for some time.

The effect of this proposal would be to retain a role for the Privy Council (which would be of presentational advantage to us) but to leave the final decision with the Rhodesian electorate. To this extent it should meet the objection of the régime to any arrangement which made the amendment of the Constitution dependent upon the consent of a wholly external authority; but it should at the same time enable the Rhodesian electorate, if it so wished, to over-rule the Rhodesian Parliament on any constitutional amendment which threatened the basic provisions of the Declaration of Rights.

The Minister without Portfolio would be authorised to make this proposal to the régime—and perhaps to concede certain modifications in it (e.g., on the precise number of Africans to be registered on the “B” Roll before the referendum procedure could be instituted at all)—on the basis of the clearest possible understanding that we should only be prepared to implement it if we received satisfaction on all the other outstanding points. In short, we should insist on a package deal. Finally, it would be an essential element in any settlement on this basis that the régime must recognise publicly—possibly in the joint communiqué to be issued at the end of the discussions—that the new Constitution would make the same provision as the 1961 Constitution for steady advance to majority rule, and would ensure that no impediment should be placed in its way.

In discussion there was general agreement that, in so far as the alternative form of second guarantee put the final decision on amendments to entrenched provisions in the hands of the Africans on the “B” Roll, it should in fact prove a more effective safeguard than our original proposal based simply on reference of such amendments to the Judicial Committee of the Privy Council. It was particularly important that the referendum should be based on a prescribed proportion not of those actually voting but of those registered on each Roll, counted separately. As a result abstention
would constitute a negative vote. This would put a powerful weapon in the hands of registered Africans; and it should also enable us to dispense with any stipulation that we must retain some degree of control over the manner in which a referendum was conducted, including the form in which the relevant options were expressed. Provided that we maintained this provision and continued to insist that the alternative form of second guarantee was dependent upon our receiving full satisfaction on all other outstanding points, we should be able to defend the proposed settlement as a whole to public opinion, both at home and abroad, if, as was probable on balance, it was rejected by the régime.

The Cabinet—

(1) Approved in principle the instructions to be given to the Minister without Portfolio for the conduct of the next stage of negotiations with the régime in Salisbury.

(2) Took note that the Minister without Portfolio would be instructed, in addition, to report back to the Cabinet before either concluding a settlement on the basis now proposed or finally breaking off negotiations.
provided that there was one Nigerian State and not two. The obstacle to a settlement was the Biafran leader, Colonel Ojukwu, and he was standing in the way also of the creation of land corridors along which relief supplies could flow to Biafra. Dr. Azikiwe, the Biafran representative, was on a confidential visit to London, and there might be advantage in arranging a meeting between him and Chief Enahoro. The International Committee of the Red Cross were expected to request additional money soon for relief in Nigeria and we should then have to consider making a further contribution.

In discussion, it was pointed out that we could meet the Federal Government's request for small arms ammunition only if we were to run down heavily the stocks for our forces which were already below their proper level. The stocks would take a year to replace. Although the French Government had denied that they were supplying arms to Biafra, it was clear that arms were being supplied from France and that the French Government could stop them if they wished. These supplies had not been allowed for when earlier forecasts had been made that the war in Nigeria would come to an end quickly, and unless they were stopped hostilities were likely to be protracted, and perhaps on an increased scale. We should continue to sustain the Federal Government against tribal secession and encourage action, particularly in the Organisation for African Unity, to publicise the activities of France and bring pressure to bear on her to cease supplying arms to Biafra. With the continuance of the war it could no longer be assumed that local supplies of grain and equivalent foodstuffs in Nigeria would be adequate to prevent starvation.

The Cabinet—
(3) Took note of the statements by the Foreign and Commonwealth Secretary.

5. The Cabinet considered a memorandum by the Secretary of State for Foreign and Commonwealth Affairs on the North Atlantic Treaty Organisation (NATO) and our policy towards Europe (C (68) 123).

The Foreign and Commonwealth Secretary said that a double approach was now being made in furtherance of our European policy. He would be following up M. Harmel's initiative at discussions which he had arranged in the margin of the forthcoming Ministerial meeting of NATO. The object of these discussions would be to prepare issues for decision at the next Ministerial meeting of the Western European Union in January. The Foreign Ministers of the Five had accepted his invitation to these discussions. He doubted whether M. Debre, the French Foreign Minister, would accept. The discussions if successful would involve neither new expenditure nor new commitments on the part of the United Kingdom. He understood
that the Defence Ministers of the Five, Denmark and Norway had similarly accepted an invitation from the Secretary of State for Defence to discuss collaboration on European defence.

In discussion it was agreed that the Federal German Government were motivated by a strong desire to cement Franco-German reconciliation and yet were becoming increasingly frustrated by French obstruction. Our main object should be to continue to seek to detach the Federal German Government from their too-ready compliance with French wishes. It was pointed out that while the latest Franco-German suggestions for a trade arrangement held no attractions for the United Kingdom they could be expected to attract some other members of the European Free Trade Association (EFTA), and it would be necessary therefore to prepare our tactics carefully on this before the forthcoming Ministerial meeting of EFTA.

The Cabinet—
Took note with approval of C (68) 123
positive action had been taken; he had arranged for instruction on race relations to be included in training courses and the Metropolitan Police had designated an officer in each station to deal with problems of race relations. While, therefore, the advantages of amending the discipline code would be purely presentational, the disadvantages had proved to be greater than they had expected, since there was no doubt that the police would continue to object and that they would obtain some support both from the Opposition and from public opinion.

The Prime Minister said that the Chancellor of the Exchequer, who was unable to attend the meeting, had sent him a minute arguing that the proposal to amend the discipline code should not be abandoned. The Chancellor had pointed out that the proposal had been adopted as a compromise less satisfactory than applying the Race Relations Act to the police in their operational role, and thought that if it were now abandoned there would be strenuous opposition from the leaders of immigrant opinion. American experience had illustrated that good relations between the police and the coloured community were indispensable in creating a tolerant society. There was no doubt that the immigrants believed that the police discriminated against them, and the Chancellor thought that a number of policemen agreed with Mr. Enoch Powell’s views on race. At a time when the Government had thought it right to pass an Immigrants Act to limit the number of Asians admitted to the country from Kenya, and to reopen negotiations with Mr. Ian Smith about the future of Rhodesia, many of the Government’s supporters in Parliament would also be offended by the abandonment of the proposal to amend the discipline code.

In discussion there was support for the view that the proposed amendment of the discipline code had been no more than a presentational device, and that the Government should take account of the strong opposition of the police themselves and the police authorities to a provision which seemed to cast doubt on the validity of the oath taken by constables, and indeed by magistrates. It was arguable that an oath and a discipline code in general terms were of more value than specific references to particular kinds of discrimination.

The Prime Minister, summing up the discussion, said that the Cabinet were not disposed to press the Home Secretary to insist on an amendment of the discipline code in the face of opposition from the police. There should, however, be no immediate announcement of the Government’s decision; it should simply be communicated to the Police Advisory Boards for England and Wales and for Scotland at a suitable meeting.

The Cabinet—
Agreed that the police disciplinary code should not be amended to make racial discrimination a specific offence.

Cabinet Office, S.W.1,
12th November, 1968.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held in the
Prime Minister's Room, House of Commons, S.W.1,
on Friday, 22nd November, 1968, at 9.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign and Commonwealth Affairs
The Right Hon. RICHARD CROSSMAN, M.P., Secretary of State for Social Services
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department
The Right Hon. FRED PEART, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales
The Right Hon. JUDITH HART, M.P., Paymaster General

The following were also present:
Mr. HAROLD LEVER, M.P., Financial Secretary, Treasury

Secretariat:
Sir BURKE TREND
MISS J. J. NUNN
Mr. R. R. D. MCINTOSHI
Sir ROBIN HOOPER
Mr. H. L. LAWRENCE-WILSON
Mr. P. E. THORNTON

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1. The Cabinet discussed the latest developments in the international monetary situation; the conclusions reached were separately recorded and copies were circulated only to The Queen, the Prime Minister and those Ministers who had to take action as a result. A copy is kept in the standard file of the Secretary of the Cabinet.

