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CABINET

NATIONAL HEALTH SERVICE CONTRIBUTION

MEMORANDUM BY THE MINISTER OF PENSIONS AND NATIONAL INSURANCE

The Chancellor of the Exchequer in his paper (C. (60) 148) proposes immediate legislation to increase by 1s. the National Health Service contribution as from the beginning of April 1961. I offer for the consideration of my colleagues certain arguments which it seems to me bear on this proposal from the standpoint of national insurance. My specific points relate (i) to the timing, and (ii) to the merits of this proposal, and I have sought to set these out in separate parts of this paper.

2. I would, however, add first two general comments. As stressed in the paper (C. (60) 150) by the Minister of Health, whatever the merits or demerits of the Chancellor's proposal, it is not one which will effect any reduction in public expenditure. It amounts simply to a proposal to impose a particular form of hypothecated tax. It therefore requires to be looked at, not as a measure of economy, but of taxation. The question for decision is, it seems to me, whether the merits of this particular kind of taxation, as against other forms of taxation, are sufficient to outweigh its manifest disadvantages, plus the necessity for separate and contentious legislation.

3. I would add that the proposal will not even give the appearance of economy in public expenditure. For the yield of the Health Service contribution is shown in the Estimates of the Ministry of Health as an appropriation in aid, and does not affect the gross cost of the Service shown in the Estimates.

4. The other point is that so long as this contribution is collected along with the national insurance contribution, and as a result appears as part of the same deduction from wages on the worker's pay packet, it is, and will continue to be, regarded as a single contribution.

Timing

5. From the general political angle it would be difficult to find a worse time for such a change than next April. For it is at that date that the new graduated contributions imposed by the National Insurance Act, 1959, will first become payable and heavy increases in contributions will be required from many workers. Mr. Crossman, M.P., has already given notice at the Labour Party Conference that the Labour Party intend to try to rouse opinion on this question at the time.

6. The Cabinet will appreciate the importance of this when they note that the result of the coming into operation of the 1959 Act will be to increase the amount of contribution paid by employers, workers, &c. (i.e., excluding the Exchequer contribution) in 1961-62 by nearly £120 millions over the amount paid by these contributors during the current financial year. As the amount of graduated pension to be paid during 1961-62 will be negligible, virtually the whole of this additional contribution will be raised in order to meet the deficit which would otherwise have arisen on the National Insurance Fund and which, it has been and will again be argued, should have been met by the Exchequer; in other words, the effect of the coming into operation of the 1959 Act is to shift from the
Exchequer on to the contributors to national insurance the payment of approximately £120 millions a year at the outset, increasing later.

7. In order to achieve this, contributions in particular of what we describe as the higher-paid worker rise sharply. The higher-paid worker for this purpose is the man earning £15 a week, i.e., only 18s. a week above the most recently published figure for average industrial earnings. Under the 1959 Act as it stands the total contribution in respect of this man will increase by 7s. 4d. (from 18s. 2d. to 25s. 6d. a week) and his own contribution will increase from 9s. 11d. to 13s. 5d. These figures take no account of the further increase which he will have to pay in order to meet the cost of the improvements in pension benefits which we are to provide next session in implementation of our Election pledge.

8. At the other end of the scale is the worker earning £9 a week or less. I feel that the Chancellor in paragraph 5 of his paper misleads himself in seeking to compare the new minimum contribution with average earnings. Under his proposal the person on the average earnings presupposed in his paper of about 15 per cent. above the 1958 figure (i.e., about £14 10s. a week) would be contributing 13s. 4d. a week—or 5·3 per cent. of his earnings, not 3·6 per cent. The contribution of 10s. 7d. which he quotes would relate to earnings of £9 (or less), of which it would be 5·9 per cent. (or more). One of the attractions of the 1959 Act, and one which we exploited to the full in the House and in the country, was that the low wage earner, on whom many people feel that the present 9s. 11d. contribution falls heavily, was to secure reduction in his overall contribution to 8s. 4d. We are in any event denying him this reduction in order to pay higher benefits, and, on this basis and for this reason, I think we can sustain this. But to go further and impose upon him an actual increase in his contribution not justified by higher benefits would, in my view, be very badly received, and might well be thought to have in it an element of breach of faith. Further it will be necessary to defend this rate of contribution, not as we have defended the existing rate against a background of, and in comparison with, rising average earnings, but in relation only to earnings of £9 a week (or less).

9. There is also the case of the contracted out. Whatever their earnings, the 1959 Act provided that their national insurance contribution should remain at the present level of 18s. 2d. This must now in any event go up, pari passu, with the increase in the minimum contribution.

10. Finally there are the self-employed and the non-employed. In view of the burden of contributions (of which they pay the whole amount) on the less well-off section of these, we are deliberately keeping their increase in the national insurance contributions under our new proposals as low as possible. We were unable to give them any relief under the 1959 Act as we were pressed to do. I think we should be jarring a particularly sensitive spot if we were to impose any further increase in their overall contribution.

11. I come, therefore, unhesitatingly to the conclusion that whatever the merits or demerits of this proposal in the abstract, it would be singularly unwise to proceed with it at this particular moment. And it is relevant to the question of timing that the Chancellor in paragraph 1 of his paper forecasts an increase in 1961-62 of only £6 millions over what he has found from the Exchequer for this purpose in the current year.

Merits

12. The last two increases in the National Health Service contribution were decided upon very quickly in view of what the Cabinet regarded as the urgency of the then situations. In the light, however, of the objections which some of us have seen to this form of taxation, the Social Services Committee on 8th February agreed to set up a “Working Party” to review the present method of financing the National Health Service. This Committee have been at work for some months and have a draft Report under consideration. This is not yet an agreed document and the Cabinet may well feel that they would like to see and consider this report when it is in its final form before taking a further step to increase the National Health Service contribution. I confess that the small increase of £6 millions in the Exchequer cost of the Health Service next year does not seem to me to be of an order to necessitate our proceeding, as a matter of urgency, with an increase in a form of taxation to which there is such strong political objection.
13. In present circumstances I see the following objections to the National Health Service contribution:

(a) As a form of taxation, it is subject to the criticism that it falls equally on the better and on the worse-off. It imposes a measure of direct taxation on those whom the mechanism of the Inland Revenue goes to some pains to exclude from income tax, e.g., the man on modest wages with a large number of children. Moreover, it falls on such a person with full, not with modified, weight. If, for reasons of policy, it were thought right, as I am inclined to think it right, that such people should be made aware of the impact of direct taxation, it would seem more appropriate, equitable and efficient to bring them in some degree within its scope by a downward extension of the income limits in respect of income tax, rather than by crudely placing on them a burden as great as is placed on those with larger incomes or smaller family responsibilities.

(b) It falls arbitrarily on those who pay national insurance contributions, and not on those who do not, and payment of it coincides in no way with use of the National Health Service. For example, it falls on married women only if they do not exercise their option not to pay national insurance contributions.

(c) By increasing the contribution collected from the worker to a point and in a manner which will exacerbate Trade Union opinion, a further increase now could well have an effect on wage claims, the inflationary results of which could far outweigh the disinflationary advantages claimed for it by the Chancellor in paragraph 6 of his paper. In this connexion the figures given in paragraph 7 above are material.

(d) By increasing the element in the joint contribution which is plainly taxation, it must undermine the insurance concept under which at present over £700 millions a year are raised for the National Insurance Funds from contributors outside the normal system of taxation. Moreover there is in my view a real risk that, by effectively claiming back for the Exchequer a further £50 millions from the contributions, we shall upset the settlement achieved in the 1959 Act for limiting the Exchequer liability to the National Insurance Fund.

(e) Though this is a matter for the Minister of Health, it would seem to me very difficult to introduce a measure of this kind at a time when any economies in National Health Service expenditure were in contemplation.

14. My present view is that this is a bad and regressive tax, which is completely at variance with our policy of introducing a progressive graduated element into the National Insurance contribution and that on merits there is little to be said for meeting in this way part of the cost of the National Health Service.

15. For the reasons given, I very much hope that the Cabinet will not accept the Chancellor's proposals. For the purpose of completeness, I would, however, add the comment that his suggestion that this proposal should be included in the forthcoming National Insurance Bill is open to grave objections on both procedural and political grounds. I am advised that the scope of the composite Bill would be widened to such an extent as to make virtually any amendment admissible and that the Bill would probably have to be introduced on a ways and means resolution (as was the case with previous National Health Service Contributions Acts) any debate on which would almost inevitably range much more widely with a composite Bill. It would also destroy at one stroke my defence against attempts, and amendments, to increase benefits since our defence of a moderate increase can only rest on the limitations imposed by the rate of flat rate contributions which it is possible to charge. If the same Bill were to raise contributions openly for the sake of the Exchequer, that defence would be gone.

J. A. B-C.

CABINET

HOUSE COAL PROSPECTS FOR THE WINTER

MEMORANDUM BY THE MINISTER OF POWER

During the last few months there have been complaints about delays in the supply of house coal. This memorandum contains the best assessment I can make about the prospects for the winter.

2. The delays have been caused by the exceptionally large increase in demand for house coal. People have been ordering in anticipation of the recent price increase and the ending of summer prices, and because consumption has been higher due to the bad weather. During the eight weeks up to 24th September, merchants’ disposals to consumers were 800,000 tons (27 per cent.) higher than last year, and the National Coal Board’s despatches to the merchants were 465,000 tons (13 per cent.) higher. The Board have therefore had difficulty in keeping pace with the abnormally high increase in merchants’ disposals. The growth in merchants’ stocks has also been appreciably less than a year ago. These stocks now (1st October) stand at 1-35 million tons, compared with 1-77 million tons last year. At the same time the National Coal Board’s undistributed stocks of large coal have fallen to 1-04 million tons compared with 2-65 million tons a year ago.

3. Winter purchases by consumers of large coal (railways and other consumers, as well as the domestic user) are likely to exceed 25 million tons. Allowing for the maximum draught on merchants’ stocks, the National Coal Board estimate that the demand they will have to meet themselves will be 24 million tons, which is the same as last winter. The Board hope to be able to make available 22-6 million tons from current production, which would leave a balance of 1-4 million tons to be met by lifting from the Board’s stocks. The figure of 22-6 million tons assumes an improvement in the percentage of large coal in total output from the average of 22-1, achieved in the first eight months of this year, to 23-3. Although it is right to set this percentage as a target, it may be optimistic to count on achieving it. If we assume that the percentage is increased halfway to the target level, only 22 million tons will be available from current production and 2 million tons will have to be met by lifting from Board stocks. As the Board’s total stocks of large coal will be only about one million tons at the beginning of winter, there is a possible deficiency of a million tons.

4. The Board think they could make available 700,000 tons of doubles from their undistributed stocks, although the quality of this coal would not be altogether acceptable to consumers. They also have 2 million tons of unscreened coal, which they could at some expense screen to yield up to a further quarter of a million tons of large coal. But in order to meet the total expected demand it is essential that the percentage of large coal is raised at least halfway to the target level. It is also essential that transport facilities should be adequate to move the coal to the merchants.

5. The Board are acutely aware of the dangers of the situation and are concentrating attention on two main aspects of it. In the first place they are making a major effort to improve the percentage of large coal, even though this
runs counter to the need for increasing mechanisation and productivity and reducing costs. Divisions have been given targets of large coal production and the mechanisation programme is being revised so as to avoid, as far as possible, increasing the use of the types of equipment which tend to degrade the size of the coal brought to the surface. The August large coal percentage (22.8) was encouraging, but it was possibly affected by the pattern of colliery holidays.

6. The Board are also pressing the British Transport Commission to make sure that adequate transport will be available. Estimates of the total tonnage to be moved are now being examined by the Commission. These will undoubtedly show that emergency measures will have to be put into operation in order to make more wagons available to the Board as the winter progresses. It will be necessary among other things to switch more power station coal to the roads in order to release wagons for house coal.

7. I am keeping in very close touch with the Chairman of the Coal Board and I will, with permission, circulate a further memorandum before Christmas.

R. F. W.

Ministry of Power, S.W. 1.
17th October, 1960.
21st October, 1960

CABINET

NATIONAL HEALTH SERVICE CONTRIBUTION

Memorandum by the Chancellor of the Exchequer

In the light of our recent discussions (C. C. (60) 54th Conclusions, Minute 6), I put before my colleagues three different ways of approach to the proposal to increase the Health Service contribution.

Course I

2. First, there is my proposal substantially as it is, in C. (60) 148. Legislation would be enacted before Christmas, or at least by the end of January, to increase the contribution by 1s. from the beginning of April. I am ready to accept that this increase should not be enacted in the same legislation as the national insurance benefit increase; it should be introduced as late as possible after the National Insurance Bill - perhaps at the end of November or early in December. To this extent it would be possible to present the two operations as being separate. I think, however, that the two proposals would have to be announced at the same time; either in the Debate on the Address or in the Second Reading of the National Insurance Bill; to refer to the increase in contribution required for the benefit increase, without at the same time referring to the proposal to increase the health contribution, would lay us open to severe criticism.

Course II

3. Or we might postpone the increase in the health contribution for three months. Thus, we might announce the shilling increase in the context of the general level of Government expenditure, at the same time that we publish the Vote on Account (the first occasion on which total Government expenditure for 1961-62 is made public). This would be a similar timetable to that which was adopted for the 1958 Health Contribution Bill - Ways and Means Resolution in the second half of February and enacted in time for administrative arrangements to be made for the increase to be effective at the beginning of July.

4. The advantage of this course would be that we should relate the increase to total Government expenditure at the time when this was having the greatest public impact; we should be divorcing it from the insurance benefit changes and so reducing the chance of an accusation of bad faith; and we should not be prejudicing the Minister of Health in his policies to reduce Health Service expenditure.
5. The disadvantages of this course are that I should lose three months' revenue - £12 millions - in the first year. Administratively, there might be an inconvenience for employers, and some small cost to the Exchequer, arising from a change in the value of the stamp three months after the previous change. In 1958, however, the stamp was changed twice in fairly quick succession, the end of January for a rise in insurance benefits, and the beginning of July for a rise in Health Service contribution.

Course III

6. A third suggestion was tentatively put forward by the Minister of Aviation that there should be a sort of package to be announced in February:

(a) Concede Health Service drugs to private patients subject to arrangements being worked out so as to prevent abuse; a figure of £2½ millions has been estimated for this; I believe it is on the low side, and I would prefer to assume not less than £4 millions.

(b) Abolish the prescription charge. This now yields £12½ millions, offset by refunds to people on national assistance and war pensioners (£2 millions). The immediate loss of revenue would therefore be of the order of £10½ millions. That is the minimum figure of loss; the abolition of the charge may weaken the sense of discipline which the charge has imposed, directly in the case of the patient, and indirectly for the doctor by seeming to imply that the Government are less interested in economy. Once the charge was abolished it would be extremely difficult to reimpose it; so we might be forgoing, by this act, a useful source of revenue. As it is, if the cost of drugs goes up, it is possible to raise the prescription charge to ls. 6d. or 2s.

(c) These two proposals show an immediate financial loss to the Exchequer of some £12-£15 millions a year. To offset this, and to maintain the extra yield which I need from the Health Service contribution, I would have to require that the contribution be increased by ls. 4d. altogether, split ls. 1d. from the employee and 3d. from the employer. The total extra yield would be about £65 millions, and the proposal would add 3d. to the maximum employee contribution set out in the paper by the Minister of Pensions (C.(60) 151).

7. The case for this "package" proposal is that, while maintaining the net yield increase of £50 millions to help my long-term budgetary problem, we should be abolishing the unpopular prescription charge; and we should be fulfilling our pledge to private patients in a way which, by coupling it with the abolition of the prescription charge, would gain us the least political criticism.
8. The case against Course III is that a move to make drugs free for all, and especially to do so at this stage for the benefit of private patients, is incompatible with the Government's drive for better prescribing and for economy in this sector of public expenditure. As recently as July, 1959, the Government, announcing that it regarded with favour the Hinchcliffe Committee recommendation of a voluntary scheme for limiting — for a trial period of two years — the amount of drugs supplied on one prescription, stated that the prescription charge would be reviewed in the context of the results of the scheme, the finances of the National Health Service, etc. (Hansard, 15th July, 1959, Column 440). To announce the abolition of the prescription charge so early as next February, when the voluntary scheme has been on trial for only half of the two-year period and before the cost of prescribing had shown any reduction, would merit criticism of the Government's lack of grip on the situation.

9. There are also the other objections put forward in our previous discussion.

10. I understand that the Minister of Health is opposed to this proposal.

11. As for the effective date of this "package", assuming we were to adopt it for announcement in February, it should not take any longer to enact than Course II, and I would hope that the increased contribution would be payable from the beginning of July.

S. L.

Treasury Chambers, S. W. 1.

20th October, 1960.
CABINET

LICENSING BILL

Memorandum by the Secretary of State for the Home Department

I think my colleagues should be made aware of the nature of the Licensing Bill to be introduced early in the new session. I accordingly attach a summary of its main provisions.

2. My colleagues will see that the main effect of the Bill will be:

   (a) To make it easier for restaurants and residential establishments without public bars to get licences for the sale of drink.

   (b) To improve the law about permitted hours and make some other relaxations for the convenience of tourists and the general public.

   (c) To attempt to solve the club problem by establishing tests which will ensure that any respectable club which is effectively controlled by its members, and in which drink is not supplied for private profit, can secure registration, but that clubs which do not satisfy these tests will be subject to the full control of the licensing justices in the same way as public houses.

R. A. B.

Channel Islands.

21st October, 1960.
ANNEX

SUMMARY OF THE MAIN PROVISIONS OF THE LICENSING BILL

Restaurants and Residential Licences

There will be new types of licences for the sale of drink in restaurants and to residents in hotels, etc., without public bars. The justices will not be able to refuse these licences unless the applicant or the premises are unsuitable or the premises have not been properly conducted.

General Licensing Hours

2. Permitted hours for the sale of drink will be more uniform and slightly longer. On weekdays they will be 11.00 a.m. to 3.00 p.m. and 5.30 p.m. to 11.00 p.m. in London and 10.30 p.m. elsewhere, with power to the justices to make this 11.00 p.m. for the whole or part of the year. (The present closing hour is 10.30 p.m. or 11.00 p.m. in London and 10.00 p.m. or 10.30 p.m. elsewhere.)

3. On Sundays, Christmas Day and Good Friday the permitted hours throughout the country will be 12 noon to 3.00 p.m. and 7.00 p.m. to 10.00 p.m. (This is one hour more than at present but with the same closing hour.)

4. The question of Sunday Closing in Wales and Monmouthshire has still to be decided by the Home Affairs Committee.

5. As under present law, clubs will be able to fix their own hours within the statutory limits.

6. A licensee will not be obliged to keep his premises open for the whole of permitted hours.

Off-Sales

7. There will be no restriction on the week-day hours of sale in off-licences premises or the off-sales departments of public houses where these are separate from the bar.

Other Modifications of the General Licensing Hours

8. A quarter of an hour will be allowed after the end of permitted hours for drinking up.

9. A resident in a hotel will be allowed to treat his non-resident guest outside permitted hours.

Drinks with Late Night Shows

10. The provisions under which hotels, restaurants and registered clubs in the West End of London may under certain conditions supply drink on week-days until 2.00 a.m. and allow its consumption to 2.30 a.m. with meals, music and dancing, will be extended to cover -
(a) The whole country.

(b) The period midnight Saturday to 2.30 a.m. Sunday.

Registered Clubs

11. A distinction will be drawn between purely proprietary clubs (which will have to get ordinary licences to sell drinks) and those which are substantially members' clubs. These will have to obtain a registration certificate from the magistrates' court, renewable annually.

12. The court will have to be satisfied that the club is established and conducted in good faith as a club, that the rules satisfy certain requirements about the management of the club by elective committees, and in particular that the purchase and the supply of intoxicating liquor is controlled by the members or by an elective committee, and that no individual has any pecuniary interest in the purchase or supply of liquor.

13. The police or the local authority or a resident in the neighbourhood of the club will be able to object to registration on the grounds that -

(a) The premises are not suitable.

(b) Any member of the management committee is not a fit person.

(c) The rules of the club are habitually disregarded.

(d) The club is conducted in a disorderly manner or for an unlawful purpose or there is frequent drunkenness.

14. There will be an appeal to quarter sessions against the refusal of a magistrates' court to grant or renew a registration certificate.

Miscellaneous

15. A number of minor amendments designed to improve the working of existing law will be included.

October, 1960
I circulate for the information of the Cabinet copies of The Queen's Speeches on the Prorogation and Opening of Parliament in the form approved by The Queen. The final wording of paragraphs 16 and 19 of the Opening Speech remains to be settled.

(Signed) NORMAN BROOK.
CABINET

THE QUEEN'S SPEECHES ON THE PROROGATION AND OPENING OF PARLIAMENT

NOTE BY THE SECRETARY OF THE CABINET

I circulate for the information of the Cabinet copies of The Queen's Speeches on the Prorogation and Opening of Parliament in the form approved by The Queen. The final wording of paragraphs 16 and 19 of the Opening Speech remains to be settled.

(Signed) NORMAN BROOK.

Cabinet Office, S.W. 1,
21st October, 1960.
SPEECH ON THE PROROGATION OF PARLIAMENT

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. I am deeply grateful for the many expressions of good will which came to me on the birth of My second Son, Prince Andrew. This year has also brought me the great happiness of My Sister's marriage.

2. In the course of the year the friendships existing between My People in this country and peoples overseas have been reinforced by a number of visits.

3. In April I had the special pleasure of welcoming to London the President of the French Republic and Madame de Gaulle. I have been happy to greet here their Majesties the King and Queen of Thailand and, ten days ago, the King and Queen of Nepal.

4. I was glad that the President of Peru was able to meet members of My Family when he came here in February and that I was myself able to receive the President of the Argentine Republic.

5. I was moved by the warmth and sincerity of the reception accorded to My Husband when he visited New York in June to open the British Exhibition.

6. My Mother has visited the Federation of Rhodesia and Nyasaland to open the great Kariba Dam. Both she and I were deeply affected by the enthusiastic welcome which she received throughout her journeys in the Federation.

7. The visits of members of My Family to the Caribbean were a vivid reminder to all My Peoples in that area of their links with the Crown and with My People in the United Kingdom.

8. My Government have supported the work of the United Nations and its agencies and are taking their full share in the work of the General Assembly. My Government have continued to play their full part in the North Atlantic Alliance and other regional pacts.

9. They have continued to take part in the Geneva Conference on the Discontinuance of Nuclear Weapons Tests, in which progress has been made towards agreement on the prohibition of tests under effective international control. They played a notable role in the Ten-Nation Committee on Disarmament at Geneva and supported the resolution of the United Nations recommending the earliest possible resumption of international negotiations for disarmament.

10. Meanwhile My Armed Forces have continued to contribute to peace and order throughout the world.

11. By the signing of the Antarctic Treaty last December, the twelve governments concerned, which include My own and those of the United States and the Soviet Union, have agreed to co-operate in the peaceful use of the Continent in the interests of science.

12. I was most happy to meet, in May, the Prime Ministers and other representatives of Commonwealth countries. Their meeting revealed a wide measure of agreement on international problems, notably on the need to lessen world tensions and to promote the economic and cultural progress of the less-developed countries.

13. I have given My Assent to an Act which established the independent Republic of Cyprus. Certain Sovereign Base Areas and other military facilities in the island are retained for the United Kingdom and My Government look forward to a long friendship with the new Republic.

14. Two other countries for which My Government in the United Kingdom have hitherto been responsible have achieved independence. In June I withdrew My protection from the Somaliland Protectorate, confident that the long tradition of friendship between the British and Somali peoples will continue and flourish.
15. This month Nigeria became the eleventh Member of the Commonwealth. I have shared in the joy with which that great country then received My Cousin, the Princess Alexandra. My Husband and I have very happy memories of our own visit to Nigeria five years ago and we, together with My Government and all My People in the United Kingdom, extend to My People there our warmest good wishes for the future.

16. I have given My Assent to an Act which reflects the decision of the Government of Ghana to adopt a Republican Constitution.

17. My Government in the United Kingdom have continued to give financial help to the less-developed countries, and in particular to Commonwealth countries, including loans and grants for development, welfare and reconstruction.

18. Acts have been passed enabling the United Kingdom to take part in the Commonwealth Scholarship and Fellowship Plan and making possible a freer movement of students and teachers between this country and the rest of the Commonwealth.

19. The Commonwealth Economic Consultative Council, which met in London in September, agreed to initiate a Special Commonwealth African Assistance Plan in order to give further help in raising the standards of life in less-developed Commonwealth countries in Africa.

20. My Government have published their plan for My Overseas Civil Service, providing greater security for its members and making it easier for territories which achieve self-government to retain them in their employment.

MEMBERS OF THE HOUSE OF COMMONS

21. I thank you for the provision which you have made for the public services.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

22. As part of their policy to assist the development of overseas countries, My Government have joined the new International Development Association and are contributing substantially to its resources.

23. They have ratified the Convention establishing the European Free Trade Association, and have taken part in negotiations for remodelling the Organisation for European Economic Co-operation with the United States and Canada as full members.

24. Support for home agriculture and for the fishing industry has been maintained. My Government have introduced improvement grants for horticultural producers and their co-operative marketing associations. They have brought to a successful conclusion the long campaign for the eradication of tuberculosis in cattle in this country.

25. An Act has been passed to help to provide additional opportunities for employment in those areas where high and persistent unemployment exists or is threatened.

26. My Government have announced a substantial increase in the road programme. An Act has been passed to facilitate enforcement of the law on road traffic and to amend the law on parking and traffic regulation.

27. An Act has been passed to improve the arrangements for licensing air services and to ensure that all airline operators maintain high standards of safety.

28. Effect has been given to the main recommendations of the Royal Commission on Betting, Lotteries and Gaming, by legislation providing for the registration of bookmakers, permitting the establishment of licensed betting offices, and replacing the outmoded law on gaming by provisions more acceptable to modern opinion.

29. An Act has been passed which will give added protection to those who invest their savings in building societies.

TOP SECRET
30. An Act has been passed to control the location and conditions of
    caravan sites and to strengthen the procedure for enforcing planning control in
    England and Wales.

31. In Scotland the law on mental health has been modernised and new
    provision made for the care of those who are sick in mind.

32. Measures have been taken to make legal aid and advice more widely
    available. The right of appeal to the House of Lords in criminal cases has been
    extended and the law relating to contempt of court has been amended.

33. The law relating to charities in England and Wales has been consolidated
    and reformed, to enable the best use to be made of charitable resources for the
    benefit of the community.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

34. I pray that the blessing of Almighty God may attend you.
SPEECH ON THE OPENING OF PARLIAMENT

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. My Husband and I look forward eagerly to the series of visits we shall make next year in the Commonwealth, where we shall renew and extend the friendships which we value so very highly.

2. In the early part of the year we shall visit India and Pakistan, on the invitation of the Presidents of those countries; and I welcome especially this opportunity of seeing for the first time something of these two great nations of the Commonwealth.

3. No less a pleasure is the prospect of our journey to Africa, where, later in the year, we shall visit the Republic of Ghana, Sierra Leone and the Gambia. We shall be happy to visit also the Republic of Liberia.

4. My Husband and I look forward with lively satisfaction to renewing our friendships with His Majesty the King of Nepal, His Imperial Majesty the Shahinshah and the President of the Italian Republic when we visit their countries next year.

5. Throughout the coming session, My Government will continue to give resolute support to the work of the United Nations. The improvement of relations between East and West remains a primary object of their policy. In particular, they will go on working for the success of the Geneva Conference on the Discontinuance of Nuclear Weapons Tests and will do their utmost to achieve comprehensive disarmament under effective international control.

6. My Government will play their full part in maintaining the North Atlantic Alliance and the other regional pacts to which they belong. My Armed Forces will continue to make their contribution to the safeguarding of world peace.

7. The friendship which links us to our great ally, the United States of America, is a powerful element in the defence of peace.

8. My Government will convene a conference to review the Constitution of the Federation of Rhodesia and Nyasaland in accordance with the provisions of that Constitution.

9. A Bill will be brought before you to enable Sierra Leone to achieve its independence within the Commonwealth.

10. My Government hope that in Malta self-government can be restored on firm foundations and that, with the co-operation of a Maltese Government, their efforts to expand the island’s economy will be successful.

MEMBERS OF THE HOUSE OF COMMONS

11. Estimates for the public services will be laid before you in due course.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

12. My Government will seek to maintain a sound economy and to ensure a well-balanced growth of production in conditions of high and stable employment. Their aim will be to preserve stability of the general level of prices and to further the expansion of overseas trade and strengthen the balance of payments.

13. They have entered into negotiations under the General Agreement on Tariffs and Trade, which they hope will result in a significant reduction in trade barriers. They will continue to co-operate with their partners in consolidating the European Free Trade Association. At the same time they will work towards the political and economic unity of Western Europe, on a basis satisfactory to all the Governments concerned.

TOP SECRET
14. My Government will introduce legislation to enable the United Kingdom, in common with others of our friends, to help the Governments of India and Pakistan to finance the construction of important works in the Indus River Basin.

15. At home My Ministers are resolved to maintain a stable, efficient and prosperous agriculture. They will introduce legislation to reorganise and improve Covent Garden Market and to amend the law relating to land drainage in England and Wales.

16. They will continue to support and encourage our fishing industry (and to seek a solution of the delicate problems of fishery limits, especially with those countries off whose coasts generations of our fishermen have won their livelihood).

17. My Government will follow out their policy of advancing the social welfare of My People. War pensions will be increased and authority will be sought for increases in retirement pensions and other benefits, and in contributions, under the National Insurance schemes.

18. My Government's concern for young people will be shown by the continued expansion of schools and colleges and by greatly increased efforts to train and recruit more teachers. They will continue to encourage the expansion of the Youth Service and will authorise an increasing level of expenditure on the physical recreation of the young. Awards for students at universities and for those taking comparable courses at other institutions of higher education will be granted on an improved basis.

19. A high rate of house-building will be maintained, and the slum clearance drive will continue. [A Bill will be introduced to amend the law relating to the respective responsibility for repairs as between landlords and tenants on short-term tenancies.] My Ministers will put forward proposals to amend the law of rating and valuation and to facilitate the 1963 revaluation.

20. My Government will endeavour to improve the protection of the community against crime. The strength, efficiency and well-being of the police will be their continuing concern; and they will seek to make more effective the various methods of penal treatment. They will introduce a Bill to provide, in England and Wales, better means of dealing with young offenders; to extend compulsory aftercare to prisoners and so to discourage them from reverting to crime; and to improve the management of approved schools. Proposals for legislation in the same field in Scotland will be laid before you.

21. Legislation will be introduced to provide for a levy on horse-racing and, in England and Wales, to check abuses by registered clubs and to reform the licensing laws.

22. Authority will be sought for an increase in the number of judges in the Supreme Court.

23. My Government will persevere with measures to promote economic growth in the Highlands and Islands and to develop modern standards of living there; and they will put forward legislation to amend the Crofters (Scotland) Act.

24. A Bill will be introduced to extend the investment powers of trustees.

25. Legislation will be laid before you to amend the Weights and Measures Acts.

26. Legislation is being prepared to provide financial assistance towards the construction of a new Atlantic liner to replace the Queen Mary.

27. My Government will submit to you proposals for reforming the structure and functions of the British Transport Commission.

28. They are preparing legislation designed to promote greater safety on the roads.

29. Other measures will be laid before you in due course.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

30. I pray that the blessing of Almighty God may rest upon your counsels.
C. (60) 156

22nd October, 1960

CABINET

NATIONAL INSURANCE AND NATIONAL HEALTH SERVICE:
RATES OF CONTRIBUTION

Memorandum by the Minister of Pensions and National
Insurance

As requested by the Cabinet on 18th October (C.C.(60) 54th
Conclusions, Minute 6), I am circulating a table which compares the present
weekly rates of national insurance and national health service contributions
for men and women with the rates that would become payable next April at
different earnings levels (a) under the National Insurance Act, 1959, as it
now stands; (b) under the 1959 Act as it will be amended in the light of the
decision to increase pensions; and (c) under the 1959 Act as so amended,
with the additional national health service contribution proposed by the
Chancellor of the Exchequer.

2. I have also consulted the Government Actuary as to the approximate
numbers of contributors who may be expected on average to be at these
levels of earnings next April. They are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Men (millions)</th>
<th>Women (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In graduated scheme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly earnings -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than £9</td>
<td>2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>(Including some who normally earn more than £9 a week but who are temporarily (e.g., due to sickness or short time) earning less, or nothing)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between £9 - £11</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Between £11 - £13</td>
<td>2.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Between £13 - £15</td>
<td>2.6</td>
<td>0.1</td>
</tr>
<tr>
<td>More than £15</td>
<td>4.0</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Contracted out</strong></td>
<td>2.4</td>
<td>0.6</td>
</tr>
<tr>
<td>(all earnings levels)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Self-employed</strong></td>
<td>1.3</td>
<td>0.1</td>
</tr>
<tr>
<td>(all earnings levels)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-employed</strong></td>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>
It should be noted that these figures exclude some 2.6 million employed married women who have opted out of, and some 200,000 employed widows who are not liable to, the flat-rate and minimum contributions; both of these, therefore, also do not pay the national health service part of the contribution.

J. A. B. - C.


21st October, 1960.
## Contribution Rates for National Insurance and National Health Service

**Note:** The employed person's own contribution is shown in brackets.

### In graduated scheme

<table>
<thead>
<tr>
<th>Employed man, earning</th>
<th>Present Contribution</th>
<th>Under 1959 Act</th>
<th>Under 1959 Act as amended in light of Cabinet decision on pensions</th>
<th>As in preceding column plus additional N.H.S. contribution proposed by Chancellor</th>
</tr>
</thead>
<tbody>
<tr>
<td>£9 (or less)</td>
<td></td>
<td>15s. 4d.</td>
<td>16s. 2d.</td>
<td>19s. 2d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(9s. 4d.)</td>
<td>(9s. 9d.)</td>
<td>(10s. 7d.)</td>
</tr>
<tr>
<td>£11</td>
<td></td>
<td>13s. 0d.</td>
<td>21s. 2d.</td>
<td>22s. 0d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(10s. 3d.)</td>
<td>(11s. 7d.)</td>
<td>(12s. 5d.)</td>
</tr>
<tr>
<td>£13</td>
<td></td>
<td>22s. 4d.</td>
<td>25s. 2d.</td>
<td>26s. 2d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(11s. 10d.)</td>
<td>(13s. 5d.)</td>
<td>(14s. 1d.)</td>
</tr>
<tr>
<td>£14 10s. (forecast average earnings, April, 1961)</td>
<td></td>
<td>20s. 10d.</td>
<td>27s. 8d.</td>
<td>28s. 8d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(13s. 1d.)</td>
<td>(14s. 6d.)</td>
<td>(15s. 4d.)</td>
</tr>
<tr>
<td>£15 (or more)</td>
<td></td>
<td>25s. 6d.</td>
<td>28s. 4d.</td>
<td>29s. 4d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(13s. 5d.)</td>
<td>(14s. 10d.)</td>
<td>(15s. 8d.)</td>
</tr>
<tr>
<td>Employed woman, earning</td>
<td></td>
<td>15s. 6d.</td>
<td>15s. 2d.</td>
<td>16s. 0d.</td>
</tr>
<tr>
<td>£7 10s. (forecast average earnings, April, 1961)</td>
<td></td>
<td>(7s. 2d.)</td>
<td>(6s. 0d.)</td>
<td>(6s. 8d.)</td>
</tr>
<tr>
<td>£9 (or less)</td>
<td></td>
<td>17s. 2d.</td>
<td>18s. 10d.</td>
<td>19s. 8d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(9s. 0d.)</td>
<td>(9s. 10d.)</td>
<td>(10s. 6d.)</td>
</tr>
<tr>
<td>£11</td>
<td></td>
<td>20s. 6d.</td>
<td>22s. 2d.</td>
<td>23s. 0d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(10s. 8d.)</td>
<td>(11s. 6d.)</td>
<td>(12s. 2d.)</td>
</tr>
<tr>
<td>£13</td>
<td></td>
<td>25s. 8d.</td>
<td>25s. 4d.</td>
<td>26s. 2d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(12s. 3d.)</td>
<td>(13s. 1d.)</td>
<td>(13s. 9d.)</td>
</tr>
</tbody>
</table>

### Contracted out

<p>| Employed man (all levels of earnings) | 18s. 2d. | 18s. 2d. | 21s. 0d. | 22s. 0d. |
|                                       | (9s. 11d.) | (9s. 11d.) | (11s. 4d.) | (12s. 2d.) |
| Employed woman (all levels of earnings) | 14s. 9d. | 14s. 9d. | 16s. 5d. | 17s. 3d. |
|                                       | (7s. 0d.) | (7s. 0d.) | (8s. 10d.) | (9s. 6d.) |</p>
<table>
<thead>
<tr>
<th>Status</th>
<th>Present Contribution</th>
<th>Under 1959 Act (a)</th>
<th>Under 1959 Act as amended in light of Cabinet decision on pensions (b)</th>
<th>As in preceding column plus additional N.H.S. contribution proposed by Chancellor (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed man</td>
<td>12s. 0d.</td>
<td>12s. 0d.</td>
<td>13s. 6d.</td>
<td>14s. 4d.</td>
</tr>
<tr>
<td>(all levels of earnings)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-employed woman</td>
<td>10s. 0d.</td>
<td>10s. 0d.</td>
<td>11s. 0d.</td>
<td>11s. 0d.</td>
</tr>
<tr>
<td>(all levels of earnings)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-employed man</td>
<td>9s. 7d.</td>
<td>9s. 7d.</td>
<td>10s. 9d.</td>
<td>11s. 7d.</td>
</tr>
<tr>
<td>Non-employed woman</td>
<td>7s. 7d.</td>
<td>7s. 7d.</td>
<td>8s. 3d.</td>
<td>8s. 11d.</td>
</tr>
</tbody>
</table>
24th October, 1960

CABINET

NATIONAL HEALTH SERVICE CONTRIBUTION

Note by the Minister of Pensions and National Insurance

I append a copy of a minute which I sent to the Prime Minister on 19th October, and which he has asked me to circulate to the Cabinet.

J. A. E. -C.


24th October, 1960.

PRIME MINISTER

Following the discussion at Cabinet yesterday, I would like to put to you two points.

(a) It is very uncertain how the starting of the new graduated scheme next April will go. It is not yet generally realised or understood how big the increases in contributions will be. The Labour Party, however—see, in particular, the attached copy of Mr. Grossman's speech yesterday—intend to exploit to the full the substantial increase in contributions when compared with the modesty and remoteness of benefits.

They will, of course, point out that, as virtually no graduated pension will be paid in 1961-62, the £120 millions extra contributions required by the National Insurance Act, 1959, will be mainly for the benefit of the Exchequer position—more than wiping out a deficit under the old scheme which otherwise would have fallen on the Exchequer. In all, the contributors to national insurance will be finding £250 millions more in 1961-62 than in the present year.

In these circumstances the addition of a further £50 millions to this burden seems likely to prejudice the whole operation.

(b) On the breach of faith point mentioned by the Lord Chancellor, there is, apart from our speeches about the benefit of the reduced contribution to the lower-paid worker, the following further point.
The Manifesto read: "Our new pension scheme will put national insurance on a sound financial footing, concentrate Exchequer help on those with the lowest earnings . . ."

In any event, those with the lowest earnings are going to lose their reduction in contribution. In exchange they will get better benefits. But, although the undertaking to concentrate Exchequer help on them is plainly in the context of national insurance, not of health, it would seem very difficult, particularly if the two changes were synchronised, to reconcile in debate an undertaking such as this with an actual increase in the total contribution made solely for the relief of the Exchequer.

Such an argument would be even more difficult to sustain in the light of the fact that the preceding paragraph of the Manifesto, while promising various developments in the Health Service, is silent on the question of further contributions to pay for it.

J. A. B. -C.

19th October, 1960.
SPEECH ON PENSIONS BY MR. R. CROSSMAN, M. P.

Speaking on old age pensions at a meeting of women's sections of Kent Labour Parties at the Granville Hotel, Ramsgate, yesterday (Tuesday, 18th October) Mr. R. H. S. Grossman, M. P., Chairman of the Labour Party, said: "Very soon after Parliament meets we shall be told precisely how much the Government is now prepared to concede to the campaign which we launched as long ago as May, 1957 for a minimum pension of £3 for a single person and £4 10s. for a married couple. I predict that the Government will not give the full ten shillings necessary even to bring the pension up to this minimum figure. I also predict that whatever increase they do give will be largely financed by increasing yet again the national insurance contributions.

"Our attack therefore must be two-pronged. Of course our first care must be for the old people and in this country where we are assured that we never had it so good we must insist on a really substantial increase for them. A ten shillings increase is the very minimum.

"But we must be equally strong in exposing how the Government is steadily shifting more and more of the burden of paying for pensions off the shoulders of the wealthy taxpayer and on to the shoulders of the insured worker.

"Indeed, in ten years it has transformed what we built as a genuine system of contributory insurance into an ingenious method of taxing the working class.

"To-day the national insurance contribution has nothing to do with insurance. It has become an infamous poll tax which bears heaviest on the lowest paid worker.

"Common justice demands that the increase in the old age pension should be financed not through national insurance contributions which fall exclusively on the working class but through taxation which is spread more evenly over rich and poor. I assure you that the whole situation inside the Party and in the country as a whole would be transformed if we could spend as much energy in the coming weeks on a united offensive against the Tories' treatment of the aged as we have in the last twelve months on internal wrangles over a defence policy about which the only certainty is that it will be obsolete long before the next General Election."

19th October, 1960
CABINET

UNOFFICIAL SEAMEN'S STRIKE

MEMORANDUM BY THE MINISTER OF TRANSPORT

The seamen's strike has attracted attention to labour arrangements in the shipping industry and given rise to demands for reorganisation of the National Union of Seamen and revision of disciplinary provisions in the Merchant Shipping Acts.

2. Excluding Asiatic and African seamen engaged abroad, there are some 140,000 active seafarers serving in British ships sailing from the United Kingdom. Of these some 50,000 are officers and some 90,000 ratings. Of these 90,000 ratings not more than about 3,000 have been on strike. Most of these are young men, though there has been a hard core of older men—particularly on the north-east coast.

3. Any changes in the organisation of the Union are, of course, a matter for its members. However, we should recognise its achievements in improving conditions of service for the men. The success of the post-war "established service scheme", which has removed the casual basis of employment which obtained before the war, institution of regular paid leave, improvements in crew accommodation and living conditions on board ship and the rise in basic monthly wages from £9 for an able-bodied seaman in 1937 to £20 in 1947 and £36 to-day are all matters to which the Union have made an effective contribution. Actual hours worked on board ship are often long, but there has been a progressive reduction in the basic working week from 64 hours to 56, 48 and now 44. The agreements recently concluded between the Union, the officers' organisations and the shipowners are a good settlement from the seafarers' point of view and have been secured at a time when shipping is suffering a severe depression.

4. For many years past, the Union have been moderate and responsible, conscious of a duty to adhere to the terms of their agreements and their constitution. There has been no official strike of seamen since 1911 (the Union declined to join in the general strike in 1926 because they could not do so without a ballot of their members) and since the war and until this year there have been only two small-scale unofficial strikes. But I believe it would be a profound mistake to regard this record as indicating undue subservience to either the shipowners or the officers' organisations.

5. The strikers' leaders quite clearly feel that the Union does not move fast enough. It is difficult to assess the extent of this feeling among Union members. Only a small percentage of ratings have been on strike and some of these are reported to have been intimidated. One major, if not the main, cause has been the influence of the extremist Canadian union on the crews of ships which trade there.

6. In my view, criticisms that the Union's constitution is undemocratic or that Union officials are out of touch with the men are unfounded. Elected members from the branches, at least half of whom must be serving seamen and not Union officials, constitute a majority of the executive council, which is the negotiating body, and of the delegates to the annual conference. There is a lively
magazine and there are opportunities for seamen to see Union officials whenever they sign on and off ships and between voyages. They are, however, naturally disinclined to attend meetings when they come off their ships instead of going home to their families. With a high proportion of the members always abroad there is little opportunity to organise mass meetings which are fully representative.

7. There is now a demand that ships' crews should be enabled to elect representatives or "shop stewards" who would negotiate on disputes arising on board ship. Apart from industrial arguments, this raises an issue of authority and safety on board ship in which Her Majesty's Government have an interest. Any proposal which might undermine the authority of the Master and officers must be viewed with concern and would need to be looked at carefully to ensure proper safeguards.

8. The demands for revision of the Merchant Shipping Act, 1894, relate particularly to Sections 221, 225 and 236 of the Act, which create penalties of fines or imprisonment for offences such as desertion, disobeying lawful commands and the like. These provisions were framed largely in the interests of safety, which would be seriously prejudiced if discipline could not be fully maintained. This applies to ships in port as well as at sea. Similar provisions, of course, apply also in fishing vessels.

9. These disciplinary penalties under the Merchant Shipping Acts do not, as such, prohibit strikes. A seaman signs articles of agreement which place him under the authority of the Master subject to safeguards against abuse. While he is so engaged he cannot withdraw his labour without exposing himself to these penalties. But the agreements are terminable, either when the ship finishes her voyage in the United Kingdom, or, in the case of running agreements (which are used in the North Atlantic passenger services and in the coasting trades), on giving a notice usually of 24 or 48 hours as provided for in the agreement. The Act thus only limits the right to strike without notice and in breach of an agreement, and this is not unreasonable in the particular circumstances of seafaring employment. The position is the same in ships of Commonwealth and foreign countries, and in some cases the penalties are more severe than ours.

10. The Union have already had the Merchant Shipping Acts under review for some time past and have produced a report which, I understand, among other things proposes changes in the disciplinary sections. The shipowners and the officers' organisations have agreed to examine it to see whether agreed proposals can be submitted to me. In this connexion both the shipowners and the officers' organisations have emphasised the importance of disciplinary provisions on board ship.

11. There have already been demands since Parliament reassembled for some Government action to revise the Merchant Shipping Acts, and I agree that they should be reviewed. But as a result of many years of experience it is clear that problems of this kind, which involve industrial relations in the shipping industry, are better discussed in the first instance within the industry itself. The shipowners have indicated their willingness to discuss the National Union of Seamen's proposals on the National Maritime Board. This has the advantage that the officers' organisations, which are also very much concerned, will take part in the discussions. I am assured by both the shipowners and the unions that there will be no delay in their examination of the problem which they have already begun. For my part I am examining the relevant provisions of the Merchant Shipping Acts and also the implications of Section 16 of the Conspiracy and Protection of Property Act, 1875, which expressly excludes seamen from the benefits of that Act. I shall then be in a position to consider whatever proposals originate from the discussions on the National Maritime Board. It is in my view well worth waiting to see how far agreement can be reached in this way before the Government commits itself to specific proposals.

E. M.

Ministry of Transport, W. 1.
31st October, 1960.
FUTURE EXPANSION OF COMMONWEALTH

MEMORANDUM BY THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

The Commonwealth Prime Ministers, at their meeting last May, appointed a working party to consider the future expansion of the Commonwealth. Its Report was circulated with C. (60) 122.

2. The Report estimates that by 1970 the Commonwealth is likely to consist of not less than 17 or more than 24 Members (see Annex).

3. The Report concludes:
   (a) that any form of “half-way house” between Colonial and full Commonwealth status would be unacceptable;
   (b) that Commonwealth membership should therefore be granted to all territories, irrespective of their size, which attain independence;
   (c) that changes in procedure at Prime Ministers’ Meetings should be considered, in order to prevent them from becoming too unwieldy as membership grows.

4. No comments have so far been received from the other Commonwealth Governments to whom copies of the Report were sent.

5. I recommend the Cabinet:
   (a) to accept the conclusions in paragraph 3 above;
   (b) to authorise me so to inform other Commonwealth Governments, and to propose to them that the Report should be discussed at the next meeting of Commonwealth Prime Ministers.

D. S.

Commonwealth Relations Office, S.W.1,
1st November, 1960.
ANNEX

COMMONWEALTH MEMBERSHIP

Present Membership (11)
- Britain
- Canada
- Australia
- New Zealand
- South Africa
- India
- Pakistan
- Ceylon
- Ghana
- Malaya
- Nigeria

Additions over the next decade

Certain (6)
- Sierra Leone
- West Indies
- Kenya
- Uganda
- Tanganyika
- Central African Federation (assuming its continuance in some form)

Probable (3)
- Cyprus
- British Guiana
- Singapore

Possible (4)
- Aden Protectorate
- British Honduras
- Malta
- Western Samoa
CABINET

NATIONAL SERVICE

MEMORANDUM BY THE MINISTER OF LABOUR

Call-up for National Service will end on 17th November when the last men, about 1,800, are being summoned to report at Army centres.

2. It is already known that call-up is to end this year, but it is not known that it is to end in mid-November rather than December. This has been achieved by increasing the rate of intake. The target we set ourselves will have been fully achieved by 17th November.

3. It is important that nothing should be said before they have joined their units to indicate that these will be the last National Servicemen. The last men to be called for compulsory service, which will continue for two years, may not unnaturally feel themselves to be unfortunate. We should not risk exacerbating that feeling or do anything which might encourage last minute defaulting.

4. I would therefore like to make an announcement in the House on the following morning, Friday, 18th November. My colleagues may care to see the Annexed draft of what I propose to say.

J. H.

Ministry of Labour, S.W.1,
In accordance with the Government's declared intention of converting the Armed Forces to an all-regular basis by the end of 1962, I am now able to announce that the men who received enlistment notices instructing them to join their units yesterday are the last to be called up.

The House will appreciate that National Servicemen now serving must expect to complete their full period of service. Similarly, conscientious objectors who have been registered on condition that they undertake civilian employment must continue to fulfill their obligations. The provisions of the National Service Acts regarding claims to reinstatement in civilian employment remain in force.

It is now 21 years since conscription was introduced, and during that period over 5½ million men have been called up by my Department, most of them during the war. Over 2 million have been called up since the end of the war and many of these have shared the dangers and hardships of active service in different parts of the world. I am sure the House will join me in paying a tribute to the spirit which our young men have shown throughout these years.

I should also like to take this opportunity of expressing my thanks to all members of Hardship and Reinstatement Committees, Conscientious Objector Tribunals and others who have given advice and assistance in the human and industrial problems created by National Service.

November 1960.
CABINET

LICENSING BILL

MEMORANDUM BY THE SECRETARY OF STATE FOR SCOTLAND

There is a point arising out of the discussion on 25th October about local polls on the opening or closing of licensed premises in Wales on Sundays to which I think I should draw my colleagues' attention (C.C. (60) 55th Conclusions, Minute 3).

2. At present in Scotland only hotels are open on Sunday and liquor can only be served to hotel residents and to bona fide travellers. Last year I appointed a Committee under the Chairmanship of Lord Guest to consider inter alia the question of Sunday drinking generally. I recently received a unanimous report from them, which is now being printed for publication, which recommends the introduction of legislation providing for Sunday opening of both public houses and hotels on lines similar to the English Sunday permitted hours legislation. The Committee recommend that this legislation should be applicable throughout Scotland and there is no mention of polls for the exercise of a local option on the question.

3. There is, of course, already provision for local polls about licensing in Scotland. These do not relate to the question of Sunday drinking, but to the whole question of whether or not there should be facilities for the supply of liquor in the poll area. One-tenth of the electors in the area (the parish) can requisition for a poll on a “no-licence” resolution and, if the resolution is carried by the appropriate majority, the Licensing Court is prevented from granting any licences in the area.