2. The Minister of Technology sought authority to announce that day, by way of a written Answer to a Parliamentary Question, that he was to meet Dutch and German Ministers in The Hague on 25th November in order to discuss the possibility of collaboration between the three countries in the production of fissile material by the gas centrifuge method. This method would enable fissile material to be produced more cheaply than by the gas diffusion method; but, although its theoretical feasibility had been known for many years, it was only relatively recently that it had become apparent to us that it should be technically possible to use the process economically on an industrial scale. Once Dutch and German scientists had acquired the corresponding technical expertise—and this was only a matter of time—there would be clear advantage in our joining in a collaborative undertaking with them. Preliminary discussions for this purpose had taken place in recent months, the meeting on 25th November being a further occasion of this kind; and we had kept the United States informed of developments. It had now become necessary, however, to make a public announcement on the subject at short notice because Herr Stoltenberg, the German Minister for Scientific Research, had felt obliged, in view of the German commitment to the European Atomic Pool (EURATOM), to inform the other members of EURATOM on the previous day of the proposed meeting on 25th November; and, in order that this news should not first reach Parliament and the public in this country by way of reports from the Continent, the Parliamentary Committee had considered, at an emergency discussion of the subject on the previous day, that, subject to assurances that an announcement would not have an adverse effect on our relations with the United States Administration, a brief announcement should be made by way of a written Answer to a Question in Parliament that day. He proposed also to give the scientific Press some supplementary non-technical information during the afternoon.

The Foreign and Commonwealth Secretary said that the United States Government had been informed of our intentions and had not reacted unfavourably, subject to further discussion of the implications of any wider dissemination of the technical information involved, which was at present classified by agreement between themselves and the Governments of the United Kingdom, Holland...
and Germany. Since it would have been open to the German Government to develop the centrifuge method on their own and there was reason to believe that they had already made significant progress in this direction, there was an advantage in a collaborative scheme which should both promote a more economic method of producing fissile material for peaceful uses and help us to contain German nuclear aspirations within legitimate channels.

In discussion, it was suggested that, even so, the proposed collaboration could be misrepresented as a means of enabling the German Government to manufacture, cheaply, the nuclear weapons which they were at present denied and that we should therefore not proceed further in the matter until they had signed the Non-Proliferation Treaty. Moreover, it was important not to prejudice our relations with the United States Government in other nuclear matters; but it was not certain how far the intentions of the German and Dutch Governments, as evidenced by their statement to EURATOM could be reconciled with the apparent American stipulation that collaboration should not prejudice the classification agreement governing the exchange of information relating to the centrifuge technique. The Cabinet might therefore be wise to discuss the matter at greater length before any announcement was made in this country. On the other hand, since a statement had already been made to EURATOM, there was no prospect of keeping the matter secret until there had been further discussions. The disclosure that we proposed to collaborate with Germany in a process which would result in the relatively easy production of fissile material might admittedly come as something of a shock to public opinion. Nevertheless, the balance of advantage lay in an unobtrusive announcement by way of a written Answer to a Parliamentary Question, provided that this was given the minimum of publicity and that the Foreign and Commonwealth Office and the Ministry of Technology confined themselves to dealing as briefly as possible with any questions which might reach them from the Press. Ministers should similarly refrain from comment in their public speeches at this stage.

The Prime Minister, summing up the discussion, said that consideration of the issues involved had necessarily had to be confined initially to a small group of the Ministers directly concerned, because it had seemed possible at that juncture that this country was ahead of others in the technical developments concerned and it had been essential to preserve this lead, if possible. But now that it had become apparent that Dutch and German scientists might well be abreast of us in this respect, the necessity for extreme secrecy was removed; and the Cabinet might well wish to consider the whole matter in greater detail. It was unfortunate that, meanwhile, the Government’s hand had been forced by the German Government’s statement to EURATOM. It was clear, however, that the choice lay between German development of the new process, whether alone or in collaboration with the Dutch, and some form of tripartite collaboration. In these circumstances, it was agreed that the Minister of Technology should give a written

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Answer to a Parliamentary Question that day on the lines which he proposed. But no further information should be volunteered at this stage; and our spokesmen at the forthcoming meeting at The Hague should refrain from committing us to further tripartite discussions involving the disclosure of technical details until Ministers had had an opportunity to consider the matter further, particularly as regards both the German attitude towards the Non-Proliferation Treaty and our nuclear relationship with the United States Government, which the Foreign and Commonwealth Secretary would no doubt consider carefully. The German and Dutch authorities should be asked to agree with us in future the timing and form of any public announcement affecting the proposed collaboration in order that the Cabinet should not again be compelled to take decisions of great potential importance without sufficient time for consideration.

The Cabinet—

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

The Foreign and Commonwealth Secretary said that when the Defence and Oversea Policy Committee had discussed the timing of our ratification of the Non-Proliferation Treaty, the majority view had been in favour of early ratification. There had, however, been a minority view that we should delay ratification until other European countries signed the Treaty and that, in any event, we should not ratify the Treaty in advance of the United States and the Soviet Union. He saw no political disadvantages for us if we were to be the first to ratify the Treaty. It was likely that the United States Senate would agree to ratification early in the New Year and the Soviet Union wished to do so at the same time as the United States, although she might delay until West Germany had signed. Although a number of European countries were not satisfied with the Treaty, none of them had expressed any wish that we should not ratify it. He proposed that we should ratify the Treaty in the following week and that a statement should be made in Parliament on 27th November.

In discussion it was agreed that, particularly in view of the decision that had been taken under the previous item on the agenda to announce that we were discussing with Holland and Germany the possibility of collaboration in the gas centrifuge method of producing fissile material, we should ratify the Treaty as proposed by the Foreign and Commonwealth Secretary.

The Cabinet—

(2) Agreed that we should deposit our instrument of ratification of the Non-Proliferation Treaty in the following week.

(3) Invited the Foreign and Commonwealth Secretary to arrange for a statement to be made in Parliament on 27th November about our ratification of the Treaty.
3. The Foreign and Commonwealth Secretary said that there had been no major developments in the Paris talks, though there were certain minor indications that things were moving in the right direction, for example, the falling-off in North Vietnamese and Viet Cong military activity in the Demilitarised Zone.

The Foreign and Commonwealth Secretary said that in Italy the outlook was uncertain following the fall of the Government. Whether there would be a continued coalition or a caretaker government would depend on the attitude of the Socialists, who had failed to solve the major problems facing them at their recent party conference. Meanwhile, the voice of Italy in international affairs was bound to be weakened.

The Foreign and Commonwealth Secretary said that during the past week a low-grade intelligence report had been received that the Soviet Union was about to invade Rumania. The United States had received reports of an impending Soviet ultimatum to Rumania. Over the last few days, there had been further evidence which would be consistent either with an intention to invoke or to hold the military exercises in Rumania which had been under discussion between the two Governments for some time, although no date for them had been fixed. In these circumstances, he had thought it wise to draw the attention of the Soviet Ambassador to the rumours which were circulating, to remind him of our attitude and to ask him whether he could reassure us about Soviet intentions.

The Soviet Ambassador’s reply had been that he was not aware of any such rumours. We should not make too much of the reports he had mentioned, and there should be no public reference to them. However, if there were any serious possibility of an invasion he would have to cancel his forthcoming visit to Pakistan and we should have to consult our North Atlantic Treaty Organisation (NATO) allies.

If the Soviet Union were to attack a NATO country, the issues were clear-cut. If they attacked Rumania or another Warsaw Pact country, there was nothing we could do about it, though we should clearly have to hold consultations in NATO. These however would inevitably lead to a discussion of our attitude in the event of a Soviet move against Yugoslavia; and the Alliance might have to formulate its position more precisely. The Yugoslavs had not so far suggested that the situation should be discussed with them, and he had not been in touch with them about the rumours which were current. They appeared to be well content with the warning conveyed to the Soviet bloc in the communique of the recent North Atlantic Council meeting, which however in no way added to NATO’s formal commitments. The Yugoslavs would certainly resist any Soviet move against them. The attitude of the Rumanians was less clear, but there were reports that they would resist.