4. If a provision for local polls for Sunday drinking in Wales is introduced into the forthcoming Licensing Bill, then it seems almost inevitable that, when it comes to Scottish legislation on the recommendations of the Guest Committee, we shall be faced with demands for local polls on Sunday drinking in Scotland. (The position would not be on all fours with that in Wales where all licensed premises are at present closed on Sundays, but it seems probable that a demand for some form of local option will arise.) Our present thinking in Scotland is that it would be wrong to have local option on this question. There is a need for uniformity in the interests of tourism, and local option would, in the areas which voted themselves dry, result in persons going into other areas to drink—the sort of “travelling to drink” which caused us to set up the Guest Committee. I therefore feel that any attempt to introduce local polls into the Scottish Bill implementing the Committee’s recommendations ought to be resisted.

5. I appreciate thoroughly the difficulties of the Minister for Welsh Affairs in regard to Sunday drinking in Wales and would not wish to oppose the possibility of local polls in Wales for the reasons given above. But I think I should draw my colleagues’ attention to the fact that a solution based on local polls might result in the Government having to resist a strong demand for the introduction of a similar provision in Scotland.

J. S. M.

Scottish Office, S.W. 1, 2nd November, 1960.
CABINET

NATIONAL THEATRE

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

I think that I must ask the Cabinet for a decision about the National Theatre project, which has been twice discussed by the Home Affairs Committee.

2. This project must be judged against its historical background which goes back more than half a century.

History of the project

3. The Shakespeare Memorial National Theatre Committee were first formed in 1906 and by the 1930s had collected some £150,000 in donations—£70,000 from one donor, Sir Carl Meyer. In 1937 the Trustees bought for £75,000 a not very suitable site in South Kensington, which they subsequently agreed to exchange with the London County Council for a site on the South Bank.

National Theatre Act, 1949

4. The Labour Government, while making it clear that the economic situation would not allow the theatre to be built for some time, passed an enabling Act—the National Theatre Act, 1949—empowering the Treasury, on the submission to them of a satisfactory scheme for the erection of a National Theatre by the Trustees on the South Bank site, and for the Theatre's equipment and management, to contribute up to £1 million to the Trustees funds upon such terms as they might think fit. The foundation stone was actually laid on the South Bank by The Queen Mother (then The Queen) in 1951.

Joint Council

5. Meanwhile, the National Theatre Committee had in 1946 joined with the Governors of the Old Vic Theatre in establishing a Joint Council for the National Theatre and the Old Vic on the basis of an understanding that the National Theatre Trustees would provide the National Theatre building and the Old Vic the company. In 1958 Lord Chandos, as a Trustee and Chairman of the Joint Council, led a deputation to my predecessor to urge that the economic situation was now favourable to the National Theatre project, and that it should accordingly be proceeded with. Lord Amory gave the deputation little encouragement, and referred to the enquiry which the Arts Council were then conducting into "the housing of the arts".

6. In June of this year the Joint Council was joined by the Governing Body of the Shakespeare Memorial Theatre, Stratford-upon-Avon, and at the same time appointed a small Executive Committee under the Chairmanship of Sir Kenneth Clark (formerly Chairman of the Arts Council). This Executive Committee is known to be actively engaged on preparing up-to-date plans both for the National Theatre building and for the organisation of the company. Lord Chandos has now asked to bring a further deputation from the Joint Council to see me early in December, and I expect to be strongly pressed then to make the Government's intentions known.
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The present position

7. The other main features of the present position are as follows:

(i) The Arts Council—the official body to which the Government looks for advice in such matters—have, after considerable investigation, expressed themselves unanimously in favour of going forward immediately with the National Theatre, to which they give first priority among cultural projects needed in London.

(ii) The London County Council are anxious to complete their plans for the development of the South Bank, and for the use of the original South Kensington site, which they have agreed to exchange with the Trustees, and which is likewise “sterilised” until the future of the South Bank site is settled. The London County Council passed a Resolution last February asking the Government to act upon the recommendation of the Arts Council that building of the National Theatre should now begin.

(iii) The demand for a National Theatre is backed by the main professional bodies concerned, namely, the Theatrical Managers’ Association, Equity, the League of Dramatists and the British Drama League.

(iv) Both the main political parties have expressed support for the project in recent publications, although the Conservative Election Manifesto carefully avoided any specific commitment.

(v) There are active supporters of the project on both sides of the House, and it is clear that questioning about the Government’s intentions will be resumed in the new Session.

(vi) The 400th anniversary of Shakespeare’s birth falls in 1964, and there will be feeling in many quarters that the opening of the National Theatre in April of that year would be the most fitting form of celebration of this national event.

8. Against this background it would be difficult for the Government to continue to stall on this issue any longer, by taking the line, for example, that further interests need to be consulted or that more time is needed for taking a decision. I think that the Government would incur discredit and later embarrassment if they do not now face up to the issue, and make their immediate intentions clear.

9. On the other hand, I do not think that this necessarily means that the time has come for the Government to take a final decision either that the project should be enabled to proceed or that it must be shelved indefinitely. The provision of Exchequer finance under the 1949 Act is conditional upon the preparation of a satisfactory scheme for erecting, equipping and managing a theatre. No such scheme has yet been presented, although there is reason to know that the Joint Council are working on one. It would be only reasonable for the Government to say that they could not be expected to commit themselves finally on the project until a satisfactory scheme had been submitted to them, and that the decision whether and when to go ahead would then be taken in the light of the general public reaction to the scheme, and of the economic situation at the time. What I think we cannot avoid saying now is whether or not we are prepared to consider a scheme when one is submitted to us. If we are not prepared to consider it, then it would be right to say so. If, on the other hand, we are prepared in principle to consider a scheme, then I think it would be equally wise to make this clear, and to take the opportunity to ensure, so far as possible, that the project does not assume proportions which would later be embarrassing to us. At the same time we must recognise that an announcement by the Government that they had invited the Arts Council to arrange for the submission of a scheme—which, I think, be the right way to go forward, if we should decide to do so—would go a considerable way—if not the whole way—to committing the Government to enable the project to proceed in due course.

Cost and Timing

10. In 1949 it was estimated that the theatre could be built and equipped for £1 million. At present prices the total cost would be nearer £2 millions—representing at 6 per cent. an annual charge of £120,000. It is possible that the
building could be erected in two phases, the first of which might cost no more than £1 million. Such an arrangement would no doubt cost more money in the long run.

11. The theatre would need an annual subsidy, payable through the Arts Council. The Executive Committee of the Joint Council are said to be thinking now in terms of a subsidy of the order of £350,000 a year. This figure is apparently based on an expansive plan whereby the existing Stratford and Old Vic Companies would form two of three sections of a National Theatre Company, one of which would be used for touring purposes. This is the kind of feature of any scheme which it would be desirable to nip in the bud. It would certainly be desirable, and should be practicable, to stipulate that, if the project is to go forward, it must be on the understanding that the annual subsidy would not exceed a stated figure, say £250,000 a year, for a number of years—a ceiling figure which the Government could always increase at a later date if the case for some increase had by then become unanswerable. It would also have to be made clear that the Government would not expect the ceiling figure itself to be reached for a number of years, while the theatre and company were being built up.

12. If the annual cost of making a capital contribution of £2 millions is assumed to be £120,000, and the annual running subsidy is put at £250,000, the total annual cost of the theatre to the Exchequer would be £370,000.

13. The earliest date at which building work would start is probably the spring of 1962. The capital cost would then be spread over two years from 1962 to 1964. The company would no doubt be formed and getting into training while the theatre was being built, and some annual subsidy would probably be needed from 1962 onwards.

14. There seems to be little doubt that, if the project is eventually to proceed, further legislation will be necessary. This could perhaps be prepared and introduced in the 1961-62 Session if an acceptable scheme were forthcoming by the summer of next year.

No Alternative Project

15. There is clearly no prospect of satisfying the advocates of the project by any compromise or alternative measure that would cost less. Two such propositions have been put to and rejected by the Arts Council, namely:

(i) That a National Theatre should not be built until the company had been created, and had justified themselves over a number of years. In the Arts Council’s view, company and building must be brought into being simultaneously.

(ii) That the money required to establish a National Theatre should be spent on creating a “grid” of up-to-date theatres in, say, 10 provincial centres—a suggestion put forward by the Minister of Education at the Home Affairs Committee. The Arts Council, however, after seeking the advice of their Drama Panel—which includes a strong provincial representation—unanimously rejected the suggestion. In their view “a provincial theatre grid might be a very valuable ancillary to a National Theatre, but could be no substitute for it, and would probably fail in its purpose without the central focus of a National Theatre organisation to provide ideals and standards to inspire and encourage it”.

Balance of Arguments

16. The main arguments in favour of a forward step are these:

(i) The Arts Council and important interests in the theatre world strongly advocate the project on its merits, although there is very little indication whether public opinion generally is in favour of it.

(ii) The launching of the National Theatre in time for the Shakespeare quatercentenary celebrations would be approved in many quarters, whereas a decision not to go ahead would undoubtedly provoke criticism.

(iii) A National Theatre would be a good tourist attraction and foreign currency earner.
17. The arguments against going forward are:

(i) The National Theatre is bound to be an expensive project, and one whose ultimate cost and implications will be difficult to foresee or control.

(ii) The estimated cost of establishing and subsidising a National Theatre is large in relation to the present total of Government expenditure on the arts (about £8 millions in 1960–61), and a decision to proceed with the project would be likely to lead to pressure for increased Exchequer support of other branches of the arts. Even if the decision were accompanied by a clear statement that the creation of a National Theatre as a first priority must reduce the scope for increased support for other claimants in the arts field, the claimants would still be loudly vocal and difficult to contend with.

(iii) The present is an unpropitious time to announce a Government decision involving new expenditure on what many people would certainly regard as an unnecessary project, even though no expenditure would fall due for at least some eighteen months ahead.

18. The question seems to me to be a very difficult one. I am sure that we must now make a definite move one way or the other, but the choice is awkward. On the one hand, I am impressed by the arguments in favour of going ahead with the project. On the other hand, I am reluctant to contemplate taking on yet another commitment at the present time. It seems to me that the public would find this hard to reconcile with all we have been saying about the need for economy in public expenditure. It is true that by reserving a final decision until a scheme was submitted to us we should, in theory, retain the right to decide against the project in the end or to postpone its implementation until economic circumstances were more favourable. Ideally this would be a convenient project to have available for putting into operation at short notice when there is next a recession in capital investment. But there is little doubt that, once a scheme was prepared and generally approved, we should be under the strongest pressure to go straight ahead so as to complete it in time for the 1964 quatercentenary, whatever the economic climate at the time.

19. I should welcome the opportunity of discussing the issue with my colleagues.

S. L.

Treasury Chambers, S.W.1,
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S. L.

Treasury Chambers, S.W. 1.
CABINET

SUEZ FINANCE COMPANY

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

The Government's holding in the Suez Finance Company (formerly the Suez Canal Company) comprises shares and bonds which are together worth about £17 millions at current prices. Our shareholding represents about one-third of the total equity in the Company.

2. By an Agreement with the Government of the United Arab Republic (U.A.R.) signed in April 1958, the Company renounced their assets in Egypt and accepted in part compensation £29 millions, to be paid in instalments, the last of which falls due on 1st January, 1963. The Egyptians have so far paid £16·7 millions, leaving three instalments of £4·1 millions each to be paid.

3. There is no reason of policy for the United Kingdom Government to retain their holding in the Company. The reasons for the original acquisition no longer apply now that the Canal has been nationalised. The Company are now in effect a miscellaneous management and investment trust with a widespread portfolio; nearly half of their assets are held in francs, and less than a quarter in sterling. Moreover on present prices the dividend yield is only about 1 per cent. There is however a prospect of capital appreciation, particularly if the compensation payments are made in full. This would not be a sufficient reason for continuing to hold the shares indefinitely, though it affects the question of the timing of the sale. Further, our holding could be a positive source of embarrassment to us if, for example, the U.A.R. Government defaulted on one of the outstanding instalments of compensation, or in connection with the Company's assets in North Africa.

4. In the past two years there have been enquiries from British and American interests (as well as one recently from Zurich) about our intentions. We have replied that no decision to sell has been taken but that the enquirers' interest will be noted against the possibility of a sale subsequently. On one of these occasions in June 1959 the then Chancellor of the Exchequer considered that it would be a good thing to get rid of this holding if we could, and the Treasury have since proceeded on the assumption that the Government would dispose of the holding at a suitable time.

5. The question of timing has however presented some difficulties, since in recent months certain factors have pointed against any immediate sale. In particular the shares have tended to be under-valued, partly because the investing public have not been well informed about the Company's activities and general soundness. The view so far held has been that the appropriate time for disposal of the holding would be after rather than before the end of 1960, though clearly in a major disposal operation of this kind the precise date would depend on market conditions and other considerations.

6. While I would agree, other things being equal, that we ought now to be prepared to dispose of our holding as soon as a favourable opportunity presents itself, there is one consideration that gives me pause. This is the risk that the
receipt of a large sum from the sale of our holding might stir up pressure to supplement the £27.5 millions compensation fund provided by the Anglo-Egyptian settlement for former owners of property in Egypt.

7. Payments to claimants out of this fund are proceeding rather slowly. The reason is (as the claimants are aware) that the U.A.R. Government have been so dilatory in returning sequestrated property that the owners have only recently been able to formulate claims for loss and damage. There has thus been only a small interim distribution from the fund so far. A proposal for a second, and much bigger, distribution is now under examination. The final distribution will probably not be known for two years or so.

8. We have to consider the implications of this time-table for the proposal to dispose of our holding in the Suez Finance Company, provided that satisfactory terms could be arranged, early in 1961. Against a sale at this date it may be said that:

- It would provoke a renewal of pressure for assurances as to the total amount of compensation that will eventually have to be paid to claimants (i.e., how far the United Kingdom Government are ready to supplement the £27.5 millions fund). There is little doubt that a sale would be linked by interested parties with the compensation question; and though there is in fact no connexion between the two, it would not be easy to keep them apart in public discussion.

In favour of a sale at this date, rather than a deferment for anything up to three years, it may be said that:

- (i) We should in any event come under pressure at the time of the sale.
- (ii) Since the claimants are aware that the size of the final distribution will not be known for two years or so they could hardly press actively, at the time of the sale, for a larger final distribution.
- (iii) If satisfactory proposals can be worked out for the second and larger distribution, and the distribution is announced before the sale, this might do something to allay discontent for the time being and the political pressure might be reduced.

9. It would of course be possible to defer the sale indefinitely. I would consider this undesirable not merely because there is no reason of policy to retain our holding, but because of the possible embarrassment that in certain circumstances, as suggested in paragraph 3, we might be caused. These are arguments against an indefinite deferment; but they also suggest that we ought not to allow the risk of pressures for more compensation to have an undue influence on our decision when to sell the holding.

10. The considerations in paragraph 7 suggest that the balance of advantage lies with a sale early in 1961, if conditions are suitable, and that nothing would be gained in respect of claims on the £27.5 millions fund by deferring the sale for anything up to three years. The considerations in paragraph 8 suggest that an indefinite deferment would be undesirable.

11. I should be glad to know whether my colleagues agree with these conclusions.

S. L.

Treasury Chambers, S.W. 1,
10th November, 1960.
MEMORANDUM BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT

The Royal Commission on the Police was appointed in December 1959. They were required among other things to consider:

"The broad principles which should govern the remuneration of the constable, having regard to the nature and extent of police duties and responsibilities and the need to attract and retain an adequate number of recruits with the proper qualifications."

The Royal Commission decided to produce an interim report on pay, and they have now informed us of their recommendations. The report is due to be published on 24th November.

2. The general background to the report is that there has long been dissatisfaction in the police about their pay, and this is in spite of the fact that they have received frequent increases in recent years, the last three in consequence of awards by arbitrators. Until this year recruiting has been quite good on the whole, and numbers have increased by some 10,000 in the last 10 years; but wastage has remained very high, and there is still a shortage of about 13,000 men. The shortage is particularly acute in the great conurbations, where crime flourishes; and there is a serious problem in London, where there is a deficiency of some 30 per cent. This year recruiting has taken a serious turn for the worse, and there are now some 400 fewer constables than there were at the beginning of the year.

3. The police received their last pay increase in April 1958. Taking into account the increase in wages and earnings since that date, they have a valid claim for an increase of some 10 per cent., but no claim has been lodged in view of the appointment of the Royal Commission. It is important to bear this figure of 10 per cent. in mind in assessing the recommendations of the Royal Commission.

4. The Royal Commission have recommended a specific scale of pay for constables. They came to the conclusion that merely to make recommendations about general principles would lead to a long dispute on the Police Council for Great Britain—the negotiating body—about the interpretation of the principles. In the end there would probably be failure to agree, and reference to the arbitrators. The Independent Chairman of the Council is understood to have given evidence in private to the Commission to this effect. The Commission considered that this would be an intolerable situation, and they have accordingly set out the scale of pay which the application of their principles, in their judgment, produces for the constable.

5. At present the police constable is paid at a rate of £510, rising to £695 after nine years. The Royal Commission recommend that he should be paid on a scale of £600, rising to £910 after nine years. They also recommend the payment of special increments of £30 each on the completion of 17 and 22 years' service, making a maximum of £970. These increases range from about 20 per cent. at the beginning to 30 per cent. at the end of the normal scale, and 40 per cent.
cent. after taking into account the two long service increments. The Commission make no recommendation about the date of operation, and their only reference to the pay of the ranks above constable is that in settling them £910, rather than £970, should be regarded as the constable's maximum.

6. It is difficult to estimate the exact cost of accepting the Royal Commission's recommendation in view of the uncertainty about the pay of the higher ranks, but it is reasonable to adopt as a maximum a figure of £20 millions a year, of which half would fall to be met by the Exchequer and half from the rates, for the existing members of the service. In addition, an increase in pay of this order should stimulate recruiting, and so increase the cost of the service. Eventually, there will be a substantial addition to the present pension bill of £17·5 millions a year.

7. I have no doubt that the recommendations of the Royal Commission will be generally welcomed both in the police service and outside. There has been much publicity recently about the need for higher pay for the police, and a debate in the House of Lords in January of this year showed the strength of the feeling on this question. As soon as the report is published strong pressure is likely to develop for the Government to give immediate effect to it. I see no alternative to our doing so, and in order to obtain the best effect on recruiting, to prevent any discontent in the service, and to anticipate strong public and Parliamentary pressure, I am sure that we should take immediate action. On the other hand, the duly constituted negotiating machinery must be respected. The Police Council for Great Britain, on which the Secretary of State for Scotland and I are represented, is due to meet on 30th November; and if the report is published on 24th November I propose to say, in a public statement on that date, that the Government attach great importance to early action, and that I have referred the report to the Council with a request for them to consider it as quickly as possible.

8. If the carrying out of the Royal Commission's recommendations were delayed by protracted negotiations, and perhaps reference to arbitration, there would be great discontent in the service and a serious situation might arise. I should hope that both the local authority and the police members of the Police Council for Great Britain would be willing to agree to an immediate settlement for the constable, by the adoption of the scale recommended by the Royal Commission, and to an interim settlement for the higher ranks on the basis of maintaining roughly their present cash differential over the constable's maximum. (In practice, it would be necessary to increase the differentials by £10 to ensure that a sergeant is not paid less than a constable who is receiving the long service increments.) I should be glad to have authority, through the representatives on the official side of the Home Office and the Scottish Home Department, to encourage such an agreement and, if it is reached, to implement it immediately. The date of operation would be the date of signature of the report, and the final rates of pay of the ranks above constable would be left for later negotiation. If the Staff Side were disposed to claim an earlier date of operation, I hope they would not feel that that need hold up the interim settlement. That settlement need not prejudice further negotiation, and if necessary resort to arbitration, on the eventual date of operation. But my representatives would make it clear that if this issue is left open it does not imply that in my view there is a valid claim to retrospection to an earlier date than the signature of the report.

9. I am sure that a quick interim settlement of police pay is desirable, and I seek the approval of my colleagues to proceeding as indicated in this paper. Naturally, I cannot say whether the police authorities and the representatives of the service will agree to the course I have outlined.

10. The Secretary of State for Scotland, with whom I have been in consultation, is in general agreement with this memorandum.

R. A. B.

Home Office, S.W. 1,
14th November, 1960.
CABINET

COLOURED IMMIGRATION FROM THE COMMONWEALTH

MEMORANDUM BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT

In my memorandum of 19th July (C. (60) 128) I drew attention to the problems which were likely to result from a continuance of the high rate of immigration from other Commonwealth countries, and I said that if administrative measures failed to reduce the flow of immigrants it might be necessary for us to consider the case for some measure of statutory control. The Cabinet took note of the position on 26th July (C.C. (60) 46th Conclusions, Minute 2).

2. Since then, there has been a remarkable increase in the rate at which West Indian immigrants are coming here. This is strikingly shown in the following monthly figures of net inward movement:

<table>
<thead>
<tr>
<th>Month</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1960</td>
<td>700</td>
</tr>
<tr>
<td>February</td>
<td>1,150</td>
</tr>
<tr>
<td>March</td>
<td>3,300</td>
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<tr>
<td>April</td>
<td>4,600</td>
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<td>May</td>
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<tr>
<td>July</td>
<td>4,950</td>
</tr>
<tr>
<td>August</td>
<td>5,800</td>
</tr>
<tr>
<td>September</td>
<td>7,900</td>
</tr>
</tbody>
</table>

Equally striking is the comparison of this year's figures with previous annual totals:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>27,550</td>
</tr>
<tr>
<td>1956</td>
<td>29,800</td>
</tr>
<tr>
<td>1957</td>
<td>23,000</td>
</tr>
<tr>
<td>1958</td>
<td>15,000</td>
</tr>
<tr>
<td>1959</td>
<td>16,400</td>
</tr>
<tr>
<td>1960 (nine months only)</td>
<td>38,100</td>
</tr>
</tbody>
</table>

3. There is no immediate problem of unemployment: the latest Ministry of Labour figures (early August) show only 5,500 West Indians unemployed, out of a total West Indian population estimated at that time at 160,000. Nevertheless, West Indians constituted nearly two-thirds of the total register of coloured unemployed and, in contrast with the employment situation of other categories, the number of West Indians unemployed increased by 420 compared with May 1960 (the figure of 9,000 unemployed quoted in C. (60) 128 should have referred to the total number of coloured unemployed at the time—not to West Indians alone), and by 650 compared with August 1959. The Ministry of Labour believe that it will become more and more difficult over the next few years to place unskilled immigrants, and are seriously concerned about the position which would arise if there be only a slight fall in the general level of employment.

4. This continuing and increasing influx naturally worsens the already serious overcrowding in those areas where the immigrants congregate. There is no prospect of any early improvement in this situation.
5. The immigrants are attracted to this country by the prospects of full employment and high wages, and so long as economic conditions remain much as they are now, there is no prospect of any voluntary limitation of their numbers. It looks as though the net intake for 1960 of West Indians alone will be of the order of 50,000. The Government Actuary recently estimated that, on the basis of an annual intake of 40,000 coloured immigrants (with men and women in the proportion of 5 to 3 and on certain assumptions as to birth and death rates, the coloured population could reach 880,000 in 1970 and 1,520,000 in 1980, representing 1.6 and 2.7 per cent. respectively of the total population and a far higher percentage in those towns were they are concentrated. (The assumptions on which the Government Actuary’s projection was based were necessarily arbitrary, and may well be unreal; but his estimate may serve as a pointer.)

6. We have so far rejected the idea of introducing legislation (including legislation on deportation) which would breach the traditional right of Commonwealth citizens to come to, and remain in, this country. Such legislation would be controversial in itself and would remove one of the bonds which help to unite the Commonwealth, and might also seem to cast doubt on the idea of the Commonwealth as a multi-racial society. The restrictions would have to apply to the whole Commonwealth and to the Republic of Ireland, though it would be unnecessary to enforce them against most parts of it and impracticable to do so against the Irish.

7. Instead, we have tried to encourage the Governments mainly concerned (those of the West Indies and, to a lesser degree, of India and Pakistan) to restrict and discourage emigration by administrative means. India and Pakistan have for some time been co-operating with us by placing restrictions on the issue of passports to people wishing to come to the United Kingdom, and their measures have had the effect of considerably reducing immigration from those countries. Nevertheless, both Governments are under considerable pressure to relax their controls. The Government of Pakistan have pointed out that their emigrants to the United Kingdom are being absorbed into employment here without difficulty. The Government of India on the other hand have recently reaffirmed their intention of tightening up on the issue of passports to illiterate persons wishing to come to this country; notwithstanding this, there was a sharp increase in Indian immigrants during September—possibly due to a newly started exodus of Indians from the British East African colonies.

8. As regard the West Indies, recent consultations with the unit Governments show that they generally expect the present very high rate of emigration to the United Kingdom to continue and possibly even to increase. Their efforts to bring home to intending emigrants the housing and employment difficulties which they are likely to find here are outweighed by information about conditions in the United Kingdom sent back by friends and relatives already here; and these favourable accounts are frequently emphasised by the ability of West Indians here to send money home to help pay for the cost of passages. It must be expected that, in the absence of more positive measures to restrict the rate of emigration, the present rate is unlikely to fall materially unless and until conditions here worsen appreciably. There appears to be no prospect of the unit Governments being willing to place any effective restrictions on the issue of passports.

9. The situation is clearly disquieting and is certain to attract increasing Parliamentary attention. I propose, therefore, that the Cabinet Committee on coloured immigration should be reconstituted: and that its terms of reference should be “To consider and keep under review the problems caused by the uncontrolled entry into the United Kingdom of British subjects from overseas”.

R. A. B.

Home Office, S.W. 1,
14th November, 1960.
GENERAL GRANT FOR THE SECOND GRANT PERIOD (1961-63)
ENGLAND AND WALES

Memorandum by the Chancellor of the Exchequer and the Minster of Housing and Local Government and Minister for Welsh Affairs

Following discussions with the local authorities of England and Wales at the official level, the estimates of expenditure for the second grant period (1961-63) on the services covered by the General Grant are put at £818.19 millions for the year 1961-62 and £851.15 millions for the year 1962-63 (see Annex). The figure for 1961-62 is an increase of 6.3 per cent over the estimate for the preceding year, that for 1962-63 is an increase of 10.6 per cent over the same base year. On these figures, general grants of £454 millions (1961-62) and £472 millions (1962-63) (as compared with £402 millions and £429 millions respectively in 1959-60 and 1960-61) are indicated.

2. These grants are based on current rates of pay and prices with only such increases as can be definitely foreseen and quantified. If there is within the period a substantial increase of pay for teachers - as is likely in the second year (1962-63) - and others, the grants would require to be increased again.

3. Ministers will be meeting the associations of local authorities on these matters on 23rd November, and this may necessitate some final adjustment in the figures set out above. It is intended to bring before the Legislation Committee for its approval the draft report to the House of Commons, which is a lengthy document and not yet complete.

4. Meanwhile, we agree that grants for 1961-62 and 1962-63 should be fixed at the level indicated in paragraph 1 above. The Chancellor, however, is drawing attention in a separate paper (C. (60) 167) to the general implications of this growth in public and in Supply expenditure.

S. L.
H. B.

15th November, 1960
## Annex

Actual and Estimated relevant Expenditure by different Services covered by the General Grant (England and Wales only)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
</tr>
<tr>
<td>Town and Country Planning</td>
<td>0.61</td>
<td>1.56</td>
<td>1.40</td>
<td>2.00</td>
</tr>
<tr>
<td>Education Services</td>
<td>587.60</td>
<td>654.51</td>
<td>689.84</td>
<td>716.71</td>
</tr>
<tr>
<td>Local Health Services</td>
<td>62.51</td>
<td>66.50</td>
<td>72.99</td>
<td>77.20</td>
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<tr>
<td>Welfare Services for the handicapped (see footnote)</td>
<td>0.31</td>
<td>0.50</td>
<td>1.01</td>
<td>1.14</td>
</tr>
<tr>
<td>Fire Services</td>
<td>25.47</td>
<td>25.35</td>
<td>29.32</td>
<td>30.15</td>
</tr>
<tr>
<td>Child Care</td>
<td>16.74</td>
<td>17.11</td>
<td>16.67</td>
<td>19.00</td>
</tr>
<tr>
<td>School Crossing Patrols</td>
<td>0.97</td>
<td>1.04</td>
<td>1.16</td>
<td>1.21</td>
</tr>
<tr>
<td>Registration of Electors</td>
<td>1.81</td>
<td>1.75</td>
<td>2.06</td>
<td>2.07</td>
</tr>
<tr>
<td>Road Safety</td>
<td>0.41</td>
<td>0.45</td>
<td>0.51</td>
<td>0.52</td>
</tr>
<tr>
<td>Police Traffic Patrols</td>
<td>1.06</td>
<td>1.03</td>
<td>1.13</td>
<td>1.14</td>
</tr>
</tbody>
</table>

Note: Expenditure on welfare services for the handicapped represents the excess over the 1958-59 level of expenditure.
16th November, 1960

CABINET

GENERAL GRANT FOR THE SECOND GRANT PERIOD (1961-63)

Memorandum by the Chancellor of the Exchequer

The joint paper by the Minister of Housing and Local Government and myself (C. (60) 166) sets out the expenditure on general grant services by the local authorities in England and Wales and the amount of grant which will be payable by the Exchequer in respect of those services for the next two years. The Scottish negotiations have not yet progressed far enough for the parallel figures to be present. But the general outline is sufficiently clear to bring out the following totals:

(a) England and Wales - population 45.755 millions;
(b) Scotland - population 5.208 millions.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Estimated (a)</td>
<td>707.5</td>
<td>769.8</td>
<td>818.2</td>
<td>851.1</td>
</tr>
<tr>
<td>(b) relevant expenditure</td>
<td>80.6</td>
<td>87.0</td>
<td>91.1</td>
<td>93.9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>788.1</td>
<td>856.8</td>
<td>909.3</td>
<td>945.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Grant (a)</td>
<td>402.0</td>
<td>429.0</td>
<td>454.0</td>
<td>472.0</td>
</tr>
<tr>
<td>(b)</td>
<td>51.3</td>
<td>54.4</td>
<td>58.65</td>
<td>58.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>453.3</td>
<td>483.4</td>
<td>510.65</td>
<td>530.6</td>
</tr>
</tbody>
</table>

*These are the estimated figures of relevant expenditure and grant after re-opening in 1959

(It will be seen that Scotland will receive about 10 per cent more grant per head of population than England and Wales.)
2. These figures are a minimum commitment. We shall have to spend more in 1962-63. There is a prospect of another salary increase for teachers, which would mean re-opening the grant for 1962-63; and other pay increases too. I am advised that we must expect to have to make an extra grant of about £15 millions for England and Wales alone.

3. So it goes on - increases in grants every year:

(a) England and Wales

<table>
<thead>
<tr>
<th>Year</th>
<th>Grant (£ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>£27</td>
</tr>
<tr>
<td>1961-62</td>
<td>£25</td>
</tr>
<tr>
<td>1962-63</td>
<td>£18 + £15, i.e. £33</td>
</tr>
</tbody>
</table>

This allows nothing for the Anderson Report (for which the local authorities want an extra high grant) or for any further policy improvements in education or in health and welfare during the next two years.

4. The size of the grant follows from the present estimates of the relevant expenditure by the local authorities. For education (England and Wales) this expenditure was £598 millions in 1959-60, and is estimated at £690 millions in 1961-62 - from last year to next year an increase of £92 millions, or nearly 16 per cent. If teachers' pay goes up, this rate of increase will continue in 1962-63.

5. The number of school children is not expected to rise during this period. And the increase in the number of teachers in the schools will be interrupted, because of the transition to three-year teacher-training. The big elements are:

(i) The big rise in teachers' pay (and other local authority pay).

(ii) The cost of bringing into use new school buildings (½-million places a year) and other costs (e.g., loan charges) arising from the investment programme.

(iii) The rapid expansion of further education (10 per cent per year in the number of teachers and 13 per cent per year in other costs).

(iv) The growth of teacher-training, youth services, etc.

6. For health and welfare, relevant expenditure is estimated to rise from £63 millions in 1959-60 to £74 millions in 1961-62 - an increase proportionately as great as that in education. There are new services in process of development here (notably mental health) but the figures reflect all-round expansion.

7. I have accepted these figures because I understand that they are a fair reflection of policies to which the Government have become committed. But these expenditures are growing much faster than our resources. I am bound to ask my colleagues whether they would have accepted this rate of expansion if they had seen the bill in advance. Moreover, these expenditures have such a momentum that we are already heavily committed further ahead than 1963 by the way in which our policies are developing.

S. L.

Treasury Chambers, S.W.1.
15th November, 1960
MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

I submit for my colleagues' consideration some reflections on current economic affairs.

2. The international situation is more hazardous than it has been for some years. The situation shown in the United Kingdom is both uncomfortable and baffling.

3. The United States and Canada have moved into a recession. This is damaging to us as regards our own exports and as affecting general expansion of world trade.

4. It is difficult to predict what will happen in Canada. So far as the United States is concerned, the recession is unlikely to be deep or prolonged. It may last until the middle of next year. I doubt more pessimistic forecasts because the new President has been laying great stress on the need for expansion.

5. In Europe, expansion seems likely to continue, although more slowly than in recent years.

6. Primary product prices remain low. The effect of this will be to keep down our exports to primary producing countries.

7. The most disturbing feature of the international scene is the imbalance between certain European countries notably Germany on the one hand and the United States and the United Kingdom on the other. This situation would be considerably eased (a) if the Germans revalued the Deutschemark or (b) if their prices rose, and (c) if they took over more of the load of international lending and defence. At present there is some speculation against the dollar while the Germans are experiencing strong inflationary conditions. The Germans are said to be preparing to do something under (c), so far as foreign aid is concerned.

8. This situation is inherently unstable. Various strains and stresses will show themselves in the next twelve months, of which the recent rise in the price of gold is the forerunner. We have been in touch with the United States authorities on the question of gold and have agreed to keep in close contact with them. It is in my view essential that we should do so and that we should all be ready to act in a way which will minimise the damage to the economies of the West. We cannot say exactly how the strains will show themselves.

9. The United Kingdom is not earning nearly enough to meet its international commitments, but the reserves are benefiting from high interest rates and from the weakness of the dollar.

TOP SECRET
10. The expansion in economic activity here which we set in motion in 1958 had reached a danger point early this year. In other words, the pressure of home demand was excessive. Our balance of payments was seriously threatened and it seemed likely that increasing demand for labour would again push up wages and prices.

11. A series of measures of restraint was therefore adopted. Expansion has now been checked. I am afraid, however, that the reduction in exports has had as much to do with the checking of expansion as the measures of restraint put into operation. The uncomfortable features in our situation are as follows:

(a) Pressure on resources

The index of industrial production has been virtually steady at 121 (average 1954 was 100), since last April. During this period unemployment has fallen after seasonal corrections from 377,000 to 334,000. Unfilled vacancies have risen from 297,000 to 322,000. Total employment has risen from 23,464,000 to 23,728,000. In view of the level of investment during recent years it is disappointing that production has been checked but so far there has not been much checking of the pressure on the labour market. There has no doubt been some re-deployment of labour but the tendency of employers to hold on to their labour and use it less economically, so characteristic of the period 1956 to early 1958, seems to have reappeared.

(b) Wages and prices

The index of retail prices, which has been practically stable since early 1958, is likely to begin to rise very soon. This is partly because of seasonal changes and partly because our costs have been rising. The Minister of Labour recently circulated to the Economic Policy Committee an appreciation of the outlook for wage negotiations. It appears that new demands for higher wages or shorter hours or both are following in rather less than a year on previous settlements (in contrast to the last round, which took nearly 18 months to complete). In view of the high pressure of demand for labour over most of the country, I think we must count on an increase in the index of hourly wage rates of about 6 per cent. between the second half of 1960 and the second half of 1961, with a roughly similar increase in average earnings. This is certainly in excess of the upward trend in productivity, and I think that we shall be fortunate if we can hold the Retail Price Index to an increase of less than about three points in the next twelve months, most of it being likely for seasonal reasons to appear between now and the spring.

(c) The Balance of Payments

The regular forecast of balance of payments prospects is now being completed. Since the beginning of this year imports have gone on increasing while exports have fallen away. Our poor export performance is due partly to the check to exports (especially of cars) to the United States, and to the lower incomes of primarily producing countries. But I think that the high level of imports, and to some extent our disappointing export performance, are only to be expected when our domestic economy is under pressure. The forecasts suggest that we shall have a deficit on visible trade of about £200 millions in the second half of 1960, and of £70 millions in the first half of 1961 against a deficit of £63 millions in the second half of 1959, and a deficit of £30 millions in the first half of this year. Our receipts for invisible earnings have been disappointing and the current account prospects as a whole are for an actual deficit of £160 millions in the second half of 1960 and a bare balance in the first half of next year. This is a drastic change for the worse, since it means that we are not even paying our way on current transactions.

12. Meanwhile, our investment abroad on Government and private account, which ought to be financed from the surplus on current account (if we had one), is still increasing. On the other hand, there seems to be some substantial inward investment: and at present our high money rates and the distrust in the United States dollar are causing a marked inward movement of funds, which must be regarded as speculative and transient. The forecast (a very uncertain one) suggests that our monetary position, the combined result of changes in the reserves and in our sterling liabilities to other countries—may deteriorate by £190 millions in the second half of this year and by about £100 millions in the first half of next year.

TOP SECRET
It is clear to me that we cannot for long continue to borrow short and to lend long at this sort of rate; we are already in a position in which sterling must be extremely vulnerable to any adverse movements.

Government Expenditure

13. This continues to go ahead remorselessly. The estimates will not be ready for a few weeks, but present indications are that they will show supply expenditure for 1961–62 as much as £330 millions above last year's Budget Estimates (plus the British Transport Commission deficit)—an increase of nearly 7 per cent. A substantial further increase is expected in 1962–63.

14. As illustrative of this remorseless tendency I would mention I have been asked during the last few weeks to consider providing money for the following:
   (a) Students (the Anderson Report)
   (b) Police pay
   (c) Congo
   (d) Increased cost of scientific research
   (e) Extra pay for the Civil Service
   (f) Pensions and National Assistance
   (g) University building
   (h) Overseas information

15. All this means additional purchasing power, and additional calls on our resources and, therefore, an intensification of our difficulties in managing the economy and paying our way in the world.

Some Credit Items

16. Not everything is depressing. The level of investment is high and rising and our productive capacity must be rising with it. Secondly, confidence in sterling is still strong. We have repaid all our debt to the International Monetary Fund, and owing to the increase in its resources agreed on last year (largely because of prompting by my predecessor), our borrowing rights give us a bigger cushion than before against temporary difficulties. Thirdly, the rise in consumption at home seems to have been checked. Stocks of material, work in progress and finished goods have been rising very quickly this year, and are likely to rise more slowly or to become steady before very long. This should reduce our import bill and make more goods available for export. The balance of payments estimates already mentioned make some allowance for this but the timing of the improvement is difficult to forecast.

17. The employment situation at home is somewhat confused. The October report by the Ministry of Labour was of labour shortages distributed widely throughout the country. Despite the difficulties being experienced by the motor, electronic, domestic appliance and furniture industries, the level of labour demand had been maintained. For instance, in London and the South-East there had been no evidence that the recruitment of labour is becoming easier. In the Midlands redundancies in the motor industry had not in October reached a level where any real problem of absorption into alternative employment had been experienced. Other industries in the region (including export industries) which had been short of labour had immediately benefited. The combined effects of the pressures on the banking system, of hire purchase controls, and of the fall in exports in cars, have produced some difficulties in industries making consumer durable goods, particularly in cars and television sets. Nearly all of this has taken place in areas of high employment and I do not think that there is at present much danger of unemployment rising to embarrassing levels—indeed, some redeployment of the labour force is precisely what we need.

Conclusion

18.—(a) On the external side we must be prepared for a difficult year. Our primary purpose must be to try to secure that world trade is maintained at a high level and the problems of imbalance are dealt with. This will call for close consultation with the new Administration in the United States and continued pressure on Germany to make an adequate contribution to international equilibrium. We shall have to consider how to pursue negotiations with Germany about the cost of our troops stationed there.
At home, we are up against the old conundrum of how to achieve growth without inflation. How can we have growth without so increasing demand that wages, costs and imports all rise too sharply?

We shall almost certainly lose the price stability of the last two or three years. The cost of living is likely to go up by three points in the next three or four months.

There is likely to be a continued deficit in our balance of payments as a whole.

What ought we to do?

19. It is clear to me that until the balance of payments position shows signs of distinct improvement, we shall have to continue to impose restraints on demand in the economy. There are difficulties about nearly all the measures which we are having to use. Thus I am doubtful whether changes in Bank Rate have much effect at home, although a higher Bank Rate does serve, as experience has shown in recent months, to pull in money from abroad and to protect us from a run on the reserves. The special deposit scheme has clearly had a greater influence on helping to restrain bank lending. Control over hire purchase terms is an effective but crude measure which can do considerable harm to particular industries. The extent to which we can affect demand by accelerating or retarding capital investment programmes in the public sector is very limited, as the recent White Paper on investment has shown. I still think that physical restrictions, e.g., quantitative limitation of imports or the imposition of building licences—are open to great political and administrative objections, while a limitation of imports is a dangerous game for a great trading nation to play.

20. This brings me to the question of fiscal measures. I am bound to warn my colleagues that unless the rate of increase in Government expenditure can be reduced I foresee the risk that we shall need a tough budget next year, especially as I am doubtful whether our overall balance of payments position will have shown much improvement by that time. I naturally contemplate this with regret since there is a good deal of evidence to show that the present levels of direct taxation are a disincentive to efficient economic activity.

21. So far I have been talking about restraints on the economy. The question which, however, we ought to consider is whether we can think of other ways in which we could move forward with confidence without having continuously to apply restraints. Can we do something to ensure that British industry is more efficient, has greater competitive strength, is more export-minded? Is there any way of ensuring that an increase in economic activity is not at once rendered politically dangerous by excessive wage demands and a heavy pull of imports?

22. I suggest that there are certain specific heads under which we might consider possible action.

(a) Exports
The President of the Board of Trade has already announced certain measures designed to stimulate them. Is any further action by the Government possible?

(b) Overseas Expenditure
What can be done to cut this down in the defence field or elsewhere? How should we tackle the problem of support costs in Germany?

(c) Expenditure at home
What can be done about this?

(d) Imports
At present we are trying to reduce these by reducing the pressure of demand at home. Are there any further courses open to us?

(e) Agriculture
It has been suggested that the agricultural industry could contribute more to relieving the adverse balance of payments. Is there anything in this?

S. L.

Treasury Chambers, S.W.1,
18th November, 1960.
24th November, 1960

CABINET

FOREIGN COMPENSATION (EGYPT)
(INTERIM DISTRIBUTION) ORDER, 1959

Memorandum by the Lord Privy Seal

Under the Anglo-Egyptian Financial Agreement of March, 1959, the Government of the United Arab Republic paid Her Majesty's Government £27 ½ millions as compensation for property which they took over permanently (i.e. Egyptianised) and for injury or damage to property which was sequestrated and which they undertook to return to the former owners. Of this sum approximately £1 ½ millions has been distributed to the claimants under the Foreign Compensation (Egypt) (Interim Distribution) Order 1959.

2. Nearly all claims for Egyptianised property have probably now been presented to the Foreign Compensation Commission. These amount to slightly more than £66 millions, but this figure may be substantially reduced on assessment by the Commission. Claims in the second category (i.e. those for injury or damage to property which was sequestrated but which has since been released) have only recently begun to come in; at present these amount to less than £1 million. Such claims will continue to be made for some time and it is impossible to calculate the sum to which they are likely to amount. The total value of the sequestrated property is very considerable and the loss on it may reach a fairly high percentage of its value, but it seems unlikely that claims for this loss will amount to more than £30 millions. We have therefore assumed that claims in both categories should not total more than £100 millions and it is quite likely that the total will be substantially less. In taking the figure of £100 millions as the maximum for the claims, the Chancellor of the Exchequer and I agree that it would now be possible to make a further interim distribution of compensation from the funds which the Egyptians have paid us.

3. Under the first interim distribution the smaller claimants received a considerably higher percentage of their claims than those with larger claims. I would now propose to increase the distribution broadly in favour of the larger claimants so that the overall sum may be more evenly distributed. On this basis the Chancellor of the Exchequer and I have calculated the figures in the schedule of the draft Order in Council attached, which are inclusive of, not additional to, the sums already paid out in the first interim distribution of compensation. These allow for no change in the 70 per cent which has been paid on the first £5,000 of each claim under the first distribution. Similarly there will be no change in the payment of 50 per cent on claims between £5,000 and £10,000. It is proposed that payment on claims between £10,000 and £50,000 should be at the rate of 50 per cent and on those between £50,000 and £500,000 the payment should be raised to 25 per cent. This should
go a considerable way to meeting the complaints of the middle claimants. Payment on claims over £500,000 would now be at the rate of 20 per cent. I annex a table showing the rates of distribution, together with their effect on specimen sums.

4. Assuming that the claims do not amount to more than £100 millions in all, I estimate that this new distribution will mean a total payment from the Fund of about £23 millions. To the extent that this sum is decreased by the assessments of the Foreign Compensation Commission, the total payment will be reduced. To meet this we have £27½ millions received from the Egyptians together with interest (amounting between June, 1959 and 31st October, 1960 to £741,613 gross, on which income tax of £287,375 is due, leaving a net income of £454,238) and ex gratia loans already received by the claimants which will be deducted from the payments to be made to them (which I estimate will be about £1 million). This makes a total of £29 millions at present. It will therefore be seen that the amount remaining for a final distribution is comparatively small.

5. I should now be grateful for the approval of my colleagues for these proposals as set out in the draft Order in Council attached. If this course of action is approved, I would like at the same time to make certain technical amendments to the Foreign Compensation (Egypt) (Interim Distribution) Order 1959 made necessary by the changes in percentage rates of payment and to meet certain difficulties in determining the eligibility of persons to receive payments. These amendments are included in the draft Order in Council attached, and their purport is explained in a note at the end of the Order.

E.H.

Foreign Office, S.W.1.

23rd November, 1960
### ANNEX

#### RATES OF DISTRIBUTION

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<tr>
<th>Maximum assessed</th>
<th>Old scale</th>
<th>New scale</th>
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<tbody>
<tr>
<td>Up to £5,000</td>
<td>70 per cent of sum assessed</td>
<td>Same</td>
</tr>
<tr>
<td>£5,000 - £10,000</td>
<td>£3,500 + 50 per cent of balance of sum assessed over £5,000</td>
<td>£3,500 + 50 per cent of balance of sum assessed over £5,000</td>
</tr>
<tr>
<td>£10,000 - £25,000</td>
<td>£6,000 + 25 per cent of balance over £10,000</td>
<td>£6,000 + 25 per cent of balance over £10,000</td>
</tr>
<tr>
<td>£25,000 - £50,000</td>
<td>£9,750 + 5 per cent of balance over £25,000</td>
<td>£9,750 + 5 per cent of balance over £25,000</td>
</tr>
<tr>
<td>£50,000 - £100,000</td>
<td>- ditto -</td>
<td>- ditto -</td>
</tr>
<tr>
<td>Over £100,000</td>
<td>- ditto -</td>
<td>- ditto -</td>
</tr>
<tr>
<td>TOTAL</td>
<td>£2½ millions</td>
<td>c. £23 millions</td>
</tr>
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</table>

(On basis of total assessment of £100 millions)

#### Specimen Sums involved

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<thead>
<tr>
<th>Maximum assessed</th>
<th>Old Distribution</th>
<th>New Distribution</th>
<th>Percentage of Assessment</th>
<th>Additional</th>
</tr>
</thead>
<tbody>
<tr>
<td>£5,000</td>
<td>£ 3,500</td>
<td>£ 3,500</td>
<td>(70)</td>
<td>N11</td>
</tr>
<tr>
<td>£10,000</td>
<td>£ 6,000</td>
<td>£ 6,000</td>
<td>(60)</td>
<td>N11</td>
</tr>
<tr>
<td>£25,000</td>
<td>£ 9,750</td>
<td>£11,000</td>
<td>(44)</td>
<td>£1,250</td>
</tr>
<tr>
<td>£50,000</td>
<td>£11,000</td>
<td>£26,000</td>
<td>(52)</td>
<td>£15,000</td>
</tr>
<tr>
<td>£500,000</td>
<td>£33,500</td>
<td>£138,500</td>
<td>(27.6)</td>
<td>£105,000</td>
</tr>
<tr>
<td>£1 million</td>
<td>£58,500</td>
<td>£239,500</td>
<td>(23.8)</td>
<td>£180,000</td>
</tr>
<tr>
<td>£2 millions</td>
<td>£103,500</td>
<td>£438,500</td>
<td>(21.3)</td>
<td>£320,000</td>
</tr>
</tbody>
</table>
FOREIGN COMPENSATION

The Foreign Compensation (Egypt) (Interim Distribution) (Amendment) Order, 1960

Made - - - 30th November, 1960
Laid before Parliament 5th December, 1960
Coming into Operation 6th December, 1960

At the Court at Buckingham Palace, the 30th day of November, 1960

Present.

The Queen's Most Excellent Majesty in Council

Whereas Her Majesty is authorised to make provision by Order in Council under the Foreign Compensation Act, 1950(a), (hereinafter referred to as "the Act") for the distribution by the Foreign Compensation Commission (hereinafter referred to as "the Commission") of compensation received under agreements with foreign Governments:

And Whereas provision was made by the Foreign Compensation (Egypt) (Interim Distribution) Order, 1959(b), (hereinafter referred to as "the principal Order") for an interim distribution of sums received from the Government of the United Arab Republic under an Agreement entered into between Her Majesty's Government and the Government of the United Arab Republic on the 28th day of February, 1959(c):

And Whereas it is now deemed expedient to make certain amendments to the principal Order:

Now, therefore, Her Majesty, by virtue and in exercise of the powers in that behalf by the Act or otherwise in Her Majesty vested, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:

1. At the end of the definition of the expression "the Determination Order" in paragraph (2) of Article 1 of the principal Order there shall be added, before the semi-colon, a comma followed by the words "and any amendments thereto".

2. There shall be added to Article 3 of the principal Order the following paragraph:

"(3) If it shall appear to Her Majesty's Principal Secretary of State for Foreign Affairs that any sum notified by him in writing to the Commission as a deduction pursuant to paragraph (2) of this Article was in excess of the sum which in all the circumstances it was appropriate to deduct, he may at any time thereafter, acting on the advice of the Board referred to in that paragraph, notify in writing some lesser sum as an amendment thereto."

(a) 14 Geo. 6. c 12. (b) S.I. 1959/1291. (c) Treaty Series No. 35 (1959), Cmd. 723.
appropriate deduction in lieu of the sum previously notified, the Commission shall thereupon adjust the amount of the interim payment and (if the case requires) make an additional payment accordingly.

3. There shall be added at the end of sub-paragraph (b) of Article 5 of the principal Order the following:

"provided that, if the provisional determination of the Commission shall have been reviewed by the Commission, then—

(i) the Commission shall, unless the provisions of (iii) below apply, make any necessary amendments to any record or report already made;

(ii) for the purposes of any record, report or payment made by the Commission after the date of such review the amount of the loss shall be taken to be the amount (if any) so determined on review;

(iii) if the amount of the loss so determined on review shall exceed the amount provisionally determined, the provisions of Article 4 of the present Order shall apply as if the applicant had established a further claim for the amount of such excess;

(iv) if the amount of the loss so determined on review shall be less than the amount provisionally determined, the Commission shall deduct from any further payment which may become due to the applicant out of the Fund the sum by which the amount of the interim payment already made exceeds the amount which ought to have been paid under the provisions of Article 3 of the present Order as calculated on the basis of the reduced amount of the loss."