In discussion, the point was made that a Soviet move into Rumania could very easily be combined with, and might therefore
be quickly followed by, an onward thrust into Yugoslavia. After the Czechoslovak crisis, there had been some criticism in the North Atlantic Council that those members who had information about Soviet moves had been slow to pass it on to their colleagues and consult with them. It was important to avoid any recurrence of this by keeping our NATO allies informed and consulting them at an early stage. If the Soviet Union knew what our reaction to a Soviet invasion would be, this might deter an invasion. At some stage, it might be necessary to discuss the current situation with the Yugoslavs, though we should not enter into any commitments towards them without careful consideration and full consultation with our NATO allies.

The Cabinet—

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

Cabinet Office, S.W.1.

22nd November, 1968.
CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister’s Room, House of Commons, S.W.1, on Tuesday, 26th November, 1968, at 12 noon

Present:
The Right Hon. HAROLD WILSON, M.P, Prime Minister
The Right Hon. ROY JENKINS, M.P, Chancellor of the Exchequer (In the Chair for part of the Meeting)
The Right Hon. RICHARD CROSSMAN, M.P, Secretary of State for Social Services
The Right Hon. JAMES CALLAGHAN, M.P, Secretary of State for the Home Department
The Right Hon. FRED PEART, M.P, Lord President of the Council
The Right Hon. ANTHONY CROSSLAND, M.P, Secretary of State for Defence
The Right Hon. GEORGE THOMSON, M.P, Minister without Portfolio
The Right Hon. ANTHONY WEDGWOOD BENN, M.P, Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M.P, Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. ROY MASON, M.P, Minister of Power
The Right Hon. FREDERICK MULLEY, M.P, Minister of State for Foreign and Commonwealth Affairs

The following were also present:
The Right Hon. LORD GARDNER, M.P, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P, First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. DENIS HEALEY, M.P, Secretary of State for Defence
The Right Hon. PETER SHORE, M.P, Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M.P, Secretary of State for Scotland
The Right Hon. EDWARD SHOFT, M.P, Secretary of State for Education and Science
The Right Hon. RICHARD MARSH, M.P, Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P, Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M.P, Secretary of State for Wales
The Right Hon. JOHN DIAMOND, M.P, Chief Secretary, Treasury
The Right Hon. JOHN SILKIN, M.P, Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Mr. R. R. D. McINTOSH
Mr. P. E. THORNTON

SECRET
Subject
INTERNATIONAL MONETARY SITUATION
The Cabinet discussed the latest developments in the international monetary situation; the conclusions reached were separately recorded and copies were circulated only to The Queen, the Prime Minister and those Ministers who had to take action as a result. A copy is kept in the standard file of the Secretary of the Cabinet.

Cabinet Office, S.W.1,
26th November, 1968
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 5th December, 1968, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. ROY JENKINS, M P, Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M P, Secretary of State for Social Services
The Right Hon. JAMES CALLAGHAN, M P, Secretary of State for the Home Department
The Right Hon. FRED PEART, M P, Lord President of the Council
The Right Hon. ANTHONY CROSLAND, M P, President of the Board of Trade
The Right Hon. GEORGE THOMSON, M P, Minister without Portfolio
The Right Hon. ANTHONY WEDGWOOD BENN, M P, Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. ROY MASON, M P, Minister of Power

The Right Hon. LORD GARDFER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M P, First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. PETER SHORE, M P, Secretary of State for Economic Affairs
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M P, Secretary of State for Education and Science
The Right Hon. RICHARD MARSH, M P, Minister of Transport
The Right Hon. CLEDWYN HUGHES, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. GEORGE THOMAS, M P, Secretary of State for Wales
The Right Hon. JOHN DIAMOND, M P, Paymaster General

The Right Hon. JOHN SILKIN, M P, Parliamentary Secretary, Treasury

The following were also present:
The Right Hon. FREDERICK MULLY, M P, Minister of State for Foreign and Commonwealth Affairs
The Right Hon. SIR ELWYN JONES, Q C, M P, Attorney-General (Items 3 and 4)

Secretariat:
SIR BURKE TREND
MISS J. J. NUNN
SIR ROBIN HOOPER
MR. H. L. LAWRENCE-WILSON
MR. J. CROCKER
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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 Minister of State for Foreign and Commonwealth Affairs said that though the Soviet note on Anglo-Soviet relations had apparently been intended in the first instance as a private communication, the Russians had published it. The inference was therefore that it was in reality a propaganda exercise. In present circumstances the Soviet Government probably wished to keep their options open with the United States Administration and we were the obvious target for a manoeuvre of this kind. The note would
have to receive a reasoned reply. This was being drafted, and would be despatched when the Foreign and Commonwealth Secretary’s comments had been obtained. Before leaving for the Indian subcontinent, the Foreign and Commonwealth Secretary had given instructions for a review of the whole field of contacts and relations with the Soviet Union.

In discussion, the point was made that the Soviet note was essentially a response to the British reception of the occupation of Czechoslovakia. Despite the strong feelings that this had aroused, we should not over-react, and should maintain correct relations without indulging in petty pinpricks. Any other course would only give Soviet propaganda opportunities which would be exploited. It was noted that the Russians themselves appeared to wish to keep relations on an even keel. In particular, they had not referred to any of the contentious issues raised in the note during the course of the current trade discussions.

The Minister of State for Foreign and Commonwealth Affairs said that he intended to advise the Foreign and Commonwealth Secretary to make a statement about the case of Mr. Anthony Grey, the Reuters correspondent in Peking, in the course of the following week.

The Minister of State for Foreign and Commonwealth Affairs said that the United States had now met most of the procedural points raised by the North Vietnamese at the Paris talks. The discussions were expected to start, probably with a series of propaganda exchanges, next week when the South Vietnamese representatives arrived.

The Cabinet—

(3) Took note of the statements by the Minister of State for Foreign and Commonwealth Affairs.

The Minister of State for Foreign and Commonwealth Affairs said that the International Red Cross were making great efforts to obtain additional funds for relief in Biafra and that he hoped that we would make a substantial contribution. It seemed likely that the food situation in Biafra would become very serious indeed in the early months of next year, and that there would be a severe shortage of cereals because seed had been eaten. An attempt was being made at the instance of the Government of the Ivory Coast to arrange for a British Minister to meet Colonel Ojukwu, the Biafran leader, and if this could be done, the Minister should also visit General Gowon, the Head of the Federal Government, in order to bring the two leaders together, but not to negotiate. A reaction was awaited from the Federal Government.

In discussion the view was generally expressed that, although our policy in relation to the Nigerian problems—in particular the supply
of arms to the Federal Government—could be justified in terms of politics and logic, this was less important than that some way should be found of preventing the large-scale starvation that was in prospect in Biafra. Responsible opinion in this country and elsewhere was increasingly unwilling to accept that our policy was right; and it was essential that we should examine the possibility of new initiatives aimed at stopping hostilities or at reducing their scale, and at bringing relief supplies to Biafra. It had to be recognised that the main obstacle, both to a settlement and to the use of land routes which was essential to take adequate relief supplies into Biafra, was the intransigent attitude of Colonel Ojukwu, which both we and the Federal Government of Nigeria had failed to bring home to public opinion; and that this might continue to frustrate our efforts; but we could not on this account allow matters to rest as they were.

The Prime Minister, summing up the discussion, said that there was general agreement that our policy hitherto had been on the right lines. It was however possible that some new initiative might be necessary. The main problems, in order of importance, were starvation, arms supplies, and the bringing about of a cease-fire. As had been suggested in discussion, it might be possible to make some use of the services of Lord Hunt; and consideration should be given to whether the Commonwealth should be brought in at the time of the Commonwealth Prime Ministers’ Conference. The possibility should also be considered of holding discussions between those countries, including France and the Soviet Union, which were the principal suppliers of arms to the two sides. To bring the Organisation for African Unity in at this stage would be counter-productive, as in that event Colonel Ojukwu would not co-operate. A small meeting of Ministers should be held as soon as possible to consider what action could usefully be taken. The matter would then be further discussed in Cabinet.