4.—(1) There shall be inserted after Article 8 of the principal Order the following new Article which shall be numbered 8A:

"When a claim has been established under the Determination Order in respect of any property of an unincorporated association or in respect of any property subject to a trust and no person who, in the opinion of the Commission, has authority to receive and give a good discharge for payment under the present Order applies to the Commission for payment within six months from the date on which the Commission has given notice of the determination of the amount of loss under Rule 35 of the Rules, the Commission may, at its discretion, pay the amount payable under the present Order in respect of such claim to the Public Trustee or into the Supreme Court under the provisions of the Trustee Act, 1925(a), and may in any such case dispense with any such surrender or renunciation as is required by paragraph (1) of Article 8 of the present Order as a condition of payment."

(2) In paragraph (1) of Article 8 of the principal Order there shall be added after the words "paragraph (2) of this Article" and before the comma the words "and of Article 8A of the present Order."

5.—(1) The Schedule to the present Order shall be substituted for the Schedule to the principal Order.

(2) In every case in which the total amount of loss assessed by the Commission in respect of the claim or claims established by any applicant exceeds £10,000 and the Commission has before the coming into operation of the present Order reported the whole or part of such amount to Her Majesty’s Principal Secretary of State for Foreign Affairs pursuant to

(a) 15 & 16 Geo. 5. c. 19.
paragraph (2) of Article 2 or paragraph (2) of Article 4 of the principal Order, the Commission shall record with respect to such claim or claims a sum representing the difference between the sum calculated in accordance with the Schedule to the present Order with reference to the total amount of loss so reported by the Commission and the sum calculated in accordance with the Schedule to the principal Order with reference to such amount.

(3) The Commission shall report to Her Majesty's Principal Secretary of State for Foreign Affairs the amount of the difference so calculated.

(4) The provisions of Article 3 of the principal Order, as amended by the present Order, shall apply with respect to the said difference as if it were a sum calculated in accordance with paragraph (1) of Article 2 of the principal Order.

6. This Order shall come into operation on the 6th day of December, 1960, and may be cited as the Foreign Compensation (Egypt) (Interim Distribution) (Amendment) Order, 1960.

SCHEDULE

Where the amount of the loss assessed by the Commission under the Determination Order

<table>
<thead>
<tr>
<th>The sum calculated shall be:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) does not exceed £5,000</td>
<td>70 per cent. of the amount assessed.</td>
</tr>
<tr>
<td>(2) exceeds £5,000 but does not exceed £50,000</td>
<td>£3,500 and 50 per cent. of the balance of the amount assessed over £5,000.</td>
</tr>
<tr>
<td>(3) exceeds £50,000 but does not exceed £500,000</td>
<td>£26,000 and 25 per cent. of the balance of the amount assessed over £50,000.</td>
</tr>
<tr>
<td>(4) exceeds £500,000</td>
<td>£138,500 and 20 per cent. of the balance of the amount assessed over £500,000.</td>
</tr>
</tbody>
</table>

EXPLANATORY NOTE

(This Note is not part of the Order, but is intended to indicate its general purport.)

This Order amends the Foreign Compensation (Egypt) (Interim Distribution) Order, 1959. Its principal purposes are:

(i) to enable the amount of any deduction notified to the Foreign Compensation Commission by Her Majesty's Principal Secretary of State for Foreign Affairs under paragraph (2) of Article 3 of the Order in respect of any ex gratia loan made to the applicant or his predecessor in title by Her Majesty's Government to be reduced in certain circumstances;

(ii) to provide for appropriate adjustments to be made when a provisional determination made by the Commission is varied on review;
(iii) to enable the Commission to make payments under the Order to the Public Trustee or into the Supreme Court in certain cases where there is no other person authorised to receive payment on behalf of the beneficiary;

(iv) to provide for increased interim payments of compensation with respect to claims established under the Foreign Compensation (Egypt) (Determination and Registration of Claims) Order, 1959, as amended, in all cases where the amount of the loss assessed by the Commission exceeds £10,000.

EXTRAORDINARY VOTE

(Printed by Her Majesty's Stationery Office 1960)

(35192) (P.O. 1671) 13, 21/2, 31, 76 11/60 D.L.
MEMORANDUM BY THE PAYMASTER-GENERAL

When the Cabinet considered the problems of the nationalised industries in July 1959 they agreed that further consideration should be given to overcoming the difficulties which stood in the way of securing the best possible men for the Boards of the nationalised industries (C.C. (59) 42nd Conclusions, Minute 5). The Committee on Nationalised Industries have been considering these problems on the basis of a report by officials and have agreed to a number of comparatively minor changes (e.g., in relation to methods of recruitment, and pensions of persons coming in from outside employment) which will, we think, improve the situation, and which can be introduced without special legislation. The major problem, however, is salaries and on this we considered that we should seek the views of the Cabinet.

2. The present salary system for Board members divides the Boards into broad categories of importance and, within those categories, provides a uniform salary structure. Thus the Chairmen of all the major Boards (e.g., the British Transport Commission, the National Coal Board) receive £10,000 a year whatever their origin and relative capacities, and whatever the relative responsibilities from time to time. The salaries were last fixed in July 1957 when the salaries of the Chairmen of the main Boards were raised from £8,500 to the present £10,000 a year. All these salaries are published in an annual White Paper.

3. One of the most urgent tasks in putting the nationalised industries on a proper basis is to ensure that we secure the best people available to run them. The Committee on Nationalised Industries consider that the present system of salaries is a severe handicap in achieving this aim. The salaries of some public Board members are clearly very much out of line with those paid in really big industrial undertakings, although similar capacities are needed for both, and Ministers are unable to discriminate between individual members of nationalised Boards, whatever the responsibility undertaken or the personal capacity. So long as these salaries are published, any attempt to introduce variations on a personal basis would cause embarrassment to Ministers in their relations with other members whose salaries were not increased, as well as repercussions throughout the public service generally. Some method of introducing flexibility into the system must be found which avoids these difficulties.

4. In the view of the Committee, the best solution would be for the Minister to determine the salaries for each Board member, with the agreement of the Treasury, in the light of what was needed to get the best man available for the job. The Minister would not, however, disclose individual salaries, but would assume the responsibility laid on public companies in private industry by the Companies Act, 1948, which requires disclosure of only the total remuneration paid to a Board.

5. Of course, there would be criticism of any such change. It might be said that it was opening the door to Ministerial patronage, and that it would conceal the
payment of excessive salaries to Board members. The point would also be made that it was a derogation from the principle that Ministers should be prepared to account in detail to Parliament for the exercise of statutory powers conferred upon them.

6. Acceptance of the new principle would thus require some change in the public attitude to the nationalised industries. We consider that Parliament and the public may be ready for such a change. The increasing financial failure of some of the nationalised industries has created a new desire to see them run on a more business-like basis. The public may be less concerned than before to regard Board members in the same way as the public service generally, and more ready to make a comparison with men running large-scale industrial undertakings. Members of both sides of the House would see that the proposal would remove one of the disadvantages from which the nationalised industries suffer, compared with private industry, in attracting the best possible management. And we could claim that it would make possible the introduction of a much needed flexibility into the salary arrangements, which could not be obtained so long as individual salaries were published. Unless this approach is followed, we shall inevitably be driven back to continuing the present uniform salary structure, with arbitrary increases from time to time.

7. We therefore recommend that we should try to introduce the principle that Ministers do not disclose the salaries of individual Board members, but only the total remuneration paid to a Board. Amending legislation would be needed for some at least of the nationalised industries. For all of them, it would require an acceptance by Parliament that information about total Board remuneration was a sufficient disclosure of the manner in which the Minister’s statutory power had been exercised. Before committing ourselves publicly to this principle, therefore, we think we should at least obtain the views of Government supporters. It would be best for the nationalised industries if the principle could also be more widely accepted, and it might be desirable to arrange for the proposal to be aired publicly on an appropriate occasion, before a firm Government line is announced.

M.

Office of the Paymaster-General, S.W. 1,
CABINET

GENERAL GRANT IN SCOTLAND, 1961-63

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER AND THE SECRETARY OF STATE FOR SCOTLAND

This paper relates to the general grant arrangements for Scotland in the period 1961-63: these correspond to the proposals for England and Wales which were described in paper C. (60) 166 discussed on 17th November (C.C. (60) 58th Conclusions, Minute 6).

2. After discussions with the Scottish Local Authorities on the official level the Scottish Departments estimate the expenditure on services covered by the general grant at £91·25 millions in 1961-62 and £94·27 millions in 1962-63. Detailed estimates are appended. These estimates are based on current rates of pay and prices with only such increases as can be definitely foreseen and quantified. The figure for 1961-62 is an increase of 4·8 per cent. over the estimate for the current year: that for 1962-63 is an increase of 8·3 per cent. over the same base year. (The estimated increases in England and Wales are 6·3 per cent. and 10·6 per cent.) On these figures general grant would amount to £57 millions in 1961-62 and £59 millions in 1962-63.

3. The Minister of State, Scottish Office, is meeting the elected representatives of the Scottish Local Authority Associations on the afternoon of 25th November. There are still a few items of estimated expenditure in dispute but it is not expected that the net result of the discussion should be to alter the figures quoted above by an appreciable amount, and as a result of the discussion some upward adjustment of the figures quoted above may be necessary. This should not exceed an increase in the expenditure figures of the order of £150,000 in each year and a proportionate increase in the grant.

4. As in England and Wales, a supplementary order increasing the grants again will be necessary if there is a substantial increase, e.g., in teachers’ pay during the grant period.

5. A draft Report to the House of Commons, together with a draft General Grant (Scotland) Order, will be circulated to the Legislation Committee for its next meeting.

S. L.
J. S. M.

## ANNEX

**NEAR ACTUAL AND ESTIMATED RELEVANT EXPENDITURE BY DIFFERENT SERVICES COVERED BY THE GENERAL GRANT (SCOTLAND)**

<table>
<thead>
<tr>
<th>Service</th>
<th>1959-60 (Near actual)</th>
<th>1960-61 (Revised estimate)</th>
<th>1961-62</th>
<th>1962-63</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Services</td>
<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
</tr>
<tr>
<td>Local Health Services</td>
<td>6.01</td>
<td>6.40</td>
<td>6.41</td>
<td>6.50</td>
</tr>
<tr>
<td>Welfare Services for the Handicapped</td>
<td>0.03</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>Fire Services</td>
<td>2.50</td>
<td>2.89</td>
<td>3.02</td>
<td>3.04</td>
</tr>
<tr>
<td>Child Care</td>
<td>1.76</td>
<td>1.89</td>
<td>1.95</td>
<td>1.97</td>
</tr>
<tr>
<td>School Crossing Patrols</td>
<td>0.15</td>
<td>0.18</td>
<td>0.19</td>
<td>0.19</td>
</tr>
<tr>
<td>Registration of Electors</td>
<td>0.26</td>
<td>0.27</td>
<td>0.29</td>
<td>0.29</td>
</tr>
<tr>
<td>Road Safety</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Police Traffic Patrols</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>Town and Country Planning</td>
<td>0.07</td>
<td>0.14</td>
<td>0.20</td>
<td>0.25</td>
</tr>
<tr>
<td>Physical Training and Recreation</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>80.59</strong></td>
<td><strong>88.01</strong></td>
<td><strong>91.25</strong></td>
<td><strong>94.27</strong></td>
</tr>
</tbody>
</table>

**NOTE.**—Expenditure on Welfare Services for the handicapped represents the excess over the 1958-59 level of expenditure.
CABINET

CHANNEL TUNNEL

MEMORANDUM BY THE MINISTER OF TRANSPORT

Earlier consideration

I was authorised on 18th February, 1960, to inform the Channel Tunnel Study Group that Her Majesty's Government were prepared to look sympathetically at the tunnel project if a feasible and commercially viable scheme capable of attracting the necessary capital were produced (C.C. (60) 10th Conclusions, Minute 6). The Study Group were not told this since, shortly afterwards, they presented a Report showing they were looking for a great deal of financial support from Governments.

2. At the request of the Prime Minister, I arranged for the Report to be examined by Officials. Their full report was circulated to the Economic Policy Committee.

3. Officials reached these Conclusions:

(a) The tunnel is probably a feasible engineering and commercial proposition, although there are necessarily uncertainties in the Study Group's estimates of capital cost and annual revenues.

(b) The tunnel would probably bring appreciable political advantages, and some economic and trading benefits. It presents no defence difficulty.

(c) The promoters are seeking financial assurances and privileges from the United Kingdom and French Governments which are quite inappropriate to a private venture.

(d) Investment in a tunnel (estimated at some £130 millions over five years) will increase the demands, which in any case will grow considerably over the next few years, on the resources available for investment in transport facilities.

(e) The promoters' proposals make too many demands on Governments for special financial assistance and are unacceptable as they stand.

4. These Conclusions were considered by the Economic Policy Committee

On 2nd November the Committee agreed that the Government could not accept the present financial proposals of the promoters of the Channel Tunnel. But I was asked, in consultation with the Foreign Secretary, to circulate to the Cabinet a brief for talks with the French Government.

5. French consideration is probably not so far advanced

We believe that French officials have examined the economic aspects of the project and will now tackle the policy aspects with representatives of the Study Group. The French Government may not yet have reached conclusions about Government guarantees, tax exemptions, &c.
6. But talks are worthwhile

If the French agree with us on finance, they may try to put the onus of rejecting the Study Group's proposals on us. But we should exchange views and learn what we can of French intentions before we hold further talks with the Study Group. At this stage, the Foreign Secretary and I think that talks should be exploratory and without commitment.

7. I recommend this brief for Officials:

(a) They should use the report referred to above as their main guide.
(b) They should discuss with the French those aspects of the Study Group's report on which the French have reached provisional conclusions. They should say that they are ready to discuss other subjects when the French are.
(c) They should not disclose our view that the present financial proposals are unacceptable. But they should leave no doubt that there are serious difficulties over the guarantees, commitments, and special privileges in respect of tax exemptions, &c., which are sought from Governments by the Study Group. They should not attempt to forecast Ministers' views, but should emphasise the desirability of leaving it to the Study Group to develop revised financial proposals.
(d) They should try to discover some idea of the French time-table with a view to arranging any further joint discussions.
(e) They should report to Ministers before any further discussion with the Study Group.

8. We must satisfy public interest in the talks

If the French agree to discussions, we must decide what we tell the Study Group, the Channel Tunnel Parliamentary Group and the Press. The Foreign Secretary and I think that both Governments should say that the Study Group's proposals raise a number of difficult problems. These concern both the United Kingdom and the French Governments. Officials are simply continuing their consideration of these problems. Reference to difficult problems might counteract undue optimism which might otherwise result from the decision to hold the talks.

9. I invite my colleagues:

(a) To endorse the conclusion of the Economic Policy Committee on the present financial proposals of the Study Group (see paragraph 4 above).
(b) To approve the opening of discussions, at official level, with the French Government on the lines proposed in paragraph 7 above.
(c) To approve the proposals on publicity in paragraph 8 above.

E. M.

Ministry of Transport, W. 1.
23rd November, 1960

CABINET

COVENT GARDEN MARKET

Memorandum by the Secretary of State for the Home Department

The Cabinet decided on 17th November that the plan to rebuild the Covent Garden market over the railway sidings at King's Cross should not on present information be ruled out; and asked that further consideration should be given both to the feasibility of the King's Cross plan and to the possibility of so amending the Covent Garden Bill, now before the House of Commons, as to empower the new statutory Market Authority to rebuild the market either on its present site or at King's Cross (C. C. (60) 58th Conclusions, Minute 4).

2. The Home Affairs Committee and, subsequently, a group of the Ministers primarily concerned have now considered these questions. Our conclusion is that we should proceed with the Bill in its present form.

3. We are advised that, being a hybrid, the Bill cannot be amended during its passage through Parliament in such a way as to widen its scope. Since the Bill in its present form requires the Market Authority to provide a market "in the Covent Garden area", it would have to be withdrawn if the option contemplated by the Cabinet were to be given.

4. The merits of the King's Cross plan are far from certain. More important, it is at least equally uncertain whether the market interests would be willing to move to King's Cross; indeed, there is good reason to suggest that they would not. What is certain is that there is a wide measure of agreement on the present plan to reorganise the market and rebuild it on approximately its present site and that it would be a long time - perhaps many years - before agreement could be secured for any alternative.

5. That delay we cannot afford. Something must be done at once to relieve the traffic congestion caused by the present market and eliminate the fire risk involved in the storage of containers there. In the long term the King's Cross plan might or might not be preferable from the traffic point of view, but there is no doubt that the present plan would bring about a very great improvement. The congestion in the Covent Garden area is due primarily to the parking of market lorries in the adjoining streets and, as the plan is completed, they will be cleared off the streets into the market area. We can say positively that the plan would produce traffic conditions in the Covent Garden area which could be regarded as tolerable, at least for some years.

6. To proceed with the Bill would not preclude subsequent legislation if the new Market Authority were to come forward with a proposal that, after the period of reorganisation, the rebuilding should be carried out at King's Cross. But we are satisfied that, in order to avoid

SECRET
perpetuating a damaging uncertainty among the market interests and owners of property in the Covent Garden area, we should say no more on this than that if the Market Authority made such a proposal the Government of the day would naturally consider what was the most appropriate course of action in the circumstances then existing.

7. Politically, the weakness of our case is that, although we are known to have had the King's Cross plan in our hands for twelve months, we are not in a position to pronounce positively on its merits. We suggest that if the Cabinet accept our conclusion, the decision to proceed with the Bill should be presented on the basis that the Covent Garden plan accords with the modern conception of gradually replacing bulk marketing by a system of selling from samples and that, since it is acceptable to the wide range of interests concerned, it offers the only possibility of early action to deal with the actual and pressing problems caused by the present market - that is, traffic congestion and the fire risks.

8. We invite the Cabinet to concur in our view that we should proceed with the Covent Garden Bill in its present form, and against the background presented in this paper.

R. A. B.

Home Office, S. W. 1.

23rd November, 1960
CABINET

HIRE PURCHASE CONTROLS

MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE

The hire purchase controls, which prescribe a minimum down payment and a maximum period of repayment, were introduced as part of our general policy of restricting credit.

2. Hire purchase controls have many disadvantages. They are difficult to maintain in the face of determined evasion. Their results are difficult to predict. They are apt to have very sharp effects on individual industries (though this is admittedly the obverse of the fact that they are the most rapidly acting measures we can take in this field). Despite these disadvantages I fully agree that they should be part of our general policy of credit restraint at this time.

3. I am concerned, however, with the extent to which they are having their effects. I believe that in a number of industries, particularly the motor car industry, the effect is quite disproportionate. Whereas the effect of credit restrictions in general has been not to reduce consumer demand but merely to prevent a further expansion, in the case of those industries affected by hire purchase restrictions there has been a very sharp contraction. There is, therefore, a case in equity for some relaxation.

4. I believe that there is also an economic case. The psychological effects of the restrictions, combined with all the fuss that the manufacturers are making about them, are serious and have a cumulative effect. Consumer durables such as motor cars and electric appliances are traditionally subject to considerable fluctuations for the obvious reason that people can so easily postpone the purchase of things which, though attractive, are not essential and whose unit cost is high. The more the manufacturers complain, the more the customers are likely to postpone their purchases. There is, therefore, a definite danger of a downward spiral developing. In particular, the motor car industry, which has such wide ramifications, is suffering difficulties in the home market superimposed on a sharp setback to exports. Production of motor cars, which in May of this year was 49 per cent. up on 1959, in October was 18 per cent. down. The motor car industry is bound to be subject to seasonal fluctuations but a fluctuation of this magnitude is something formidable.

5. I feel, therefore, that the time has come to make some modest relaxation in the hire purchase restrictions in order to prevent a real deterioration in the motor car and other industries.

6. The logical move would be to extend the period of repayment from two years to three years. I do not propose any reduction in the minimum deposit (20 per cent. in most cases, 10 per cent. in a few). This seems to me to be a reasonable requirement. I do not see how you can build healthy industries on the basis of a demand from consumers who are only prepared to pay initially an exiguous proportion of the true price of the article. But I think the lengthening of the period of repayment would be helpful, though not spectacular, and would be well received as being a genuine effort to help without going beyond the bounds of prudence. It would be of most assistance to the motor industry but I do not
regard this as a serious criticism because among the industries affected the motor industry is both by far the largest and also the one with the best export record. An extension from two to three years would be of some help to the makers of television and radio, electrical appliances and furniture. They would be less satisfied than the motor manufacturers but frankly in view of their export record I think they have the smallest claim on our sympathy.

7. The argument against making a relaxation is our balance of payments position. I accept that this is serious. Export prospects look very disturbing. Imports continue at a high level and although we may perhaps gain some benefit from a relaxation in the rate of stock-building, this is too speculative to count on. If, therefore, relaxation in the hire purchase terms of the kind I propose would have any adverse effect on our balance of payments, I would not propose it. But I do not think this is the case. There is substantial slack now in these industries and there are large stocks. The taking up of this slack and the liquidation of these stocks would be unlikely to have any significant inflationary effect. I do not think there would be any noticeable effect on the rate of importing either raw materials or finished articles, so long as the relaxation is a modest one. Equally I believe that the industries concerned would be able to supply all the export orders they are receiving. So far as the labour position is concerned, one must recognise—that despite the high rate of pay even on a short week in the motor industry, confidence that employment in the industry will eventually rise again, and the relatively low proportion of skilled workers in the motor industry. But the fact remains that by maintaining the present degree of restriction we shall not in practice release any significant amount of labour for industries with unfilled export orders.

8. I agree that any general relaxation at present would be entirely wrong. Equally, any spectacular improvement of conditions in the industries which by reason of hire purchase restrictions have suffered a disproportionate amount of damage would be unjustifiable. But I believe that a small relaxation would do no harm to the balance of payments and would provide a steadying factor in these industries, particularly the motor trade. For this reason I should advocate that we make a relaxation in the period of repayment while maintaining in their full rigour our general credit restrictions. This would be entirely in accordance with the facts of the present situation when we are seeing a continuation of great strain in the economy as a whole, combined with a very abrupt falling-off in the demand in particular sectors.

9. If my colleagues agree that we should take this step I should like to announce at the same time one or two measures to tighten up the regulations against certain forms of evasion that are of growing significance and which if included could eventually undermine the controls in general.

R. M.

Board of Trade, S.W.1,
CABINET

THE ECONOMIC SITUATION

Memorandum by the President of the Board of Trade

In his paper (C. (60) 168) the Chancellor of the Exchequer points out that I have recently announced certain measures designed to stimulate exports. They will have some effect, though one cannot say for certain how great the effect will be or how soon it will be felt. But in any case it is clear that more needs to be done.

Can we compel people to export?

In a free economy there is no easy means of doing this other than by restricting the home market. As we no longer allocate supplies of labour or materials we have no sanction on which we can rely, and in the absence of a sanction the setting of export targets seems to be a very unprofitable enterprise. In general we are, by our restrictions on home demand, forcing people to turn more to export markets just as we have been moderating the flow of imports. But it is a clumsy and unsatisfactory method, to which there are both economic and political limits.

I hope that during the negotiations between the members of the General Agreement on Tariffs and Trade (G. A. T. T.) we shall agree to considerable reductions, on a reciprocal basis, in industrial tariffs. This will both ease the way for some exporters and create greater competition for some manufacturers in the home market. It should be a help but it will take time to work.

Apart from this I do not see any means of compelling people to export more.

Can we induce people to export more?

By this I mean financial inducements in the form of subsidies or tax remissions related to export turnover.

I am convinced that these measures would be undesirable, and this is the view of the great majority of British industry. A subsidy race is one that we should not win. As for tax remissions, it would be very difficult to work out an acceptable scheme, because it is often impossible to say who really deserves the credit for any given volume of exports, e.g. how much is due to the final assembler and how much to the component manufacturer, how much to the producer, how much to the seller. But in any case we are precluded from introducing such schemes not only by the G. A. T. T. but also by the terms of the European "Non-Aggression Pact" in the same matters, which we negotiated with the support of the Federation of British Industries and which British industry would not wish to see abrogated.
All we can do is to encourage and assist exporters

There are many ways in which the Government can help, sometimes directly, sometimes in collaboration with industry.

The services of the Export Credits Guarantee Department are of great importance to exports, though it is sometimes overlooked that, important as they are, they only cover some 20 per cent of our total export effort. I have recently introduced, with the Chancellor's agreement, a number of improvements in this Department's services and I am satisfied that, in their proper field of credit insurance, they now provide for British exporters facilities that in general are at least as good as those enjoyed by our competitors. The parallel problem of the provision of finance, particularly for the lengthening credit terms now demanded for heavy capital equipment, has not yet been solved and I am in touch with the Chancellor about possible solutions.

The Board of Trade provide a wide range of services to exporters, ranging from commercial intelligence to the support of overseas fairs, or the invitation of foreign business visitors to this country. With the Chancellor's help I am expanding and improving these services. The main problem seems to be to ensure that all businessmen realise the advantages of making use of them.

There are some joint activities for Government and industry. One example is the recently formed European Export Council, which I hope will produce results as good as those produced by the Dollar Export Council. Another example is the various ways in which small firms can be helped to export e.g. by co-operative action or by established firms lending their facilities to new exporters. Here the main work has to be done by industry, though we are giving them an impulse.

There is a definite psychological problem in the tax treatment of businessmen who travel abroad. The sums involved are minimal but the irritation is real and I am discussing this with the Chancellor.

SUMMARY

There are many ways in which the Government can help and encourage exports. We are constantly trying to expand and improve them. But we must face the fact that these are all marginal improvements. I do not believe there is any easy and dramatic move that we can make to improve exports. The fundamental problem is one of business psychology. Unless and until we can drive home to all in industry the need for a greater export effort, we shall just not succeed. This calls for a sustained campaign of education in which Ministers and leading industrialists must work together. We shall be accused of exhortation but we must not fear this accusation. Already, in fact, interest in exports has been very greatly stimulated, as is witnessed by the great increase in enquiries coming to the Board of Trade offices at home and abroad. We must press on. I can see no solution to our export problem unless it is based on a different outlook to the whole problem amongst all those - be they employers or workpeople, in industry - who have to take the decisions that in practice determine the amount of our export sales. The Government will have to play their part in this process by convincing industry, through their general fiscal and economic policy, that it is necessary, and also worthwhile, to respond to this educational campaign.

Board of Trade, S.W.1.
25th November, 1960

R. M.
I circulate herewith, for the approval of my colleagues, a draft White Paper which has been prepared in accordance with the conclusions of the Ministerial Committee on the Re-organisation of the British Transport Commission.

2. I shall be prepared to explain the contents of the Paper and shall wish to make some points thereon, notably about the identity of the Chairman of the proposed British Transport Council (paragraph 35).

3. If this White Paper is to be debated before Christmas, it must be published not later than Wednesday, 14th December. It is therefore necessary, I understand, for its contents to be settled, subject only to minor amendments, and the paper sent for printing by the end of this week. There will however be an opportunity, should my colleagues desire it, for the Cabinet to see the White Paper in proof form on Thursday, 8th December.

E. M.

Ministry of Transport, W. 1.

DRAFT WHITE PAPER

PROPOSALS FOR REORGANISATION OF THE NATIONALISED TRANSPORT INDUSTRY

1. Her Majesty's Government, having reviewed the position and prospects of the nationalised transport industry, now put forward their proposals for its future structure, working, and financial reorganisation.

2. In reaching their conclusions the Government have had the advantage of valuable advice from the Special Advisory Group under the Chairmanship of Sir Ivan Stedeford, which considered and made recommendations touching on all the main problems connected with the nationalised transport industry. They have had the advantage too of the timely and valuable Report on British Railways (11 July 1960) from the House of Commons Select Committee on Nationalised Industries. They have also had the benefit of the views put forward by the British Transport Commission and by the Trade Unions.

THE GOVERNMENT'S AIM

3. The Government's aim is that there shall be a soundly-based and viable nationalised transport industry, assured in its future and a thriving part of our economy. Only in this way can it provide efficient and economic services to industry and the public, and a fair livelihood and worthwhile job for those who work in it.

4. There is much to do and a long way to go. The British transport Commission's deficits had reached a total of £350M. by the end of 1959 (or £400M. if certain postponed revenue expenditure is included). A further £100M. is likely to be
added this year. The Government are however resolved to take all practical measures to achieve the objective stated above.

THE PROBLEM

5. The heart of the problem is in the railways, which represent about three quarters of the Commission's undertaking.

6. British Railways are a great national asset and a vital basic industry. They employ half a million people and represent an investment of nearly £1600M, which is growing by more than £100M each year. A railway system of appropriate size is an essential element in our transport network and will remain so as long as can be foreseen.

7. But the railways are now in a serious financial plight. They are a long way short of covering their running costs, let alone meeting their capital liabilities. The development of other forms of transport and new techniques have faced them, like the railways in other countries, with problems of competition and adaptation to modern circumstances and public demand.

8. The ultimate test for the railways, as for other transport, is how far the user is prepared to pay an economic rate for their services. This will, in the end, broadly settle their size and pattern for the future. It is clear, however, that there must be a streamlining of the system. There must too be modernisation, not only of layout, equipment and technique, but of organisation and management.

9. All the answers to this problem will not be found overnight. The full scope and outcome of railway modernisation
and the eventual size and shape of the railway system for the future will emerge as a developing process from the practical measures to be taken now.

10. But the Government are clear about the direction in which they must move. They are convinced that as an essential first step there must be radical changes in the structure, organisation, financial constitution and statutory framework of the undertakings controlled by the British Transport Commission.

General considerations

11. In their consideration of this matter, the Government have not been prompted by any intention of returning any of the Commission's undertakings to private ownership or control. Should such a step seem necessary at any time, it will require separate consideration. Their concern has been to establish what practical measures can be taken now to improve the efficiency and economy of those undertakings, and achieve the aim set out in para. 3 above.

12. Nor do the Government propose that the Minister's existing statutory powers and responsibilities in relation to the nationalised transport undertakings should be extended. As in the case of other nationalised industries, the Minister's main charge will be for overall coordination and
for securing the general efficiency of the industries in accordance with his responsibility to Parliament for them. He will continue to discharge these responsibilities through his powers of appointment and of general direction, and his control of development, investment and finance. He will retain his special interest in safety, training and research. The new organisation is intended to provide for direct contact between the Minister and the component parts of the nationalised transport industry. This will necessarily be closest where there are deficits to be financed from the public purse.

THE GOVERNMENT'S MAIN CONCLUSIONS

13. The British Transport Commission as at present constituted is so large and its activities so diverse that to run it effectively as a single undertaking is a most difficult task. Its basic features were designed for a system of integrated transport which was never fully introduced nor found acceptable by public opinion in the United Kingdom.

14. The size and difficulties of British Railways have naturally tended to preoccupy the Commission, thus affecting its structure and outlook. But, while the railways are of preponderant size and importance there is, as the Select Committee on Nationalised Industries noted, no authority with the single-minded task of running them.

15. There is an obscurity of objectives arising from, as the Select Committee say, a "confusion in judging between what is economically right and what is socially desirable". (Select Committee report Para. 417).

16. Some management shortcomings, no doubt due in part to the structural difficulties, have been observed particularly in the financial and commercial fields. There has been a marked tendency for technical and operating considerations to prevail over others.
17. The commercial capability of the railways is circumscribed by outmoded statutory restrictions and obligations on their trading operations.

18. Mounting deficits, the size of capital debt in relation to the earning capacity of the assets represented, and the increasing burden of interest as modernisation proceeds, present a situation detrimental to the morale of management and staff, to financial control, and to hopes of recovery.

19. In these circumstances, the Government have decided:

(a) to replace the British Transport Commission and the existing organisation by a new structure designed to overcome the main defects and disadvantages of the present organisation;

(b) to reconstruct the finances of the undertaking and in particular those of the railways;

(c) to give the various activities, as appropriate, the maximum practical freedom of operation in their commercial affairs.

THE GOVERNMENT'S PROPOSALS

A NEW STRUCTURE

20. The Government propose that each of the main activities of the British Transport Commission's undertaking shall have its own separate board vested with its own assets and responsible for its own capital debt. This should lead to concentration of effort, devolution and definition of responsibility, and thus secure more effective management, and foster financial discipline. The object has been to provide each Board and management with a clearly defined task within a set field. The administration of such diverse activities as the Railways, Ports, London Transport, and Inland Waterways, presents special problems, each of which calls for particular qualifications and experience.
21. The Boards for British Railways, London Transport, British Transport Docks and British Waterways will each be incorporated under Statute with the appropriate duties and powers necessary to the efficient conduct of those undertakings. In view of their importance and the special nature of their problems they will be responsible direct to the Minister of Transport, who will appoint their members.

22. (a) **British Railways Board.** The British Railways Board will assume the responsibility for running the railways as an effective national system. It will perform the central functions essential to the running of the railways as a single entity. In particular it will be responsible for overall financial control and direction, national staff and wage negotiations, safety, training and research, the future size and shape of the railway system, and those technical and engineering matters which, with modernisation policy, require central direction.

23. The new Board will also be responsible for railway workshops and for railway catering services. A number of controlled companies and interests in companies connected with railway activities, including for example David McBrayne Ltd., will be the general responsibility of the Railways Board.

24. There will be a Chairman and Vice Chairman, assisted by both full time and part time members, who will thus provide the Board with experience drawn from within and outside the industry. Some members will be executive with special responsibilities. Each of the Regional Railways Boards (paragraph 25 below) will be represented.

25. (b) **Regional Railway Boards.** The present Area Boards will be replaced by new Regional Boards, appointed by the Minister. The Regional Boards will be autonomous in all matters of regional concern and will have the character of company
boards. They will be the main instrument of continuing the process of devolution of authority and decentralisation of management. To assist them in their task they will maintain their own separate regional trading accounts. The Commission's consultants have suggested possible bases for such accounts and their report is under consideration. There will be more full-time members. The post of Regional General Manager will be superseded by that of Managing Director with a seat on the Regional Board.

London Transport

26. The London Transport Executive will again become the London Passenger Transport Board. It will continue to be responsible for the public transport monopoly at present delegated to the London Transport Executive. As hitherto, it will work in close concert with the London lines of British Railways in all matters of common concern.

British Transport Docks

27. The ports and docks at present administered by the Commission's British Transport Docks Division will be transferred to a new statutory Board. The packet ports will remain with the railways.

Inland Waterways

28. British Transport Waterways will be placed under an independent statutory board to be known as the Inland Waterways Authority. This body will own and manage the nationalised inland waterway system. It will also be concerned with the redevelopment or disposal of waterways which no longer have a transport use. The composition, powers and duties of the new body are under consideration. It will be necessary to take account, on the one hand, of the charge which the waterways system imposes on public funds, and, on the other, of the varied purposes which they can be made to serve.
A HOLDING COMPANY: COMPANY BOARDS

29. British Road Services, Tilling and Scottish Bus Groups, British Transport Hotels, Road Freight Shipping Services, and Thomas Cook and Son Ltd., will each be operated as companies incorporated under the Companies Act with their own boards of directors.

30. All these undertakings (except Hotels) are already organised in company form and operate in general competition with private enterprise counterparts. They will be grouped under a new Holding Company responsible to, and appointed by, the minister.

31. The holding Company will also hold the publicly owned shares in those companies where the majority of the shares are in private hands, including bus companies which are subsidiaries of the British Electric Traction Company Limited. Certain controlled companies and holdings connected with the railways will be the general responsibility of the Railways Board (see para. 23 above).

Property

32. The development of the valuable properties held by the Commission is a matter requiring special attention (see also para. 62 below). It is proposed therefore, in consultation with the Chairmen of the new Boards, to set up one or more organisations specially equipped to advise the undertakings and to assist them to obtain the best possible return from their land and properties.

COORDINATION

33. The Minister of Transport's overall responsibility for the coordination of transport in the United Kingdom will include a responsibility for coordinating the new Boards, including the
the allocation of funds for new investment. In this he will be assisted by a new advisory body, the British Transport Council. Suitable arrangements for coordinating the day-to-day activities of individual undertakings will also be established, following consultation between the Chairmen of the new Boards.

British Transport Council

34. The British Transport Council will advise the Minister on the coordination of the nationalised transport industry as a whole and on questions relating to it. The Council will also be available to advise the Minister in the exercise of his responsibilities towards the nationalised transport undertakings including appointments, finance and development. The Council will have no executive or supervisory functions, but will be qualified by its membership and by the knowledge and information available to it to advise the Minister on such matters as he may refer to it.

35. There will be an independent Chairman of the Council, who will be assisted by an independent Vice-Chairman both appointed by the Minister. The Chairmen of the British Railways, London Transport, British Transport Docks, British Waterways and Holding Company Boards will be ex-officio members. Other members will be drawn from outside the nationalised transport industry. They will include, it is hoped, representation of organised labour.

APPOINTMENTS

36. As already stated above, all appointments to the major boards will be made by the Minister of Transport who will look to the British Transport Council for advice about them. Certain other appointments will be subject to his approval.
37. The Government considers it vital that, as a general rule, the nationalised transport industries should produce their own leaders. Promotion from within the industries to the highest levels should be within the grasp of those who prove themselves capable. In particular, there should be much greater opportunities in future for those in all parts of the railway service to make their way to the top. At the outset, however, some major posts may have to be filled from outside.

**FINANCE**

38. Financial reconstruction is necessary to deal both with the serious financial state of the railways and with the changes proposed in the organisation.

**Present Position**

39. The railways' full liabilities on revenue account in 1960 are likely to exceed receipts by almost £140m. Operating costs exceeded receipts by £42m. in 1959, and in 1960 the deficiency is expected to be about £60m. The railways are thus a long way from being able to make any payments towards interest on their borrowings which, including interest on borrowings for modernisation (at present capitalised), amounts to some £75m. a year.

40. The Commission's financial situation is so serious that they cannot carry on without large scale support from the Exchequer, even after allowing for the outturn of their other activities which may provide a surplus of some £10m. in 1960.
FINANCIAL RECONSTRUCTION

41. Financial reconstruction has become imperative. The expectation that the Commission, and more specifically the railways, will be able to meet in full their existing liabilities is now unrealistic. A drastic scaling down of debt is inevitable and is urgently needed to give the railways a fresh start.

42. The general adjustments proposed by the Government are summarised in the following table. It must be emphasised that the figures therein:

(a) relate to the position recorded in the British Transport Commission's last Balance Sheet (i.e. at 31st December, 1959);

(b) are intended only broadly to indicate the general size and nature of the problem and the measures proposed by the Government.

The eventual figures will, of course, be somewhat different. They will have to be worked out later.

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<td><strong>Summary of British Transport Commission’s Capital Position and Government’s Proposals for Reconstruction</strong></td>
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<th>Railways</th>
<th>Other Activities</th>
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<tr>
<td><strong>Capital Liabilities</strong></td>
<td>1,600</td>
<td>400</td>
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<tr>
<td>Other Liabilities including Superannuation Funds and Savings Bank. (Mainly Railways)</td>
<td>400</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>1,600</td>
<td>400</td>
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**PROPOSALS**

- Debt to be written off on account of Revenue Losses: 400
- Debt to be carried in Suspense: 800
- Fixed-Interest Capital Liabilities: 400
- Other continuing liabilities (Mainly railways): 400

**TOTAL**: 1,600 400 400 2,400
Capital Liabilities

43. As the table shows, the proposed reconstruction is primarily concerned with the Commission's net capital liabilities. Some £400M. of them are attributable to the non-railway activities of the Commission, and responsibility for this debt will, in effect, be transferred to the appropriate new Boards. The debt in each case will be based on the book values of the assets involved.

44. Of the remainder, some £400M. represents accumulated losses financed mainly by Exchequer advances. There is, in the Government's view, no prospect of this ever being recovered. They propose, therefore, that this amount should be written off and the outstanding debt reduced accordingly.

45. This leaves £1,200M. of capital debt, representing broadly the capital liabilities of the railways after writing off debt equivalent to the losses. The Government propose that, of this total, £400M. - which represents the written down value of the railways' modernisation investment since 1955 - should continue to rank as a fixed interest loan on normal terms.

46. The balance (£800M.) of capital liabilities - incurred to acquire the bulk of the pre-1956 assets - should be placed to Suspense Account and should carry neither fixed interest nor fixed repayment obligations. The amount and treatment of this Account will be subject to review from time to time, in the light of developments. Amounts may well have to be written off in respect of ascertained capital losses, (including losses in respect of obsolete assets which must be expected as modernisation proceeds). The existence of the Suspense Account, however, will enable the Exchequer to claim some return if railway finances improve sufficiently. The possibility cannot, however, be ruled out that much of the amount placed in Suspense may well ultimately have to be accounted lost and written off.
7. There are certain other liabilities, including liabilities in respect of savings bank deposits and superannuation funds - which amounted to about £400m. at 31st December 1959 and are attributable mainly to the railways. The Government do not propose any relief from these liabilities for the undertakings, but they will, of course, continue to stand fully behind them.

**Effect on Transport Stock and other Capital Liabilities**

48. The Treasury will assume all responsibilities for British Transport Stock. The rights of stockholders will therefore be fully safeguarded. This will be done by transferring to the Exchequer the rights and liabilities attaching to the British Transport Stock (some £1400m.), and by substituting, for this and for other capital liabilities (about £600m.) appropriate amounts of debt due from the successor organisations to the Exchequer.

**Commentary**

49. The effect of these proposals is that the railways would be given relief in respect of obligations to the extent of £1200m., of which £400m. would be immediately written off; and £600m. suspended debt would not press upon them unless or until they are able to bear it. The Government regard these drastic measures as no more than is required to deal realistically with the existing financial situation. But they also think it most desirable that the nature and size of these measures should be fully appreciated. Their broad effect will be to take from the shoulders of the railway undertaking (a) the whole burden of accumulated losses and (b) the greater part of the liability relating to the capital value of this vast undertaking prior to the beginning of modernisation in 1955, except insofar as at a later date the undertaking may be able to resume the burden. But these heavy liabilities will not have ceased to exist. They will have been transferred to the public in another guise, since they will fall upon the Exchequer, which is the public purse.
Future Prospects and Targets

50. The capital reorganisation above will reduce the interest charge on the railways by over £100m. a year. There remain, however, a large operating deficit, interest charges in respect of the reduced capital liabilities, and interest charges on other liabilities. Over the next five years there will be additional borrowings for investment on which also interest will be payable. The total interest charge which will be affected by the amount of such borrowings and the rate of interest might amount to between £50m. and £70m. a year at the end of the five year period.

51. In these circumstances, the Government propose that operating deficits, plus interest charges, should for a period of up to five years be made good by grant, and should not be accumulated as a debt. They will ask Parliament to vote the necessary moneys for the purpose.

52. The Government propose, therefore, to review the financial progress of the railways year by year, with a special review at the end of the five years. They recognise that the task of transforming the present deficit during that period to a surplus of £60m. to £70m. is very formidable. Clearly, the first and paramount aim of the new Board must be to break even on operating account at the earliest practicable moment. But thereafter they must aim to meet also their remaining liabilities for interest.

53. Targets must therefore be set. The Government will discuss with the railway authorities the figures for the short-term and longer-term objectives.
Productivity and Manpower

54. Productivity and manpower are crucial and must be a special concern of the new Railways Board. As the Select Committee on Nationalised Industries noted, work study - which has been successfully applied in a number of fields - should be extended considerably beyond the 6 per cent. of railway staff so far covered. The British Railways Productivity Council has already considered this, and the Government have welcomed the recent joint appeal by the employers' and the Union sides of the industry for cooperation by all concerned.

Uneconomic Services

55. The Select Committee on Nationalised Industries (in paragraphs 422 to 427 of their Report) suggested that uneconomic services which the railways were required to carry out on grounds of the national economy or of social needs should be met by specific grant from public funds. This question also affects other nationalised undertakings, and the Government will consider it in that general context. For the time being, where the railways are concerned, any such services would in practice be covered by the large contributions proposed from public funds.

Financial Duties of Non-Statutory Boards

56. The Boards incorporated under the Companies Act will run their businesses as commercial undertakings. It will be their duty and that of the Holding Company, to secure the best results for the public purse. Their profits should be a valuable offset to the large sums of public money required by other nationalised transport undertakings.
Other Financial Matters

57. The Government have noted the observations of the Select Committee on Nationalised Industries (in paras. 150 to 154 of their Report) on the investment of savings bank deposits and superannuation funds in the British Transport Commission's undertaking. They are considering with the Commission what changes might be made in the present arrangements. This consideration, of course, in no way affects the rights of depositors and beneficiaries, which will continue unimpaired. Consideration is also being given to the scale of depreciation and obsolescence provisions which should be made by the various new undertakings.
COMMERCIAL FREEDOM

58. In this reorganisation and financial reconstruction it would not be reasonable to leave the railways subject to out-of-date restrictions or obligations which fetter their commercial activities.

Fares and charges

59. The present restrictions on the railways to adjust quickly their freight charges and passenger fares are, in the Government's view, no longer justified in present competitive conditions.

60. Therefore the railways will be freed from statutory control over their charges. An exception will be for rail and bus fares in the London Passenger Transport Area where the London Transport Executive and British Railways have a virtual monopoly of public transport.

61. This change will substantially reduce the functions of the Transport Tribunal.

Property

62. The present statutory restrictions on the development of property by the nationalised transport undertakings will be suitably relaxed.

Pipelines

63. The Commission already have power to accommodate, by way of leases, pipelines on their property. It is proposed to give certain of the new undertakings, particularly Railways, powers to lease, provide and operate pipelines on their property. These will be subject to the Minister's consent where new investment is necessary.
64. The Road and Rail Traffic Act, 1933, and the Transport Acts of 1947 and 1953 contain provisions protecting coastal shipping from competition from inland transport. The Government is at present examining these provisions in the light of the need to give greater commercial freedom to the railways and of the interests of the coastal shipping industry.

LEGISLATION

65. The Government's proposals for the new structure, for financial reconstruction, and for freedom of commercial operation will require major legislation. Consultations and preparation will take some time to complete. The Government propose to introduce the necessary Bill in the next Session of Parliament. Should interim legislation be required, the Government will take the necessary steps.
THE NEW STRUCTURE

MINISTER

BRITISH TRANSPORT COUNCIL

RAILWAY BOARD

LONDON PASSENGER TRANSPORT BOARD

BRITISH TRANSPORT DOCKS

INLAND WATERWAYS AUTHORITY

HOLDING COMPANY

REGIONAL RAILWAY BOARDS

BRITISH ROAD SERVICES

TILLING BUS GROUP

SCOTTISH BUS GROUP

HOTELS

ROAD FREIGHT SHIPPING SERVICES

THOMAS COOK LTD.

OTHER HOLDINGS
29th November, 1960

CABINET

HOUSING POLICY

Memorandum by the Minister of Housing and Local Government and Minister for Welsh Affairs

HOUSING TO LET

In C. (60) 96 (paragraphs 36-47) I drew attention to the urgent need to resuscitate the building of houses for letting at economic rents. I pointed out that there was no early prospect of private builders coming back into the letting field, and suggested that the only way of making progress would be for the Government to be prepared to lend money, at current rates of interest, to approved housing trusts or associations willing to build to let without subsidy and on a non-profit making basis.

2. Since then I have put forward a limited scheme which would enable us to make a start in the near future on building to let by such associations. An outline of the scheme is given in the annex to this paper.

3. Briefly, it envisages that the Treasury should be prepared to lend up to £25 millions, at the rate of interest currently applicable to loans to local authorities, to finance schemes by housing associations for the building of houses to be let at cost rents. Any borrowings would be subject to my approval, and I would have to be satisfied that both the scheme and the association were sound. I should not normally be prepared to authorise lending for houses costing more than £3,500 all-in, and in general I would look for a lower cost. Rents of such houses would, at the current rate of interest, range from about £2 15s. a week for a two-bedroomed flat to £4 15s. a week for a family house with garage; and these should be within the capacity of families in the income range of £4 a week upwards.

4. The scheme is essentially a pump-priming operation to demonstrate, first, that there is an effective demand for the renting of medium priced new houses or flats; second, that people are prepared to pay cost rents in order to secure such a house or flat; and third, that the Government have a policy other than municipalisation for the provision and management of rented houses.

5. My proposals have been considered by the Housing Policy Committee, and discussion showed general agreement that they would make a valuable, though modest, contribution towards securing more rented accommodation, and that they had considerable political attraction as an alternative to the Opposition's policy of municipalisation. The Chancellor of the Exchequer, however, has reservations; and it was agreed that my proposals should be submitted to the Cabinet with the support of the Committee generally, but reserving the position of the Chancellor.
6. In order to meet some of the Chancellor's difficulties, I have deliberately made my scheme a very limited one, covering not more than 12,000-15,000 houses, and I envisage that it would be spread over a period of five years, at the end of which time it would be reviewed. I also propose that houses built under the scheme should rank against the housing programme in the public sector, so that it would not mean any addition to the programme.

7. I understand that the Chancellor's main objection to my scheme is that for the Public Works Loans Board to lend money to housing associations at the same rate as they charge to local authorities would entail "concealed subsidy". But houses to let built by housing associations will under my proposals be in substitution for houses built by local authorities - some of whose present tenants could afford cost rents. Purchase for owner occupation does not meet the need of everyone who can afford what a house costs. If the authorities are left to build all the rented houses that are needed, they get the same money (except that they borrow in the market if they can) at the same rate - and they would be paid Exchequer subsidy as well. It is part of the approved subsidy proposals that authorities will get subsidy for all the houses they build; it is their function to build for those who cannot afford the full cost of a house. Surely we do not want to encourage more directly subsidised housing than is necessary? For in this lies the real issue - unless we are prepared to do something now to break out of the subsidy net in which virtually all new building to let has for so long been enmeshed, we shall have no choice but to acquiesce in a position in which housing supply is increasingly divided between owner occupation and municipal subsidised housing.

8. I believe we should do something now, and that my scheme, modest though it is, will at least make a start in the way we ought to go. Accordingly I ask the Cabinet to approve my proposals, and for authority to be given for necessary provisions to be included in the forthcoming Housing Bill dealing with subsidies.

IMPROVEMENT AND CONVERSION OF OLDER HOUSES

9. I have put forward two proposals to the Housing Policy Committee to encourage the improvement and conversion of older houses with the aid of grant by making the return to owners on their expenditure more attractive. They are:

(i) To increase the permitted addition to the rent that may be charged after improvement from 8 per cent to 12½ per cent of the owner's share of the cost of improvement.

(ii) To relax the rent conditions attaching to the taking of grant so as to permit the owner, in the case of a conversion or an improved decontrolled house, to let the property at a free rent after 3 years instead of 10 as at present.

10. The Committee have approved proposal (i), but doubts were raised about (ii) on the ground that to reduce the period of the rent conditions could be represented as an extension of decontrol and might result in the impression that the Government were going back on their Election pledge that there would be no further decontrol of rents in the present Parliament.
11. My proposal does not in fact involve any extension of decontrol whatsoever. It would apply only to existing houses and flats which have been decontrolled by rateable value under Section 11(1) of the Rent Act, 1957, or have or will become decontrolled on vacant possession under Section 11(2); and to conversions providing new units of accommodation which have been free from control since 1954. These decontrolled properties become subject to a rent limitation for a period because up to half the cost of improvement or conversion has been paid for at public expense, and it is felt to be wrong that the owners should be able to appropriate forthwith the added value paid for by the public. Shortening of the period for the rent limitation involves therefore no more than an alteration of the grant conditions, and does not affect the status of the property under the Rent Act at all.