The Cabinet—

(4) Took note, with approval, of the Prime Minister’s summing up of their discussion.

*3. The Cabinet discussed future policy on House of Lords reform. They had before them a note by the Lord Chancellor (C (68) 125) to which was annexed a draft Parliament Bill.

The Lord Chancellor said that the Ministerial Committee on the House of Lords had approved the draft Bill annexed to C (68) 125. This differed in substance from the draft circulated to the Cabinet in October, under cover of C (68) 111, only in the inclusion of a preamble. The purpose of this was to link the Bill more closely with those parts of the White Paper to which effect could not be given in legislation and to give a quasi-statutory authority to the conventions.

* Previously recorded in a Confidential Annex.

SECRET
about the composition of the reformed House, including the intention that Scotland and other parts of the United Kingdom should be adequately represented in it. On future progress his view was that the Bill should be introduced as soon as possible.

The Ministerial Committee had also given further thought to the remuneration of voting members of the reformed House, in view of the opposition among the Government's supporters to the proposal that voting peers should be paid a salary. The Committee were disposed to recommend that the Government should resile somewhat from the position taken up in paragraph 52 of the White Paper. It was over four years since the last review of the pay of members of both Houses of Parliament; and the better course might be for the Government to announce that they intended to appoint an all-Party committee with a view to introducing any changes in remuneration in the next Parliament.

In discussion the Cabinet first considered the question of the remuneration of members of the reformed House. There was a strong logical case for paying a salary to those who attended regularly; indeed without it there would be difficulty in finding worthy representatives of Scotland and the more distant regions; but there was no denying that this proposal had attracted a quite disproportionate amount of criticism. To some extent this was because root-and-branch opponents of the reforms had singled out this particular proposal as a convenient point to attack; but many of the Government's supporters were genuinely concerned at the possibilities of abuse inherent in a situation where conferment of a life peerage would carry with it a salary until retirement. Their indignation was increased by the fact that the figure which had been canvassed appeared generous when compared with the remuneration of members of the House of Commons, after allowance was made for the expenses and uncertainties that the latter had to face. It was estimated that about one-half of the 41 Labour back-benchers who abstained during the Commons debate on the White Paper had done so for this reason.

There would therefore be advantage in preserving for the time being the present system of tax-free allowances for expenses incurred and making clear that the Government had an open mind on the whole question of remuneration. It might be appropriate at a later stage to appoint a committee to review the whole subject or, alternatively, to refer it to the Prices and Incomes Board, but it would be a mistake to make any announcement to this effect during the present Parliament.

The Prime Minister, summing up this part of the discussion, said that the Cabinet were agreed that they should not insist on the proposal to pay a salary to voting peers. Their conclusion was that the existing system of tax-free allowances should continue for the present; but they expressed no view as to what would be appropriate
in the next Parliament, and the time might then be ripe to review the whole question of remuneration.

The Cabinet—

(1) Agreed that the proposal to pay a salary to voting peers should not be pursued for the present.

The Cabinet then discussed the proposed preamble to the Bill and considered whether this gave adequate recognition to the special position of Scotland.

The Secretary of State for Scotland said that he was not anxious to place restrictions on the exercise of the Prerogative; but that, in his view, the preamble was not adequate and it was essential to include a clause in the Bill providing for Scottish representation. Without it the Government would be extremely vulnerable to charges from Scottish Nationalists that the Bill was inconsistent with the Treaty of Union which had guaranteed a minimum of 16 Scottish peers; although the relevant provisions of the Act of Union had been repealed by the Peerage Act 1963, which gave all Scottish peers the same rights as United Kingdom peers, the provisions of the Treaty were still regarded as highly significant in Scotland. A clause providing for a minimum of 16 Scottish peers would produce no practical difficulty, since the actual number of such peers was likely to be well above this figure.

In discussion there was considerable support for the view advanced by the Secretary of State for Scotland. The majority of the Cabinet felt, however, that the risks associated with even a limited provision of this sort were too great to be accepted, and that it would inevitably stimulate pressure from a variety of interests for their special position to be recognised.

The Cabinet—

(2) Agreed that the preamble printed in the draft Parliament Bill annexed to C (68) 125 should be retained and that no clause providing specifically for Scottish representation should be added to the Bill.

In further discussion the Cabinet considered whether the Government should persevere with the Bill in face of determined opposition of a number of their supporters and, if so, what the timetable for the Bill should be. It was argued that it would be unwise to proceed with a Bill for which there was no enthusiasm on either wing of the Parliamentary Labour Party and which would be opposed at every turn by a substantial proportion of the Government's supporters. A number of features of the proposals were open to serious objection and could be defended only as part of an inter-Party bargain; but the Conservative front bench were in no position to control their back-benchers, even if they were minded to do so. The Bill offered almost unlimited opportunities for opposition, and it had been made clear that they would be exploited to the full; while Ministers in charge of the Bill could expect to have to struggle
on with little or no help from their colleagues or support from back-
benchers. The prospects were not favourable and a decision on
whether to proceed should be deferred until January or February.

On the other hand it was pointed out that the Government were
committed to reform the House of Lords by their Election Manifesto,
by the Prime Minister's statement of 20th June and by the terms of
The Queen's Speech. They had always known that any proposals
for reform of the House of Lords would be opposed by a hard core
of abolitionists; and to turn back now, in face of the opposition of
40 to 50 of their supporters, after the White Paper had been approved
by substantial majorities in both Houses, would be a confession of
weakness which would expose them to pressure from other determined
minorities. Granted that there was little enthusiasm for the
proposals, that fact had not deterred the Government from
proceeding with other badly needed measures. Too much had been
made of the difficulty of securing the Bill's passage; the Labour
abolitionists and the Conservative dissidents were unlikely to make
common cause, since they objected to different parts of the proposals.
If the Government abandoned their proposals now, the Conservative
peers might be emboldened, as the end of the Parliament approached,
to make freer use of their powers, perhaps to defeat the nationalisation
of ports.

Assuming that the decision was to proceed with the Bill, the
choice lay between immediate introduction and introduction just
before Christmas with a view to Second Reading shortly after the
Recess. The latter seemed preferable, given the difficulty of finding
time for a Second Reading before Christmas, and would allow the
Bill to reach the Lords in good time. Some minor amendment was
needed to the provisions of the draft Bill as they affected special
procedure orders, and this would allow any necessary changes to be
made before submission to the Legislation Committee.

The Prime Minister, summing up the discussion, said that the
majority view in the Cabinet was clearly in favour of introducing the
Bill shortly before Christmas with a view to a Second Reading shortly after Parliament reassembled. He welcomed the offer made
by the Secretary of State for Social Services to assist the Home
Secretary in the conduct of the Bill in the House of Commons and
hoped that the Lord President would also lend his help during the
Committee Stage. He himself might speak on an appropriate
occasion.

The Cabinet—

(3) Invited the Home Secretary to arrange, in consultation with
the Chief Whip, for the Parliament Bill to be introduced
in the House of Commons before the Christmas Recess.
4. The Prime Minister said that the Parliamentary Committee had considered at their meeting on 28th November the Press reports which had appeared that day on a statement by the General Secretary of the Labour Party, Mr. Nicholas, about decisions taken by the National Executive Committee (NEC) at their meeting on 27th November. The statement had carried the suggestion that the NEC or its sub-committees could call before them Ministers whose policies diverged from those endorsed by the Labour Party Conference. The Parliamentary Committee had agreed that constitutionally there could be no question of Party committees requiring Ministers to answer to them; Ministers were answerable only to Parliament. On the other hand, since closer contact between the Government and the Labour Party was desirable, it had been agreed that Ministers should arrange to meet relevant committees but at a time and place of their own choosing. Since the meeting of the Parliamentary Committee, the First Secretary of State had received what amounted to a summons from the Home Policy Committee, of which she was a member, to explain to the Committee the policy on prices and incomes. The right way to deal with this would be for the First Secretary of State to offer to initiate a discussion on prices and incomes policy in the Home Policy Committee, but on an occasion which she should choose. It would be useful, however, in order to make it clear that Ministers were taking the initiative in discussing their policy with Party committees, if other Ministers, whose policies could not be said to be in conflict with decisions of the Party Conference, would similarly offer to meet the appropriate committees. If a Minister received a summons from a committee of which he was not a member, he might invite the committee to meet him informally on his own ground and have a general discussion of policy, being careful to include topics other than those which the committee wished to take up because the Government's policy did not comply with decisions of the Party Conference.

The Cabinet—

Tack note, with approval, of the Prime Minister's statement.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 10th December, 1968,
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign
and Commonwealth 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 WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries
and Food
The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales
The Right Hon. JUDITH HART, M.P., Paymaster General
The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer (Items 1
and 2)
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home
Department
The Right Hon. FRED PEART, M.P., Lord President of the Council
The Right Hon. GEORGE THOMSON, M.P., Minister without Portfolio
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local
Government
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. ROY MASON, M.P., Minister of Power
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury

The following were also present:
The Right Hon. Sir ELWYN JONES, G.C.M.G., M.P., Attorney-General
Dr. J. M. HILL, United Kingdom
Atomic Energy Authority (Part of
Item 2)

Parliamentary Secretary, Treasury

SECRETARIAT:

SIR BURKE TREND
MISS J. J. NUNN
MR. R. R. D. MCINTOSH
SIR ROBIN HOOPER
MR. H. L. LAWRENCE-WILSON
DR. R. PRESS
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Cabinet
Security of
Ministerial
Discussions
(Previous
Reference:
CC (68) 20th
Conclusions,
Minute 1)

CONFIDENTIAL

1. The Prime Minister said that, while he had been heartened by the unity of the Cabinet in the face of the disturbing political and financial rumours which had been in circulation over the previous weekend, there had been certain allegations in the Press (apparently derived from recent Ministerial discussions on long-term economic strategy) which purported to reveal a serious breach between the Ministers primarily concerned. The Cabinet were well aware that there was no truth in these allegations: although the Ministers in question represented different interests, which were inevitably incompatible from time to time, they were in fact working in close accord. It was no less disturbing, however, that he had been informed by several Ministers that a member of the Cabinet was lending his authority to a forecast that another financial crisis would occur in March, and that briefing of the Press and individual Members of Parliament in a sense likely to destroy confidence in the Government had occurred on a considerable scale in the previous few days. The Cabinet must realise that conduct of this kind was at variance with all the conventions of collective responsibility and loyalty between colleagues and that, if it continued, he would have no alternative, without further warning or further discussion, to reconstructing the Cabinet.

SECRET

2. The Cabinet had before them a memorandum by the Minister of Technology and the Minister of State for Foreign and Commonwealth Affairs (C (68) 124) on Nuclear Energy: Civil Applications. They were given a presentation by the Chairman of the Atomic Energy Authority, Dr. J. M. Hill, on the principles, relative costs and implications of producing enriched uranium by the gas centrifuge method rather than by the diffusion process at present used at Capenhurst, and on the state of development that had been reached with the centrifuge process.

The Minister of Technology said that a decision was required on whether to approve the Agreed Minutes on Gas Centrifuge Collaboration which had been adopted, ad referendum to Governments, at a meeting between Dutch, German and British Ministers held at The Hague on 25th November, 1968. There was already a clear European commitment to produce enriched uranium for civil nuclear power programmes which would not be altered whether or not we decided to collaborate with European countries on centrifuges. The progress which it was believed that the Dutch and Germans had made in centrifuge development offered us an opportunity to collaborate with them, thereby further improving the prospect of reducing the risks and costs of our own programme and improving our prospects of selling reactor systems. If we did not

* Previously recorded in a Confidential Annex.

SECRET
work with the Germans and Dutch, they would go ahead bilaterally as they had intended to do before we suggested tripartite collaboration. The Attorney-General had given his opinion that the proposed collaboration would not be incompatible with our obligations under the Non-Proliferation Treaty (NPT) provided that it was subject to appropriate safeguards. The Dutch and Germans regarded collaboration with us on a gas centrifuge programme as a major European project which should be based on an enduring and equal partnership and which should cover research and development, the manufacture of centrifuges, and the operation of centrifuge plants. He had stressed to Dutch and German Ministers that it was important for the collaboration to be primarily of an industrial character, although he had accepted that political supervision would also be necessary. He had also drawn attention to the fact that our own large market for enriched uranium, unlike markets in Germany and Holland, was under Government control, and he had made it plain that we would not be willing to co-operate on a basis which left our market committed to the products of a tripartite organisation whereas their markets were not. The declassification of centrifuge technology need not arise in the proposed collaboration in the near future. In view of Dutch and German opposition, he had not pressed our earlier wish to associate Italy with the proposed collaboration, which would therefore be confined to countries which were parties to a quadripartite understanding with the United States about classification of centrifuge technology. There remained the issue of agreeing with the United States whether any information which we might wish to exchange with the Dutch and Germans owed anything to our earlier exchanges of information with the United States, but this seemed likely to be less difficult than had earlier been thought. He recommended that the Cabinet should approve the Agreed Minutes of the meeting at The Hague, so that a tripartite meeting of officials could take place on 19th December in preparation for a Ministerial meeting in February next year.

The Foreign and Commonwealth Secretary said that there would be political advantages in co-operating with Holland and Germany in an industrial venture which made sense commercially instead of involving expenditure with no worthwhile return. Discussions with the United States about the proposed collaboration had not so far caused any difficulties; and it did not seem that the remaining problem about classification should be insoluble. Anxiety that our proposed collaboration would render our partners capable of producing nuclear material which might be used in nuclear weapons was misplaced: they already had that capability. Indeed, our collaboration with them would be an improvement in terms of the NPT. We should therefore approve the Agreed Minutes.

In discussion it was argued that insufficient information was yet available for us to commit ourselves, as the Agreed Minutes contemplated that we should, to a tripartite collaborative programme extending to the operation of centrifuge enrichment plants. It might be to our advantage to proceed unilaterally, at least on the building and operation of such plants and the sale of their products. It would
therefore be preferable to proceed by stages in any collaborative arrangement and to retain our freedom of action. We must not get into a situation in which we had to contribute to the cost of building a centrifuge enrichment plant in Holland to supply us with fissile material instead of being able to build one ourselves. The Agreed Minutes should at least be amended to make it clear that we were interested only in an arrangement that was economically viable. On the other hand, it was argued that there was no prospect of reaching a collaborative agreement with the Dutch and Germans if they thought that we were concerned to gain knowledge of the work that they had done on centrifuges only in order to exploit it ourselves. All three Governments would be feeling their way as negotiations proceeded in order to establish whether a collaborative agreement was worthwhile to them.

As regards classification of information about centrifuges, it was agreed that we should resist any attempt to widen the proposed collaboration beyond Holland and Germany. This was of importance both generally and for our relations in the nuclear field with the United States, who were particularly concerned to slow down the inevitable spread of information about the centrifuge. It was important that this should be done, at least until the NPT had gained general acceptance. Provided that we maintained close contact with the United States about the proposed collaboration, it seemed likely that we should achieve our objectives without damaging our bilateral relationship with them. It had to be borne in mind, however, that it was open to the United States to flood the market with enriched uranium from their large stocks at prices below those which could be achieved economically in a centrifuge plant.

In further discussion, there was general agreement that we ought to attempt to persuade Germany to ratify the NPT, and that it should be a condition of any collaborative arrangement that the parties to it should undertake not to use the products for weapons purposes. Signature of the treaty should not be made a condition of collaboration, however, and the fact that Germany entered into a collaborative programme with us instead of going ahead alone or in collaboration with Holland would itself be some safeguard.