12. Under existing law the requirement that the rent limitation should run for 10 years is qualified by a right to the owner to sell, though for owner-occupation only, at the end of 3 years without being required to repay the improvement grant. As things are, therefore, the tenant in such cases cannot count on any greater security than 3 years (subject of course to the terms of his lease). To allow the owner to charge a free rent at the end of 3 years would in principle be a logical extension of the right to sell, and would not threaten the tenant with any less security than he possesses at present. On the contrary, his position might well be improved, as the owner would have an incentive to continue letting, instead of trying either to force the sitting tenant to buy after 3 years or to evict him in order to sell with vacant possession to an owner-occupier.

13. For these reasons, my proposal can be defended against any suggestion that it involves an extension of decontrol or any necessary worsening of the position of sitting tenants. But I can see that it could be represented as a measure that would operate to the disadvantage of decontrolled tenants on the ground that the owner would have two strings to his bow - letting as well as sale (for owner-occupation) after 3 years as a means of putting pressure on the sitting tenant to pay a higher rent as the price of avoiding eviction.

14. This argument could not be brought to bear in the case of conversions, for here (save very exceptionally) there is no sitting tenant. New dwellings are being created, and new lettings made for the first time. Prospective tenants would be under no compulsion to accept the terms offered for 3 years without knowing what rent they would have to pay thereafter, and could bargain accordingly.

15. Conversions are important, as they mean the provision of more smaller units, and these are badly needed in the current Rent Act situation. They are in general a good deal more costly than ordinary improvements; and also less easy to sell than the single house. Owners are therefore reluctant to incur substantial expenditure on this account so long as they are held down to a limited rent for as much as 10 years.

16. I have considered whether my proposal could be limited to conversions only. There are however two difficulties about this. It would mean treating one form of decontrolled property differently from
another, and for this there is no case in principle. Secondly, though conversions are more important than ordinary improvements in the sense that they provide additional accommodation, no distinction has hitherto been made between them in the policy steadily pursued since 1954 to secure a wider use of grants; and I think we should be on difficult ground if we now sought to provide a greater incentive to one than the other. Accordingly, I am convinced that we must treat both alike.

17. I still think that it would be sense to allow a free rent after 3 years as an alternative to sale; and I believe it would help the housing situation. Nevertheless, I recognise that people would seize on it to try to stir up new storms about free rents. I should like to include this provision in the Bill, but if my colleagues think it would be too provocative I am ready to drop it. I would welcome the Cabinet's views.

H. B.

Ministry of Housing and Local Government, S. W. 1.

Outline of a scheme for Government loans to housing associations for the building of more houses to let

Under the scheme the Treasury would make available a maximum of £25 millions to be lent to approved housing associations by the Public Works Loans Board at the same rates of interest as they charge from time to time to local authorities and for the same periods. This money would finance the building of houses to let at cost rents to families in the income range of £14 a week and upwards.

2. Houses to be built with the benefit of loan must be of a cost normally not exceeding £3,500 all-in. They would rank against the housing programme in the public sector.

3. The scheme would be subject to review at the end of five years.

4. Approved societies for the purpose of the scheme would be housing associations registered under the Industrial and Provident Societies Acts, such associations already have an established place in the housing field as responsible non-profit-making bodies; and their membership, organisation, accounts, reports and methods of borrowing money, etc., are regulated by model rules approved by the Registrar of Friendly Societies.

5. Every scheme ranking for loan would first be approved by the Minister of Housing and Local Government. The Minister would require to be satisfied both that a genuine demand for the houses existed and that the scheme was likely to be economically sound.

6. Loans would be up to 100 per cent of cost (including land, site works and professional fees) and would be repayable over a period of 60 years. Subsidy would not be payable for houses built with the benefit of loan, except for purpose-built accommodation for old people which would continue as at present to rank for the appropriate subsidy.

7. Exclusive of subsidy for old people, rents would range broadly from about £2 15s. a week for a two-bedroomed flat built at an all-in cost of £1,800 to about £4 15s. a week for a family house with garage costing £3,500. The table of specimen rents appended includes for purposes of comparison the weekly cost of purchasing comparable property for owner-occupation over 20 and 25 year loan periods.

8. The figures of the table are confined strictly to the liabilities arising out of the cost of the house and the mortgage. Over and above these are tax and rate liabilities, broadly comparable but differing in certain respects. Above all, the owner-occupier is acquiring an important asset. But nevertheless there are some who prefer to be tenants, and others who by reason of age, sex, etc., are not able to secure the rights of ownership even if they wish to do so.

November, 1960

SECRET
APPENDIX

It is proposed that loans should be limited to houses and flats with an all-in cost (including land, site works, professional fees, etc.) not exceeding £3,500. Table 'A' shows the weekly rent payments for a representative range of dwellings, starting with a two-bedroomed flat at an all-in cost of £1,800. Interest is payable at 6 per cent and the 60 year loan covers 100 per cent of cost. Table 'B' shows, for purpose of comparison, the weekly outgoings for comparable houses being bought for owner-occupation with 20 and 25 year mortgages, in the price range from £2,000 - £3,500. The mortgage gives 100 per cent of value, and interest is taken at 6 per cent.

| TABLE 'A' |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annual loan charges | £1,800 | £2,000 | £2,500 | £3,000 | £3,500 |
| Annual rent | £137 7 6 | £149 15 0 | £180 13 9 | £211 12 6 | £242 11 3 |
| Weekly rent | £2 12 10 | £2 17 7 | £3 9 6 | £4 1 5 | £4 13 3 ½ |

| TABLE 'B' |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annual loan charges | 174 7 5 | 217 19 3 | 261 11 1 | 305 2 11 |
| Repairs, Management, voids | 26 0 0 | 26 0 0 | 26 0 0 | 26 0 0 |
| Annual mortgage repayment | 200 7 5 | 243 19 3 | 287 11 1 | 331 2 11 |
| Weekly mortgage repayment | 3 17 1 | 4 13 10 | 5 10 7 | 6 7 4 ½ |

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<td>Annual loan charges</td>
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<td>195 11 4</td>
<td>234 13 3</td>
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29th November, 1960

CABINET

SUPPORT FOR GERMAN FORCES THROUGH THE NORTH ATLANTIC ALLIANCE

Memorandum by the Minister of Defence

Background

My colleagues may have been puzzled by newspaper reports that the Germans are about to establish bases here. The reports are incorrect.

2. On 25th March, 1960, the Defence Committee agreed the policy which we should follow in respect of requests by the Federal German Government for logistic assistance.

3. Subsequently at the meeting of the Defence Ministers of the North Atlantic Alliance it was made clear that the problem was essentially of a military nature and that requests for assistance should be sponsored by the military authorities of the Alliance. We undertook to consider any requests by countries in the Alliance for facilities at the Hebrides Guided Missile range, and to consider also what we could do to help the Germans in other ways, if we were asked to do so.

Present Position

4. In the intervening months various general logistic studies have been prepared by the military authorities of the Alliance, which will come before the North Atlantic Council at their meeting later this month as a series of reports by the Military Committee. These are not expected to lead directly to any significant solution of the German difficulties.

5. Concurrently, the Germans have concluded bilateral agreements with other countries - e.g., France, the Netherlands - for the provision of training areas and depots.

6. They have also quite recently followed up our own offer to help with an enquiry through our respective delegations to the North Atlantic Alliance about what facilities we might be able to offer for training, storage and naval repairs. We have told them, through the same channels, that we would wish to have some detail of their requirements before we can consider their request. A few days ago the German delegation to the Alliance informed our own that their authorities would not be in a position to give us any definite indication of their needs until January.
7. The present reports are stated to emanate from the German Ministry of Defence. We had no warning that the Germans proposed to give any publicity to this matter: on the contrary, as the whole problem is still under discussion in the Alliance, we justifiably assumed that they would treat it with discretion. They have received no information from us about what facilities we might offer. I have sent a personal message to the Federal German Minister of Defence, Dr. Strauss, deprecating the publicity and expressing the hope that nothing further will be said in Bonn.

Recommendation

8. I invite the Cabinet to note the present position.

H. W.

Ministry of Defence, S.W.1.

29th November, 1960.
CABINET

TOURISM

MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE

The Prime Minister has asked me to circulate a paper setting out the present obstacles to the expansion of our tourist earnings.

2. Our earnings from overseas visitors have increased from £21 millions in 1947 to £153 millions last year. This excludes earnings by British carriers which now amount to about £67 millions. Viewed in the light of our credit balance on current account, which last year was £139 millions, the importance of our tourist earnings is readily apparent. In the field of visible exports, only chemicals (£293 millions), electrical machinery and appliances (£232 millions), motor cars (£223 millions) and iron and steel (£192 millions) contributed more to our earnings than tourism.

3. The tourist market is still expanding in the world generally and there is a good deal more money for us to earn if the necessary efforts are made to obtain it. Although the total number of nights spent in this country by overseas visitors is higher than in any other European country, and our tourist earnings are exceeded only by Italy, we cannot afford to be complacent. If Commonwealth visitors are excluded, the following broad picture emerges:

<table>
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<th>Nights Spent by Visitors from O.E.E.C. Countries Millions</th>
<th>Nights Spent by United States Visitors Millions</th>
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<tr>
<td>Austria ... 22</td>
<td>0.75</td>
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<tr>
<td>France ... 22</td>
<td>6</td>
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<tr>
<td>Italy ... 20</td>
<td>3.45</td>
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<tr>
<td>Switzerland ... 12.5</td>
<td>1.3</td>
</tr>
<tr>
<td>United Kingdom ... 8</td>
<td>4</td>
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</table>

(Source: O.E.E.C. "Tourism in Europe")

No less than 7 countries of the Organisation for European Economic Co-operation (O.E.E.C.), including France, achieved a greater rate of increase than the United Kingdom in visitor traffic in 1959. The popularity of the United Kingdom as a resort area for European tourists clearly leaves a lot of room for improvement. It is to Europeans, in particular, that our immigration and customs formalities seem irksome and much more formidable than their own.

4. Our instrument for the task of promoting travel to Britain and ensuring that visitors are well received and accommodated is the British Travel and Holidays Association. Their "Come to Britain" campaign has been well received overseas and the Association is generally considered to be doing a good job. Since its main task is to attract holidaymakers, it naturally exploits primarily the country's beauties and antiquities, but it also addresses some of its publicity to the business visitor. It operates offices in nine countries (three in the United States and two in Canada) and has representatives in several others. The Association has also still a big job to do in educating public opinion here on the importance of attracting tourists.

CONFIDENTIAL
5. The continuing obstacles to the expansion of our tourist traffic, particularly with Europe, to which attention is constantly being drawn in the Press and elsewhere are:

(i) our system of immigration control, particularly the segregation of non-British from British passport holders and the nature of the questions which the immigration officer is bound to put to the alien visitor to satisfy himself that the alien is entitled to enter;

(ii) the need to obtain a carnet or tryptique before a tourist can bring his car into the country without paying duty and purchase tax, deters many European tourists from even considering a visit to Britain;

(iii) the serious shortage of hotel accommodation. Some new building is now in prospect but it remains to be seen if this will keep pace with the expansion in tourist traffic;

(iv) the poor facilities for the reception of visitors at many of our seaports, particularly Folkestone and Harwich;

(v) the overcrowding of our resort areas because of the extreme peak in our own holiday season.

6. I do not wish to minimise the importance of maintaining proper immigration or customs arrangements, or the difficulty of finding the large sums needed to improve our ports. I should, however, like to draw attention to the probable effect on our tourist earnings of these obstacles and suggest that a fresh effort should be made to overcome them. It is impossible to say how far our immigration formalities, which are probably the most severe in Europe, are responsible for making the United Kingdom less attractive than other countries, or how many people find it preferable to tour almost anywhere in Europe without a carnet rather than to go the trouble and expense of getting one to come to England, but certainly these obstacles have a bad effect on our competitive position. They have often been criticised, as have our poor reception arrangements at seaports, and they have also been accused of discouraging foreign businessmen from coming here to buy goods. Though these factors cannot be quantified, they cannot be ignored. There is also the effect on our relations with overseas countries. Our Embassies have frequently drawn attention to the unfortunate impressions left in Europe by our refusal to abandon the requirement for carnets which have been dispensed with by all other European countries except Spain, Portugal and Iceland. This is regarded as another example of our insular and unco-operative attitude.

7. I should welcome any assistance that my colleagues can give me in reducing these handicaps to the expansion of our earnings from tourism.

R. M.

Board of Trade, S.W. 1,
29th November, 1960.
30th November, 1960

CABINET

GRANTS TO STUDENTS: PARENTAL MEANS TEST

Memorandum by the Secretary of State for the Home Department

On 6th October, the Cabinet asked that the Education Policy Committee should consider a scale of parental contributions which might be adopted as an alternative to abolition of the means test (accompanied by withdrawal of the income tax allowance for students) as recommended by the majority of the Committee on Grants to Students (Anderson Committee) (C. C. (60) 52nd Conclusions, Minute 5).

2. The Education Policy Committee are satisfied, after very full consideration, that the arguments against abolition of the means test are decisive. Apart from its cost, it would not help the right people: nearly one-half of the additional cost would benefit the one-sixth of award-holders whose parents are in the top income groups.

3. With the authority of the Cabinet the Minister of Education announced at the Conservative Party Conference in October that there would be a "radical revision" of the present means test. With the help of a Working Party of officials the Committee have devised a plan embodying a scale of parental contributions and certain other elements which we are satisfied would fulfil this undertaking. The means test provides for a contribution of 8 per cent of "scale income" about £600 per annum, starting at £700 plus 10 per cent of any scale income over £1,400, and provides for a minimum award of £50 in all cases. This scale is only slightly less generous than the minority recommendation of the Anderson Committee and avoids the disadvantages inherent in the Anderson minority scale. The plan as a whole is in some respects more generous than the Anderson minority, though less so in respect of vacation grants. We are agreed that it should be applied to all students at universities and to those taking comparable courses of further education and those attending teacher training colleges. On this basis the additional cost of the scheme in the next academic year would be about £10 millions more than the present scheme with the existing means test. The additional cost of abolition (with comparable "extras") would be about £15 millions.

4. The application of the scheme to Scotland requires further consideration. There are obvious difficulties in not applying it equally to Scotland as to England and Wales; but there is some inequality at present and to adopt complete parity would not only cost about £1 million a year (included in the £10 millions referred to above) but would introduce certain anomalies which require further examination.
5. I regret having been obliged to circulate this memorandum at such short notice, but the Education Policy Committee regard it as important that an announcement of the Government's intentions should be made tomorrow, 1st December, in advance of an organised campaign for abolition to be launched next week by the National Union of Students.

6. We therefore invite the Cabinet to agree to the adoption of the scale of parental contributions referred to in paragraph 3 and to authorise the Minister of Education to announce the Government's intentions, in general terms, in answer to a Parliamentary Question tomorrow.

R. A. R.

Home Office, S. W. 1.

30th November, 1960
COMMERCIAL TREATY WITH JAPAN

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

The Economic Policy Committee have approved the proposals of the President of the Board of Trade for the future conduct of the negotiations for a commercial treaty with Japan. In view of the political implications of any move to place Anglo-Japanese trade on a freer basis I think the Cabinet would wish to be aware of the line which the President proposes that our negotiators should take when the talks are resumed on 14th December.

Background

2. At present by invoking Article XXXV of the General Agreement on Tariffs and Trade (GATT) we impose discriminatory quantitative restrictions on imports of most Japanese manufactures. The Cabinet agreed at their meetings on 10th March and 10th May that we should resume negotiations for a commercial treaty giving Japan most-favoured-nation rights in respect of quantitative import restrictions, subject to the safeguards that we should maintain restrictions on certain sensitive products and retain the right to impose or reimpose restrictions on other products if necessary (C.C. (60) 16th Conclusions, Minute 2, and 30th Conclusions, Minute 6).

3. The Japanese have accepted the broad principles of these proposals and have offered us two ways of implementing them. Under alternative A we should cease to invoke Article XXXV against Japan as soon as the treaty is signed and in return we should get more or less permanent bilateral safeguards. Under alternative B we should continue to invoke Article XXXV and our bilateral arrangements for safeguards would be only short-term.

Present Proposals

4. The President proposes that we should be prepared to negotiate without commitment on the basis of a modified form of alternative A. Under this we would cease to invoke Article XXXV against Japan, subject to a bilateral agreement that we have the right to maintain restrictions on certain listed items and to impose or reimpose restrictions on any imports which in our judgment threaten to disrupt our market. This agreement would last until terminated by mutual consent or until arrangements acceptable to both Governments for dealing with the problem of market disruption were evolved in the framework of the GATT. We could not, however, accept a Japanese proposal that until a GATT solution had been worked out any dispute about the application of the safeguards should be referred to the GATT and any recommendation or ruling of the contracting parties would override the provisions of the bilateral agreement.

5. Our abandonment of Article XXXV would remove a constant irritation to our political relations with Japan. From the economic standpoint the negotiation of a treaty would give our exporters permanent most-favoured-nation rights in the Japanese market which is expanding rapidly. Imports of many goods into Japan are closely restricted at present, but there are plans for removing many...
CABINET

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3. The Japanese have accepted the broad principles of these proposals and have offered us two ways of implementing them. Under alternative A we should cease to invoke Article XXXV against Japan as soon as the treaty is signed and in return we should get more or less permanent bilateral safeguards. Under alternative B we should continue to invoke Article XXXV and our bilateral arrangements for safeguards would be only short-term.

Present Proposals

4. The President proposes that we should be prepared to negotiate without commitment on the basis of a modified form of alternative A. Under this we would cease to invoke Article XXXV against Japan, subject to a bilateral agreement that we have the right to maintain restrictions on certain listed items and to impose or reimpose restrictions on any imports which in our judgment threaten to disrupt our market. This agreement would last until terminated by mutual consent or until arrangements acceptable to both Governments for dealing with the problem of market disruption were evolved in the framework of the GATT. We could not, however, accept a Japanese proposal that until a GATT solution had been worked out any dispute about the application of the safeguards should be referred to the GATT and any recommendation or ruling of the contracting parties would override the provisions of the bilateral agreement.

5. Our abandonment of Article XXXV would remove a constant irritation to our political relations with Japan. From the economic standpoint the negotiation of a treaty would give our exporters permanent most-favoured-nation rights in the Japanese market which is expanding rapidly. Imports of many goods into Japan are closely restricted at present, but there are plans for removing many...
of the restrictions in the next few years. A treaty on the lines proposed would give our exporters an equal opportunity with others to benefit from the greater freedom of trade. Indeed, a firm framework for future trade between the two countries is an indispensable preliminary to any vigorous effort by our exporters to develop this important and expanding market.

6. Whichever alternative we accepted, we might have to take part in a new procedure for consultation agreed on at the GATT Session just concluded, under which the contracting parties may invite any country to discuss with them measures taken by it to deal with market disruption, whether or not they involve a breach of GATT obligations, at any rate so far as the interests of third parties may be affected by the measures, e.g., by the diversion of Japanese exports to them.

7. If, on the other hand, we chose alternative B, we should continue to invoke Article XXXV against Japan, and the bilateral safeguards and the most-favoured-nation rights on both sides would terminate after three years (or the finding of an acceptable GATT solution if that were earlier); the arrangements might, however, be continued thereafter for a year at a time with the consent of both parties. Under this alternative we should retain the bargaining strength against Japan which our refusal of GATT relations has given us. But the value of this may well decline as Japan liberalises her trade and so enlarges the field over which she can discriminate against our exports. Moreover, alternative B is essentially a short-term arrangement and, if it were adopted, the controversial question of commercial relations with Japan would come up again in a few years’ time.

Subsidiary Matters

8. The Japanese have put forward some subsidiary suggestions. Of these, the more important are:

(a) Restrictions on goods in the sensitive list and restrictions imposed under the ultimate safeguard should wherever practicable be operated at the exporting end.

(b) The sensitive list should be cut down and there should be time limits for the maintenance of restrictions on some of the goods which remain on it.

(c) The use of restrictions to protect Colonial interests in the United Kingdom market should be limited to the traditional interests of Colonies to which the treaty is extended.

9. As regards (a), some countries (the United States, Canada, Australia and Denmark) have relied for some years on “voluntary” Japanese export controls, while others (in Western Europe) have refused to accept this form of control. The Japanese themselves admit that they cannot effectively apply export control to all kinds of goods: they ask for it only where they believe they can make it work, and they accept that we should reinforce it (as we do for Hong Kong textiles) by admitting only goods accompanied by the proper export authorisation. We should also have the right to reimpose our own import controls whenever it became clear in any case that the Japanese export control was not effective. In these circumstances the President proposes to accept export control at the Japanese end in suitable cases for items on the sensitive list, subject to satisfactory arrangements being worked out in detail, and to agree that if it is necessary to consider fresh restrictions we will wherever possible discuss with the Japanese the use of export controls before imposing our own import controls.

10. As regards (b), the composition of the sensitive list is of crucial importance to us, and the President will later submit separate proposals for dealing with the Japanese request that it should be shortened. He does not consider that time limits for the maintenance of restrictions need be ruled out in principle, although they would not necessarily be acceptable for all items.

11. As regards (c), the Secretary of State for the Colonies has represented that we should continue to insist that the restrictions to protect Colonial interests in our market should cover all items of Colonial interest and should not be limited to the traditional items. The Japanese are likely to oppose this strongly, if only because of the political difficulties for them of leaving Hong Kong free to develop in the United Kingdom Market new export lines from which Japan would be excluded.
Summary

12. The modified form of alternative A would give Japan the appearance of full GATT rights to which they attach considerable importance, while providing us with safeguards for our sensitive industries and giving our export interests a better chance and greater incentive to compete for the growing Japanese market. Whether in the end an agreement on these lines will prove acceptable to both sides will depend to a large extent on the composition of the sensitive list of goods on which import restrictions will be maintained by us.

13. I invite the Cabinet to agree with the conclusions of the Economic Policy Committee that our negotiators should proceed on the lines set out in paragraph 4 above and should adopt the attitude expressed in paragraphs 9–11 on the subsidiary matters. The Economic Policy Committee will consider the sensitive list at a later stage and will if necessary submit their views to the Cabinet.

S. L.

Treasury Chambers, S.W. 1.
2nd December, 1960.
CABINET

PUBLIC INVESTMENT 1962–63

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

Proposed New Procedure

In investment reviews in previous years Ministers have settled investment programmes for the following financial year and provisionally approved the larger public investment programmes two years ahead. In C. (60) 112, my predecessor proposed that this year we should fix, within the provisionally agreed programmes, minimum programmes for 1962–63 which would not subsequently be reduced save in the most exceptional circumstances. If economic conditions permit, it may be possible next July to increase these minimum programmes; in the meantime departments would have a more solid basis for planning ahead than they would have had under the previous procedure.

2. On 19th July the Cabinet agreed that officials should examine the programmes for 1962–63 on the lines proposed (C.C. (60) 43rd Conclusions, Minute 5).

Applicability

3. It was not to be expected that the idea of minimum programmes and margins could be applied uniformly. The circumstances of the different programmes differ too widely. My officials report that they fall into three groups, as set out in the Annex to this paper.

4. For Group A, which includes most of the larger programmes, it is recommended that minima and margins should be fixed at the levels shown. The division proposed has been agreed at the official level with the department concerned in each case.

5. The British Transport Commission and the Atomic Energy Authority are in a special category—Group B—because their investment programmes are under review. The Transport Commission’s programme has been put provisionally at the same figure as has been provisionally fixed for 1961–62, i.e., £175 millions, and the programme of the Atomic Energy Authority at the figure proposed in the Authority’s latest investment return, though this is likely to be reduced as a result of the review now in hand. When these two programmes are finally determined, it should be possible to divide them into minima and margins in the same way as those in Group A.

6. Group C are programmes for which it is not considered practicable to settle fixed minima at this stage. There are a number of reasons for this: to fix margins now in the “Other Central Government” and “Local Authority”, &c., programmes would involve a disproportionate amount of complication over very small figures; for other programmes it is not realistic to fix margins because of the nature of the control over the investment or because of the way in which expenditure depends on deliveries. If, however, the economic situation does not permit us in due course to approve the whole of the margins, in additions to the minima, for the programmes in Groups A and B, it may well be necessary to call for adjustments in those in Group C. Such adjustments would be best effected through the appropriate machinery as and when required.
CABINET

PUBLIC INVESTMENT 1962–63

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

Proposed New Procedure

In investment reviews in previous years Ministers have settled investment programmes for the following financial year and provisionally approved the larger public investment programmes two years ahead. In C. (60) 112, my predecessor proposed that this year we should fix, within the provisionally agreed programmes, minimum programmes for 1962–63 which would not subsequently be reduced save in the most exceptional circumstances. If economic conditions permit, it may be possible next July to increase these minimum programmes; in the meantime departments would have a more solid basis for planning ahead than they would have had under the previous procedure.

2. On 19th July the Cabinet agreed that officials should examine the programmes for 1962–63 on the lines proposed (C.C. (60) 43rd Conclusions, Minute 5).

Applicability

3. It was not to be expected that the idea of minimum programmes and margins could be applied uniformly. The circumstances of the different programmes differ too widely. My officials report that they fall into three groups, as set out in the Annex to this paper.

4. For Group A, which includes most of the larger programmes, it is recommended that minima and margins should be fixed at the levels shown. The division proposed has been agreed at the official level with the department concerned in each case.

5. The British Transport Commission and the Atomic Energy Authority are in a special category—Group B—because their investment programmes are under review. The Transport Commission’s programme has been put provisionally at the same figure as has been provisionally fixed for 1961–62, i.e., £175 millions, and the programme of the Atomic Energy Authority at the figure proposed in the Authority’s latest investment return, though this is likely to be reduced as a result of the review now in hand. When these two programmes are finally determined, it should be possible to divide them into minima and margins in the same way as those in Group A.