The Prime Minister, summing up the discussion, said that the Cabinet approved the Agreed Minutes of the meeting about Gas Centrifuge Collaboration which had been adopted, ad referendum to Governments, by Dutch, German and British Ministers at The Hague on 25th November, 1968. In conveying our agreement to the Dutch and German Governments, it should, however, again be stressed, in clarification of the Agreed Minutes, that we were prepared to collaborate only in arrangements that were commercially viable. We must also ensure that we secured our freedom to set up a gas centrifuge plant of our own in this country if we wished, and we should bear this requirement in mind when the time came to exchange detailed technical information. It was important that we should keep in close touch with the United States as negotiations
with Holland and Germany progressed and, for classification reasons, we should limit the proposed collaboration to these two countries, leaving for consideration at a later stage the possibility that other countries might be associated in some way with it. We should press the German Government to sign the NPT and in this context use could be made of the proposed gas centrifuge collaboration. But we should not make their signature of the treaty a condition of this collaboration. The Minister of Technology should keep the Chancellor of the Exchequer closely informed of the costs likely to arise from the proposed collaboration and the sources of finance that were in mind.

The Cabinet—

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

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*3. The Cabinet had before them a memorandum (C (68) 126) by the Foreign and Commonwealth Secretary.

_The Foreign and Commonwealth Secretary_ said that the central issue was that set out in paragraph 5 of his paper, namely the peril to Africa as a whole of tribal secessions which could in the long run lead to the break-up of every African State. While we had other important interests in Nigeria—16,000 British subjects were resident there, and our economic stake was an important one—the issue of territorial integrity, which had repeatedly been brought out in the House of Commons and was the real reason why we were opposed to the rebellion, was the dominant problem. It had, however, been consistently under-estimated by public opinion. We were now faced with a situation where deep feeling had been aroused in Parliament and the country generally about the war and the starvation resulting from it; and it was necessary to show respect for that feeling. He did not think there was any reason to believe that by altering our policy we could stop either the killing or the starvation. Indeed, the contrary might be the case. So far as relief was concerned, the Federal authorities had been helpful, whereas Colonel Ojukwu, the Biafran leader, had been the contrary. If we were now to reverse our policy, we might well forfeit Federal co-operation. The right course was therefore to continue the policy we had been pursuing, side by side with an increased effort to get relief supplies into Biafra and secure a cease-fire. With this in mind, the Minister of State for Foreign and Commonwealth Affairs, Lord Shepherd, had been sent to Lagos, and the Joint Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs, Mr. Maurice Foley, would shortly be leaving for Addis Ababa. It was important that these two missions should be concurrent, since the prospects of a settlement would be endangered if the Emperor of Ethiopia and the Organisation for African Unity (OAU), which was considering a fresh initiative,
thought they were being by-passed. Lord Shepherd would attempt to secure the agreement of General Gowon, the Head of the Federal Military Government, not only to a land corridor for relief supplies (which he had already accepted) but to some form of international supervision of the corridor. This would be necessary to meet Colonel Ojukwu's fears that the Federal Government might exploit the corridor for military purposes. Lord Shepherd would also broach with General Gowon and his colleagues the possibility of a cease-fire. In this connection, the suggestion had been made of a Christmas truce. General Gowon would also be informed of the approaches being made in Addis Ababa. For his part, Mr. Foley would try to find out more about the OAU's planned initiative; would reassure the Emperor that it was not our intention to ignore the role which could be played by the OAU; would see whether the Emperor could suggest any ways of bringing pressure to bear on Colonel Ojukwu; and would urge the Emperor to do what he could to modify the present French attitude in regard to arms supplies to Biafra. With regard to a possible approach to Colonel Ojukwu, there had already been some indirect contacts. Colonel Ojukwu might be ready to meet a British Minister, but only in Biafran territory. There were grave objections to this, and any meeting between a British Minister and Colonel Ojukwu could take place only if General Gowon's consent had previously been obtained. Consideration should therefore be given to what contacts at Ministerial level could be established with Colonel Ojukwu. In the foreign affairs debate on Thursday, 12th December, he would propose to explain the reasons for our policy, stressing the point in regard to secession made in paragraph 5 of his paper. He would then deal with the problems of relief and a cease-fire and refer to the missions undertaken by Lord Shepherd and Mr. Foley respectively. What he could add to this would depend on what progress Lord Shepherd and Mr. Foley could make in the next few days.

The Prime Minister said that it would be advisable for the Foreign and Commonwealth Secretary's speech to lay strong emphasis on the relief aspect of our initiative. The fact that we were keeping in touch with the OAU should also be stressed. If it were possible to secure a Christmas truce this might be extended until the Commonwealth Prime Ministers' Meeting, which might play a useful role, especially since supporters of both sides would be present at it. The Nigerian question had aroused profound feeling in the country, in Parliament, and indeed in the Cabinet itself. It could give rise to a political and Parliamentary crisis of the utmost gravity. The Government might be defeated in the House, largely by the votes of its own supporters and perhaps even on a vote of confidence, with incalculable repercussions on sterling, on our whole economic situation, and on the future of the Government itself. Even if the Government survived a crisis of this kind, to be forced to change direction on a major issue of foreign policy like this would reduce the credibility of the Government in every sphere—not least the economic one, in which vital decisions must shortly be taken. The Nigerian
situation and the foreign affairs debate had to be seen against this background. In previous discussions on this subject there had been general agreement that while our policy had been right, it was not generally understood; and the Biafrans and their supporters in this country had been more successful in impressing public opinion with their case. He was convinced that we had followed the right course. Not only was it essential, as the Foreign and Commonwealth Secretary had said, to avoid the progressive break-up of African States on tribal lines, but if we had not supported the Federal Government and supplied them with arms they would never have agreed to a “mercy corridor” or to the introduction of observers. To that extent our policies had increased, not diminished, the possibility of relief. Nevertheless, and however irrational it might be, there was a strong feeling of moral guilt in the Party and the country in regard to the supply of arms to the Federal authorities. Some major initiative was necessary to regain the moral support of youth and progressive opinion and to counteract the propaganda successes of the supporters of the Biafran point of view. If contact were to be established with Colonel Ojukwu, it might be possible to make use of Lord Hunt if he could be released temporarily from his present duties. (The Home Secretary indicated that this would be possible.)

The Prime Minister added for the Cabinet’s very confidential information that he had been considering as a contingent possibility whether, if the political and economic situation at home permitted it, he should himself go to see General Gowon and broach with him the possibility of bringing the war to a close. He did not, however, propose that a final decision should be taken on this at this meeting.

In discussion there was general agreement that the Nigerian issue presented a major political problem on which the whole future of the Government might be at stake. It was pointed out that though much depended on presentation, the time had passed when the situation could be restored by speeches in the House of Commons. While it was important to maintain the principle to which the Federal Government adhered of “one Nigeria”, it was clear that the relationship between the Ibos and the central authority could never be the same again. If there was to be a settlement, it would have to be established, on the one hand how much central control the Biafrans would accept, and on the other how much local autonomy the Federal authorities would tolerate. Consideration should be given to the role which could be played by Commonwealth leaders, especially those who, like President Kaunda of Zambia and President Nyerere of Tanzania, had expressed their support for the Biafrans; this could be done in the framework of the Commonwealth Prime Ministers’ Meeting. It was argued that the only hope of securing a settlement would be by way of a general arms embargo to be brought into operation, if necessary, even before a cease-fire had been secured, and even though this would represent a major shift in our policy. It was unlikely that Colonel Ojukwu would settle for less, or that he would be deterred from refusing a Christmas truce and the offer of a land “mercy corridor” by the fact that he would thereby be putting himself in the wrong in the face of public opinion. There was a danger
of our becoming involved in responsibility for a situation which in the last resort we were unable to influence. This danger threatened especially any initiative involving the Prime Minister's personal prestige; it might therefore be preferable, if a visit by him were decided upon, for his efforts to be confined to the promotion of a cease-fire and increased relief.

As against this, it was argued that British prestige and British interests were already heavily committed and that the continuance of the present situation was doing no good to either. An initiative was required not only for humanitarian reasons and on grounds of foreign policy, but in terms of the internal political situation. A successful initiative would provide us with the opportunity of disengaging with credit from a situation which could otherwise only drag on to our detriment. With regard to an arms embargo the point was made that we were supplying arms to the Federal authorities not for commercial reasons but because they were the legitimate government of Nigeria, and because if we had failed to do so we should have been unable to achieve even the present progress in regard to the establishment of a "mercy corridor" and the acceptance of observers. The latter had probably averted the risk of genocide. It was unlikely that either of the principal suppliers of arms to Biafra—France and the Soviet Union—would agree to, or enforce, an effective arms embargo. An ineffectual embargo would merely stop arms supplies to the Federal Government, while allowing supplies to the Biafrans to continue. The only likely result of attempting to secure an arms embargo in advance of a cease-fire would be to alienate the Federal Government, drive them into the arms of the Soviet Union, and destroy any prospect of fruitful contacts—let alone contacts at the highest level.

As regards presentation in Parliament, it was urged that, while the prevention of disintegration of African States on tribal lines to which the Foreign and Commonwealth Secretary had referred was a cardinal point, there were other important considerations. In the debate on 12th December the Foreign and Commonwealth Secretary might point out that the Government were just as anxious as their critics to stop the killing and provide relief and that the moral considerations were not all on one side. While the arguments against attempting to secure an arms embargo in advance of a cease-fire seemed to be decisive, the same would not apply in the circumstances envisaged in paragraph 19 of the Foreign and Commonwealth Secretary's memorandum, i.e., after contact had been established with Colonel Ojukwu and between him and General Gowon. We should maintain our basic position and emphasise the efforts we were making with both sides.

The Prime Minister, summing up the discussion, said that despite the obvious dangers, there were clear advantages in establishing contact at Ministerial level with Colonel Ojukwu. To this end, he was prepared to instruct Mr. Folley, after he had seen the Emperor of Ethiopia in Addis Ababa, to proceed to some convenient point in West Africa from which he could arrange to meet Colonel Ojukwu.
This would of course have to be cleared with General Gowon; and appropriate instructions would have to be sent to Lord Shepherd in Lagos. For the present he was inclined not to refer openly in Parliament to the possibility of a meeting between Mr. Foley and Colonel Ojukwu, though a veiled reference might be made to it. With regard to the contingent possibility of his own visit to Nigeria, whether he would go at all would depend not only on how things went at home over the next few days, but also on what the prospects of success seemed to be in the light of the discussions Lord Shepherd and Mr. Foley would have in Lagos and Addis Ababa respectively. For the present he would prefer to leave open the question whether he would make any reference in the foreign affairs debate to the possibility that he might go to Nigeria himself or, alternatively, to the possibility of a “high level Cabinet mission” to that country. It was extremely important that there should be no disclosure in London of the proposal which had been put forward in discussion of a Christmas truce. Between now and the foreign affairs debate on 12th December the Whips should use their best endeavours to secure Parliamentary Labour Party support for the Government’s policy, stressing the delicacy of the situation, the gravity of the implications from a Parliamentary point of view, and the potentially disastrous effect in both contexts of an adverse vote.

The Cabinet—

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

(2) Invited the Foreign and Commonwealth Secretary to prepare, for approval by the Prime Minister, appropriate instructions to Lord Shepherd and Mr. Foley, and draft messages to the Emperor of Ethiopia and General Gowon.

(3) Invited the Foreign and Commonwealth Secretary to be guided, in preparing his statement for the foreign affairs debate on 12th December, by the points made in the Prime Minister’s summing up of their discussion.

Cabinet Office, S.W.1,
11th December, 1968.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 17th December, 1968,
at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign and Commonwealth Affairs
The Right Hon. RICHARD CROSSMAN, M.P., Secretary of State for Social Services
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. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. RICHARD MARSH, M.P., Minister of Transport
The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. ROY MASON, M.P., Minister of Power
The Right Hon.JOHN DIAMOND, M.P., Chief Secretary, Treasury

The following were also present:
The Right Hon. FREDERICK LEE, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. FRED PEART, M.P., Lord President of the Council
The Right Hon. GEORGE THOMSON, M.P., Minister without Portfolio
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. JUDITH HART, M.P., Paymaster General

Secretary:
Sir BURKE TREND
Miss MAE J. NUNN
Mr. R. R. D. MCINTOSH
Sir ROBIN HOOFER
Mr. J. CROCKER

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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 Christmas Recess.

The Lord Privy Seal reported that the House of Lords, having no further business to transact before Christmas, would adjourn for the Recess that day.

The Prime Minister reported that the Home Secretary had encountered considerable opposition to the provisions of the Representation of the People Bill permitting the use of registered party labels on nomination papers and ballot papers at a Parliamentary election, and had undertaken to reconsider the matter before the Report Stage on 18th December. He had had to ask the Parliamentary Committee at short notice to agree to the withdrawal of the registration scheme and the substitution of permission to use any label, subject only to limitation of length. Since the Cabinet had decided in principle that the use of party labels should be permitted, the Parliamentary Committee considered that it was not open to them to return to the present position and had approved the proposed amendment. In view of the necessity to table amendments quickly, he had agreed that, in the Home Secretary's absence, he would report the decision to the Cabinet.

The Cabinet—

Took note of the Prime Minister's statement.

2. The Foreign and Commonwealth Secretary said that the procedural argument at the Paris Conference on Vietnam was still continuing on whether the talks should be "two-sided", which would obscure the status of the National Liberation Front (NLF), or "four-party", which would equate the status of the NLF with that of the other participants. There would probably have to be a meeting of deputies on this issue; and it was now unlikely that substantive discussions would begin until January, by which time the successor to the United States representative, Mr. Harriman, might have been appointed.

Meanwhile, the North Vietnamese were continuing their attacks in the Demilitarised Zone. Viet Cong morale was reported to be low; and it was also reported that the North Vietnamese were anxious to interfere with pacification in South Vietnam. There were also indications of a possible general offensive by the North Vietnamese and Viet Cong in South Vietnam. It was unlikely, however, that this would include such action as the bombardment of cities, which might lead to the breaking off of the Paris talks.

The Foreign and Commonwealth Secretary said that he had not yet seen the Minister of State for Foreign and Commonwealth Affairs (Lord Shepherd) on his return from Lagos. Progress on a cease-fire had been halted by the insistence of the Biafran leader, Colonel Ojukwu, on the withdrawal, as a precondition, of Federal forces...
from the Eastern region; and the best hope of further progress now seemed to lie in discussion at the Commonwealth Prime Ministers' Meeting.

In discussion the point was made that, while the Emperor of Ethiopia had given a warm welcome to the recent British initiatives and the Nigerian Federal Military Government had at least not rejected them out of hand, any further advance had been frustrated by the intransigence of Colonel Ojukwu. However, the possibility should still be kept in mind of a Ministerial visit to Biafra. The Federal Government had reservations about this, but had not imposed an absolute ban on it.

The Cabinet—

(1) Took note of the Foreign and Commonwealth Secretary's statements.

The Foreign and Commonwealth Secretary said that he considered it important to maintain the line which he had taken both previously in the Cabinet and at the Ministerial Meeting of the North Atlantic Treaty Organisation, namely that normal contacts with the Soviet Union and her Allies for business purposes should continue, but that we should go slow on contacts which had no purpose beyond the promotion of general goodwill.

In discussion the point was made that it was desirable to avoid creating the impression that we were acting out of pique or indulging in petty pin-pricks which could be exploited to our propaganda disadvantage.

The Cabinet—

(2) Took note of the Foreign and Commonwealth Secretary's statement.

3. The Cabinet considered a note by the Secretary of State for Social Services (C (68) 128) to which was annexed a draft White Paper on National Superannuation and Social Insurance.

The Secretary of State for Social Services said that the draft White Paper set forth the proposals for an earnings-related pensions scheme which had been approved by the Cabinet on 31st October (CC (68) 45th Conclusions, Minute 5). A previous draft had been circulated to the Ministers concerned and changes made to meet the views expressed; so far as he knew there were no points of substance outstanding. He wished however to draw attention to what was said in paragraphs 41 and 42 about fatherless families and in particular to the proposal to appoint a committee to consider the general position of one-parent families. The White Paper would not be complete without some reference to this problem, which had so far defied all attempts to find a solution that could form an integral part of the main proposals. He believed that what was said in these
paragraphs was acceptable to the Home Secretary and the Secretary of State for Scotland, and he would consult them further about the terms of reference and the composition of the proposed committee.

He proposed to publish at the same time as the White Paper a shorter account of the proposals for popular consumption and was in consultation with the Paymaster General about this. Any such document was likely to be attacked as political propaganda, but he thought that it should be possible to produce a version which was proof against this charge by repeating what was said in selected parts of the White Paper with only minor changes of wording.

On the timing of publication he proposed that they should make all preparations to publish on Tuesday, 21st January, although he recognised that a final decision could not be taken until the impact of the December trade figures was known. He had agreed to review the position on about 10th January with the Chancellor of the Exchequer.

In discussion the Cabinet first considered the terms of the draft White Paper and the following main points were made—

(a) Paragraphs 41 and 42. It was agreed that this discussion of the problem of fatherless families should stand part of the White Paper.

(b) Table 2, page 21, and Table 3, page 25. These Tables illustrated the effects of the proposals on employees' contributions and benefits at April 1968 levels of earnings and compared them with the effects of the present scheme. By assuming for the purpose that the scheme had come into effect 20 years before and was thus fully mature in April 1968 it had been possible to avoid making any assumptions about the level of future earnings which could have given a foothold for political attack. There was a general welcome for this ingenious device.

(c) Paragraph 177. As drafted this might give rise to the charge that the Government expected living standards to rise by no more than 2 per cent per annum. The paragraph should be put on a purely hypothetical basis; it might say that if over a given (but unspecified) period living standards, say, doubled, the rise in workers' living standards would be whatever the appropriate figure was. The word "burden" should be used more sparingly.

In further discussion the Cabinet considered the timing of publication; emphasis was laid on the need to avoid any clash with the publication of the proposed White Paper on Policy for Industrial Relations. Consultations on the latter were not yet complete, but the draft should be ready for consideration by the Cabinet in the first few days of January and if then approved its publication would precede that of the White Paper on National Superannuation and Social Insurance by an adequate margin. It therefore appeared that 21st January would be a suitable date for the latter, assuming the economic situation to be favourable.
The Prime Minister, summing up the discussion, said that the Cabinet approved the draft White Paper, subject to the redrafting of paragraph 177 on the lines indicated in discussion. They also agreed that printing should proceed with a view to publication on 21st January, if in the judgment of the Chancellor of the Exchequer the economic situation permitted when the December trade figures were known.

The Cabinet—

(1) Approved the draft White Paper annexed to C (68) 128, subject to the redrafting of paragraph 177 on the lines indicated at (c) of their discussion.

(2) Agreed that the White Paper be published on 21st January, subject to the agreement of the Chancellor of the Exchequer when the December trade figures were known.

(3) Invited the Secretary of State for Social Services to consult with the Home Secretary and the Secretary of State for Scotland about the terms of reference and composition of the proposed committee on one-parent families.

(4) Invited the Secretary of State for Social Services and the First Secretary of State to arrange for the preparation of legislation to give effect to the proposals in the White Paper.

4. The Cabinet considered a note by the Chancellor of the Duchy of Lancaster covering a note by the Chairman of the Official Committee on Environmental Planning (C (68) 129) on a new town in Central Lancashire.

The Chancellor of the Duchy of Lancaster said that in February 1965 the Cabinet had decided in principle that a new town should be established at Leyland/Chorley. Since then officials had considered a report by consultants evaluating the effect of the proposed new town on North-East Lancashire and had made recommendations for action in the light of the views of the North-West Economic Planning Council (which strongly supported the Leyland/Chorley project) and of the local authorities concerned. The recommendations, which he endorsed, were that the Government should announce its decision to proceed with the new town proposal and to make a draft designation order; to accept the case for an improved road link between the Calder Valley and the M6; to commission pilot schemes of area improvement in North-East Lancashire; and to invite the local authorities concerned to prepare a sub-regional plan for North-East Lancashire.

The Minister of Planning and Land said that the proposed new town would make a major contribution to the long-term overspill needs of the North-West and to the industrial revival of the whole region. There would be very little public expenditure on the new town during the period of the current public expenditure survey, and the Ministry of Housing and Local Government would in any
case order their priorities so as to contain it within their agreed programmes. The main local authorities concerned had made it clear to him at a recent meeting that they were not opposed to the new town in principle, though the authorities in North-East Lancashire were concerned that there should be proper safeguards for their area. They had all emphasised the need for an early decision, and he proposed that the decision to make a draft designation order, to be followed by a public enquiry in the spring, should be announced on Thursday, 19th December.

In discussion the need to reassure the local authorities in North-East Lancashire that the new town would not prejudice necessary development in their areas was strongly emphasised. It was widely believed in North-East Lancashire that a decision to go ahead with the new town would in practice mean that funds were not available for parallel development in neighbouring areas, which were already suffering from depopulation and slow industrial growth. The acceptance of the new town by the authorities in North-East Lancashire was conditional on the taking of positive steps to safeguard their needs. It would be very damaging to the Government to announce the draft designation order without at the same time giving definite undertakings that the specific needs of North-East Lancashire would be met. In particular, any public announcement about the new town should contain a firm starting date for the improvement of road communications with the M6. The announcement should also contain a reference to the decision to carry out pilot operations in area improvement in North-East Lancashire; and should make it clear that consideration would be given in the context of the report of the Committee on Intermediate Areas (the Hunt Committee) to the possibility of making available higher grants for clearing derelict land and for urban renewal in North-East Lancashire.

On the other hand it was argued that to give an unqualified commitment of the kind proposed about the improvement of communications for a single area would represent the negation of planning. The road programme had been severely cut and all road projects must be decided on the basis of careful appraisal of their costs and benefits and of an objective determination of priorities. The need for an improved road link between the Calder Valley and the M6 was accepted in principle, and a feasibility study had been set in hand, but it was not possible at this stage to say when the project should start or what precise form it should take. The impact of the new town would in any case not be substantially felt until the 1980s.

In further discussion it was pointed out that the new town was intended to exert a revitalising influence on the whole of northern Lancashire. It would fail in its purpose and lead to a waste of social capital if it acted as a magnet to draw people away from the North-East Lancashire towns. This pointed to the desirability of improving road access from North-East Lancashire to Manchester.
and other parts of the region in parallel with the development of the new town. The report of the Hunt Committee would have important implications for the whole area, and it would be desirable to reassess priorities—for example as between the improvement of communications and urban renewal—for North-East Lancashire in the light of its findings.

The Prime Minister, summing up the discussion, said that the Cabinet were agreed that there should be an early announcement of the Government's decision, as part of their regional strategy for the North-West, to proceed with the proposed new town at Leyland/Chorley and to make a draft designation order. The announcement should make it clear that the Government accepted the case for an improved road link between the Calder Valley and the M6; and it should state that they would commission the preparation of pilot schemes of area improvement in North-East Lancashire and would invite the local authorities concerned to prepare a sub-regional plan for North-East Lancashire. The announcement should also refer to the Government's intention to hold discussions with the local authorities in North-East Lancashire, when the report of the Hunt Committee was published, on the best way of meeting their needs in the light of the timetable for the development of the new town.

The Cabinet—

(1) Approved the recommendations in the note attached to C (68) 129.

(2) Invited the Minister for Planning and Land, in consultation with the Minister of Transport and the Chancellor of the Duchy of Lancaster, to announce their decision on the lines indicated in the Prime Minister's summing up.

Cabinet Office, S.W.1.
17th December, 1968.