6. Group C are programmes for which it is not considered practicable to settle fixed minima at this stage. There are a number of reasons for this: to fix margins now in the “Other Central Government” and “Local Authority”, &c., programmes would involve a disproportionate amount of complication over very small figures; for other programmes it is not realistic to fix margins because of the nature of the control over the investment or because of the way in which expenditure depends on deliveries. If, however, the economic situation does not permit us in due course to approve the whole of the margins, in additions to the minima, for the programmes in Groups A and B, it may well be necessary to call for adjustments in those in Group C. Such adjustments would be best effected through the appropriate machinery as and when required.
Total for 1962–63

7. The total for all the programmes now proposed, including minima and margins, is £1,810 millions in round terms for 1962–63. This represents a considerable increase over the total of programmes approved for 1961–62. I have already expressed my concern at the increase in public expenditure of all kinds. But I am prepared to agree to the minima now and we can consider the margins next July at the annual Investment Review.

8. In Group A we have a minimum total of £1,245 millions with a margin of £56½ millions for final decision next July. Group B is a special category because we do not yet know what the programmes will be, but we should be able to obtain some margin. Group C includes miscellaneous central Government and local authority investment totalling nearly £200 millions; this covers numerous comparatively small projects which we cannot deal with like Group A, but which could be pruned next July if necessary.

9. I consider that the margins proposed above should be adequate for the dual purpose of giving Departments a basis on which to plan and of giving us generally a realistic margin from which we can operate if need be next July. I look to my colleagues to resist any proposals for further increases in either the minimum or total programmes between now and next July and to ensure that they avoid any commitments for 1962–63 which might involve an excess over the minima before decisions are taken next year.

Conclusion

10. My proposals are therefore as follows:

(i) For the programmes in Group A, the minima set out in the Annex should be approved now and the margins provisionally approved; final decisions on the margins should be taken at the next Investment Review in the summer of 1961; meanwhile, no commitments should be entered into which would encroach on the margins.

(ii) Minima and margins should similarly be determined for the British Transport Commission and Atomic Energy Authority, when the present reviews of these programmes are complete.

(iii) The programmes in Group C should be provisionally approved, subject to the reservation in paragraph 6 above.

11. I invite my colleagues to approve these proposals and to arrange for their Departments to proceed accordingly.

S. L.

Treasury Chambers, S.W.1,
2nd December, 1960.
### PROGRAMMES FOR 1962-63

<table>
<thead>
<tr>
<th>Group A</th>
<th>Total: £ millions</th>
<th>Minimum: £ millions</th>
<th>Margin: £ millions</th>
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<td>Gas</td>
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<td><strong>Total</strong></td>
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<td>1,244.65</td>
<td>56.55</td>
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**Timing adjustment:** -1.2

**Total:** 1,302.4

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<td>Atomic Energy Authority</td>
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<td><strong>Total</strong></td>
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<th>Group C</th>
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<td>Air Corporations</td>
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<td>Education (Scotland)</td>
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<td>Other local authority, &amp;c, programmes</td>
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<td><strong>Total</strong></td>
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<td><strong>Total (all programmes)</strong></td>
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(1) Programmes for calendar years adjusted to financial years by timing adjustment.

**December, 1960.**
CABINET

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

At the Western Summit meeting in December 1959, the Americans suggested that the Organisation for European Economic Co-operation (O.E.E.C.)—of which they and the Canadians are only "associate" members—might be refashioned into an Organisation for Economic Co-operation and Development (O.E.C.D.) with themselves and the Canadians as full members and with a new constitution to take account of the changes in the economic climate which have taken place since O.E.E.C. was first set up in 1948. We welcomed this suggestion, as did the other Governments concerned, and directions were given for the necessary preparatory work to be put in hand. My predecessor gave the Cabinet a progress report on this work on 21st July (C.C. (60) 44th Conclusions, Minute 6). It has now reached the point where a draft Convention for the O.E.C.D. has been agreed at the official level, subject to a few outstanding points of detail, and the text is now ready for signature if the Governments concerned approve it.

2. There will be a meeting in Paris on 13th and 14th December at which the President of the Board of Trade and I will represent Her Majesty's Government. The purpose of this meeting will be to settle the outstanding points, to approve the draft Convention and to sign it.

3. Since it was first put forward at the Western Summit a year ago, Her Majesty's Government have consistently supported the idea of transforming O.E.E.C. into O.E.C.D. Most—if not all—European countries, including ourselves and our partners in the European Free Trade Association, attach great importance to creating a successor body to O.E.E.C. which will carry on its traditions and act as a focal point for economic co-operation on a Europe-wide—indeed on an Atlantic—scale. They and we are anxious that we should not lose this opportunity of creating an up-to-date Organisation in which we can work together more closely with the Americans and Canadians and so strengthen the economic ties between Western Europe and North America.

4. The most important task of the new Organisation will be discussion of member countries' economic policies and their impact on other countries. Its second important task will concern the less-developed member—and non-member—countries, including consultation on the ways and means of assisting them to develop, and expanding and improving the flow of long-term development finance. O.E.E.C. will also have a role in the field of trade—though less important than was that of O.E.E.C.—to examine the general trade policy and existing trade practices of each member country.

5. These are the main objectives and we should continue our support of them. There are, of course, some differences of view between some of the European countries and the United States—for example, about the trade functions of the new Organisation—and these will no doubt be further discussed at the Ministerial meeting next month, although they do not affect the text of the draft Convention which has been generally agreed.

6. I should be glad of the Cabinet's authority to proceed on the above lines and for the President of the Board of Trade and myself to sign the Convention of the Organisation for Economic Co-operation and Development on behalf of Her Majesty's Government.

S. L.

Treasury Chambers, S.W.1,
6th December, 1960.
CABINET

TOURISM

MEMORANDUM BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT

I welcome on general grounds the proposal in the memorandum by the President of the Board of Trade (C. (60) 179) that we should consider ways and means of attracting more tourists; and I am particularly glad that he has included among matters which should be considered the inadequate arrangements for handling passengers at the seaports at which large numbers of continental passengers arrive. I was myself on the point of pressing for something to be done at the south coast ports—especially at Dover, where the congestion on the arrival of some of the services from Ostend is causing indefensible delays for which the blame is wrongly laid at the door of the Immigration and Customs Services.

2. In considering the President's paper, my colleagues should be aware that, on the initiative of Mr. Selwyn Lloyd, when he was Foreign Secretary, I recently arranged for the preparation of material by the Home Office, the Ministry of Transport, the Ministry of Agriculture and the Board of Customs and Excise to serve as the basis of a review of our existing arrangements for dealing with immigration, customs, motor cars and plant and animal health requirements. Mr. Selwyn Lloyd had urged that we should if possible adopt more liberal policies in these matters in the interests of Western European unity; and it had been agreed that the position should be the subject of early consideration by the Departments mainly concerned. The material prepared for this purpose will, I think, be of value in any wider examination of our tourist potential upon which we may agree.

3. I would only add that so far as the immigration controls are concerned—to which the President directs special attention—I do not think that we can relax further our present scrutiny at the ports, which is kept to an absolute minimum, unless we are either to open the door to the large-scale entry of foreign workers and seekers after the benefits of the welfare State or to adopt a system of police control of aliens which would probably be much more objectionable. I expect that in other fields too we may find it difficult to reconcile relaxations of practice which would be in the interests of tourism with our own domestic requirements. But I fully agree that we should take stock and see what can be done.

R. A. B.

Home Office, S.W. 1,
2nd December, 1960.
Cabinet

Reorganisation of the Nationalised Transport Undertakings

Note by the Minister of Transport

I circulate for the approval of my colleagues a revised draft White Paper on the reorganisation of the nationalised transport undertakings. This has been prepared by the Prime Minister with the assistance of the Chancellor of the Exchequer and myself, on the basis of a draft produced by the Departments concerned following the discussion in Cabinet on 1st December (C.C.(60) 61st Conclusions, Minute 3).

2. It will be seen that, although there has been a good deal of re-writing and the draft is now more closely argued, few points of principle have arisen.

3. I hope that the Cabinet will feel able to give final approval to the draft this week in order to enable the White Paper to be printed in time for publication on Tuesday, 20th December, before Parliament rises.

E. M.

Ministry of Transport, W.1.

7th December, 1960.
1. Her Majesty's Government, having reviewed the position and prospects of the nationalised transport undertakings, now put forward their proposals for their future structure, working and financial reorganisation. In reaching their conclusions, the Government have been assisted by the valuable advice they have received from the Special Advisory Group on the British Transport Commission. They have also taken into full account, the Report on British Railways from the House of Commons Select Committee on Nationalised Industries, and the views of the British Transport Commission and the Trade Unions.

The Government's Aim

2. The Government's aim is that the nationalised transport undertakings shall be soundly based both in organisation and finance, providing efficient services to industry and the public and giving a good livelihood and worthwhile jobs to those who work in them.

3. There is much to do and a long way to go. The accumulated deficits of the British Transport Commission at the end of 1960 will be of the order of £500M, and are currently running at the rate of £100M a year.

4. Sweeping changes will be needed. Effort and sacrifices will be required from all. The public will have to be prepared to face changes in the extent and the nature of the services provided, and when necessary, in the prices charged for them. The taxpayer will have to face a major capital reorganisation as well as continue to carry a large part of the burden until the railways are paying their way again. Those working in these undertakings, if their livelihood is to be assured, will have to play their part in

throughout this document the expression "nationalised transport undertakings" excludes the Statutory Air Corporations.
increasing productivity and enabling the labour force to be deployed so as to secure maximum efficiency in operation. When the Government made funds available to implement the Guillebaud Report last spring, they made it clear that far-reaching changes would be necessary.

The Problem

5. The heart of the problem is in the railways. They are a great national enterprise and a vital basic industry. They employ half a million people and represent an investment of nearly £1600M, which is growing by more than £100M. each year. A railway system of the right size is an essential element in our transport net-work and will remain so for as long as can be foreseen. The development of other forms of transport and new techniques have faced our railways, like the railways in other countries, with problems of competition and adaptation to modern circumstances and public demand.

6. The railways are now in a grave financial plight. They are a long way short of covering even their running costs - by something of the order of £60M. a year. This is quite apart from the problem of meeting their interest charges, whether upon the price paid for the undertakings or upon the money since borrowed for modernisation and other purposes. These interest charges now total some £75M. a year. *

7. The practical test for the railways, as for other transport, is how far the users are prepared to pay economic prices for the services provided. Broadly, this will, in the end settle the size and pattern of the railway system. It is already clear that the present system must be made more compact. There must also be modernisation, not only of lay-out, equipment and operating methods, but of organisation and management structure.

* The figures in this paragraph relate to railways alone; they make no allowance for surpluses, at present some £10M. a year after meeting interest charges, earned from the other activities of the Commission.
8. The answers to these problems will not be found overnight, but the Government are convinced that as an essential first step there must be radical changes in the organisation, financial constitution and the statutory framework of the undertakings controlled by the British Transport Commission.

THE GOVERNMENT'S MAIN CONCLUSIONS

9. The activities of the British Transport Commission as at present constituted are so large and so diverse that to run them effectively as a single undertaking is a virtually impossible task. The size and difficulties of British Railways have understandably tended to preoccupy the Commission and have undoubtedly affected its outlook over the whole range of its activities.

10. While there have clearly been some shortcomings of management, these have no doubt been due in part to the structural defects referred to above. These have been particularly apparent in financial and commercial matters. In the consideration of these matters there has been a marked tendency for technical and operating factors to prevail over others. There has also been, as the Select Committee point out in paragraph 417 of their Report, a "confusion in judging between what is economically right and what is socially desirable".

11. The commercial capability of the railways is circumscribed by outmoded statutory restrictions and obligations on their trading operations.

12. Mounting deficits, the size of capital debt in relation to the earning capacity of the assets represented, and the increasing burden of interest as modernisation proceeds, present a situation detrimental to the morale of management and staff, to financial control, and to hopes of recovery.
13. In these circumstances, the Government have decided:—

(a) to replace the British Transport Commission and the existing organisation by a new structure designed to overcome the main defects and disadvantages of the present organisation;

(b) to reconstruct the finances of the Commission and in particular those of the railways;

(c) to give the various activities the maximum practical freedom of operation in their commercial affairs.

THE GOVERNMENT'S PROPOSALS

A NEW STRUCTURE

14. The Government propose that each of the main activities of the present Transport Commission should be managed by a separate board holding its own assets and responsible for its own capital debt. This should lead to concentration of effort, devolution and definition of responsibility, and thus secure more effective management, and foster financial discipline. The object is to provide each Board and management with a clearly defined task within a set field. The administration of such diverse activities as the Railways, Ports, London Transport and Inland Waterways, presents special problems, each of which calls for particular qualifications and experience. The Boards for British Railways, London Transport, British Transport Docks and British Waterways will each be incorporated under Statute with the appropriate duties and powers necessary to the efficient conduct of those undertakings. In view of their importance and the special nature of their problems they
will be responsible direct to the Minister of Transport, who will appoint their members. All the other activities will be grouped under a Holding Company (see para. 24 below). A chart showing the new structure is on page 18.

Railways

The British Railways Board

15. The British Railways Board will assume the responsibility for running the railways as an effective national system and will be vested with the railway assets and the responsibility for the capital debt of the railways as a whole. It will however perform only those central functions which are essential to the running of the railways as a single entity; all other functions will be the responsibility of the Regional Railway Boards (see paragraph 17 below). Notably the British Railways Board will be responsible for such matters as national staff and wage negotiations, overall control over finance and investment, policies for safety, training and research, and the determination of the future size and shape of the railway system.

16. The Railways Board will be composed as follows:

(a) A full-time Chairman and Vice-Chairman.

(b) A member from each of the Regional Railway Boards (ordinarily the Chairman or General Manager).

(c) Certain full-time members with special responsibilities.

(d) One or two part-time members.

Regional Railway Boards

17. The Regional Railway Boards, which will replace the present Area Boards, will be fully responsible for the management and operation of their regional railway systems. Each will be autonomous in all matters which concern its region alone. They will thus continue the process of devolution of authority and decentralisation of management. To assist it in carrying out its duties each Regional Railway Board will maintain a regional trading account. (The Commission’s consultants have suggested possible
bases for such accounts and their report is under consideration). The precise arrangements for capital expenditure, which would be within the control of the Regional Board, and major capital expenditure, which would require the approval of the Railways Board, must be worked out as experience develops.

18. The membership of the Boards will be small in number and will contain a strong element of full-time Members. The Chairman will be appointed by the Minister. The post of Regional General Manager will carry a seat on the Board.

19. To secure coordination between national railway policy and regional railway operation one Member of each of the Regional Railway Boards will, as already stated, be a Member of the British Railways Board.

Packet Ports and Shipping Services

20. The packet ports and those shipping services which are extensions of the railway system will continue to be treated as part of the railway system.

London Transport

21. The London Transport Executive will again be called the London Passenger Transport Board and will continue to be composed mainly of full-time members of whom a number will have special responsibilities. It will be responsible for the public transport monopoly at present delegated to the London Transport Executive. As hitherto, it will work in close concert with the London lines of British Railways in all matters of common concern.

British Transport Docks

22. The ports and docks at present administered by the Commission's British Transport Docks Division will be transferred to a new statutory Docks Board. The Board will be small in number. Its composition will reflect those functions affecting the Docks including finance which require to be dealt with centrally. The management of the more important of their ports will be represented on the Board.
Inland Waterways

23. British Transport Waterways will be placed under an independent statutory board to be known as the Inland Waterways Authority. This body will own and manage the nationalised inland waterway system. It will also be responsible for proceeding with the redevelopment or disposal of waterways which no longer have a transport use. The composition, powers and duties of the new body will require further discussion. It will be necessary to take account, on the one hand, of the charge which the waterways system imposes on public funds, and, on the other, of the varied purposes which they can be made to serve.

The Holding Company

24. British Road Services, Tilling Bus Group, Scottish Bus Group, British Transport Hotels, Road Freight Shipping Services, and Thomas Cook and Son Ltd., will each be operated as companies incorporated under the Companies Act with their own boards of directors.

25. All these undertakings (except the Hotels) are already in company form; and all operate in the same general field as private enterprise with which they are often in competition. They will all, including the Hotels, now be grouped under a new Holding Company responsible to the Minister who will appoint its Board.

26. The Commission's present minority shareholdings in certain transport concerns including bus companies which are subsidiaries of the British Electric Traction Company Limited will be transferred to the Holding Company. Certain controlled companies and holdings essentially connected with the railways will fall within the general responsibility of the Railways Board.

27. On the other hand there are certain companies either controlled by the Commission or in which the Commission hold a minority interest, the activities of which are essentially connected with the Railways. The Commission's holdings in these companies will be transferred to the Railways Board.
Freehold and Leasehold Property

2d. The development of the valuable properties at present held by the Commission is a matter requiring special attention (see also para. 59 below). It is proposed to set up one or more organisations specially equipped to advise and as appropriate act for the statutory Boards and Companies in connection with the development, transfer and the disposal of property no longer required, and thus to assist in obtaining the best possible return.

COORDINATION

29. Coordination of policy between the new Boards including allocation of funds for new investment will be the responsibility of the Minister of Transport. In this he will be assisted by a new advisory body, the Nationalised Transport Advisory Council. Suitable arrangements for coordinating the day-to-day activities of individual undertakings will also be established by means of consultation between the Chairmen of the new Boards.

30. The new organisation is intended to provide for direct contact between the Minister and the component parts of the nationalised transport industry. This will necessarily be closest where there are deficits to be financed from the public purse. Apart from this the Government do not propose that the Minister's existing statutory powers and responsibilities in relation to the nationalised transport undertakings should be extended. As in the case of other nationalised industries, the Minister's main charge will be for overall coordination and for securing the general efficiency of the industries in accordance with his responsibility to Parliament for them. He will continue to discharge these responsibilities through his powers of appointment and of general direction, and his control of development, investment and finance. His special duties in respect of safety, training and research will continue.
Nationalised Transport Advisory Council

31. The Nationalised Transport Advisory Council's main responsibility will be to advise the Minister on questions referred to it by him relating to the coordination of the nationalised transport undertakings and on questions of policy. It will also be available to advise the Minister in the exercise of his responsibilities towards the particular undertakings including appointments, finance and development. The Council will have no executive or supervisory functions.

32. The Nationalised Transport Advisory Council will consist of the Chairmen of the Boards of British Railways, London Transport, British Transport Docks, Inland Waterways Authority, and the Holding Company. Other members will be added, drawn from outside the nationalised transport undertakings. The Minister will ordinarily act as Chairman of the Council.

APPOINTMENTS

33. All appointments to the major boards will be made by the Minister of Transport. Certain other appointments will be subject to his approval.

34. In making appointments to the various Boards the Minister will have regard to the special contribution which can be made by those with Trade Union experience. It is essential to use this experience in the management of industries, such as the Railways, where manpower plays so large a part.

35. The Government consider it important that, so far as possible, the nationalised transport undertakings should produce their own leaders. Promotion from within the undertakings to the highest levels should be within the grasp of those who prove themselves capable. In particular, there should be much greater opportunities in future for those in all parts of the railway service to make their way to the top. At the outset, however, some major posts may have to be filled from outside.
36. A far reaching financial reconstruction is necessary to deal both with the serious financial state of the railways and because of the changes proposed in the organisation.

FINANCIAL RECONSTRUCTION

37. The financial situation of the Commission and the railways (as indicated in paragraphs 3 and 6 above) is so serious that they cannot now carry on without large scale support from the Exchequer. Financial reconstruction has therefore become imperative. The expectation that the Commission, and more specifically the railways, will be able to meet in full their existing liabilities is now unrealistic. A drastic scaling down of debt is urgently needed to give the railways a fresh start.

38. The plan of financial reconstruction now proposed is of an interim character. This is inevitable in view of the uncertain prospects. The railways are in the midst of a large modernisation programme, of which the financial results are yet to be seen; it will take time also to reap the benefits of the new organisation and of the greater freedom of action which the Government propose for the railways. The objective of the financial reconstruction is to find a working basis for the railways over the next five years and to lay the foundations for financial recovery.

39. Accordingly the Government put forward the following proposals. The figures quoted are based upon the position recorded in the Commission's last Balance Sheet on December 31st, 1959, and will have to be worked out in detail later. Nevertheless, they give a broad indication of the general size and nature of the problem and the action proposed.

Capital Liabilities

40. The net capital liabilities of the Commission at 31st December 1959 amounted to approximately £2000M., of
which £1400M. consisted of British transport Stock in the hands of the public and £600M. of advances from the Minister of Transport; and it is with these liabilities that the proposed reconstruction is primarily concerned.

41. Some £800M. of the £2000M. capital liabilities are attributable to the non-railway activities of the Commission which, in the main, have been self-supporting. Responsibility for this amount of debt will, in effect, be transferred to the appropriate new boards. The debt in each case will be based on the book values of the assets transferred.

42. The balance some £1500M., relates to the railways. Of this, some £400M. is attributable to losses which have accumulated between 1955 and 1959 and have been financed mainly by Exchequer advances. There is, in the Government's view, no prospect of these losses ever being recovered. They propose, therefore, that this amount should be written off and the outstanding debt reduced accordingly.

43. After this £400M. of accumulated losses has been written off (para. 42) £1,200M. of capital liabilities is left. The Government propose that, of this sum £400M. - equivalent to the written down book value of the railways' investment since modernisation began in 1955 - should continue to rank as an interest-bearing loan on normal terms.

44. The remainder (£800M.) would be placed to Suspense Account and would carry neither fixed interest nor fixed repayment obligations. The amount and treatment of this Account will be subject to review from time to time, in the light of developments and in particular of a careful review which will have to be made of the book value of assets acquired up to and including 1955. Amounts may well have to be written off in respect of ascertained capital losses, (including losses in respect of assets which become obsolete as modernisation proceeds).
The existence of the Suspense Account, however, will enable the Exchequer to obtain some return if railway finances improve sufficiently. The possibility cannot, however, be ruled out that much of the amount placed in Suspense may well ultimately have to be accounted lost and written off.

45. These proposals for capital reconstruction of the British Transport Commission are summarised in the following Table:-

<table>
<thead>
<tr>
<th></th>
<th>Railways</th>
<th>Other Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Liabilities (after deducting Capital Redemption Fund investments)</td>
<td>1,600</td>
<td>400</td>
<td>2,000</td>
</tr>
</tbody>
</table>

(paragraphs 40 and 41)

**PROPOSALS**

Debt to be written off on account of Revenue Losses (paragraph 42) 400 400

Debt to be carried in Suspense (paragraph 44) 800 800

Interest-bearing Capital Liabilities to be retained 400 400 800

(paragraph 43)

**TOTAL:** 1,600 400 2,000

**Effect on British Transport Stock and other capital liabilities**

46. The Treasury will assume all responsibilities for existing British Transport Stock. The rights of stockholders will therefore be fully safeguarded. At the same time appropriate amounts of debt to the Exchequer will be assumed by the new Boards.

**Consequences of the Capital Reconstruction**

47. The effect of these proposals is that the railways would be given immediate relief in respect of obligations to the extent of £1200M., of which £600M. would be written off, and £800M. put to suspense. While the Government regard these drastic measures as
required to deal realistically with the existing financial situation, they also think it most desirable that their nature and size should be fully appreciated. Their effect will be to take from the shoulders of the railway undertaking (a) the whole burden of accumulated losses and (b) the greater part of the liability relating to its capital value prior to the beginning of modernisation in 1955, except insofar as at a later date the undertaking may be able to resume the burden. But these heavy liabilities, though removed from the shoulders of the railways, will not have ceased to exist. They will only have been transferred to the public in another form since they will fall upon the Exchequer.

Future Revenue Prospects and Objectives

43. The capital reorganisation outlined above, will by the writing off of £200M. and the carrying of £800M. to suspense provide an immediate relief to the railways of over £20M. annual interest. They will, however, have to pay interest on:

(a) The reduced capital liability of £200M. referred to in paragraph 43;

(b) New borrowings for capital expenditure;

(c) Certain other liabilities, e.g. superannuation funds and Savings Bank deposits (paragraph 55).

At the end of the next five years the total charge under these heads may amount to some £60-70M. a year, depending on the level of new borrowings and the rate of interest. Before the railways can meet these charges they will have to eliminate their operating loss, now running at a total of £60M. a year.
49. The Government recognise that the task before the Railways of eliminating the present operating loss and moving to a surplus of £60-70M. a year within the next five years will be very formidable. They will therefore keep the financial position of the Railways under very close review and will make a special review of the position at the end of the five years. They will establish in consultation with the railway administration targets of financial performance which the Railways should aim to achieve from year to year over the five-year period.

50. It is still clear on a realistic appraisal of the situation that large sums will have to be provided from the Exchequer during the interim period to meet railway deficits; and the Government will seek the necessary powers.

Productivity and Manpower

51. If the railways are to regain solvency, and provide a fair livelihood for their workers, efficiency of operation and the most economic use of manpower are crucial: thus they must be a special concern of the new Railways Board. As the Select Committee on Nationalised Industries noted, work study - which has been successfully applied in a number of fields - should be extended far beyond the 6 per cent. of railway staff so far covered. The British Railways Productivity Council has already considered this, and the Government have welcomed the recent joint appeal by the employers' and the Union sides of the industry for cooperation by all concerned.

Railway Fares and Charges

52. Increases in railway fares and charges must, where and when appropriate, make their due contribution towards meeting railway costs.
The foregoing special arrangements for the remission of debt and the writing off of liability apply only to the railways. The other Statutory Boards will be expected to conduct their affairs in accordance with the general system applicable to Boards of this character, that is taking one year with another, to balance their accounts. Special aid may, however, have to be given in the initial years to the Inland Waterways.

54. The Holding Company is in a different category, since it will hold shares in businesses which are operating in the same field as private enterprise. These businesses, like similar businesses in the private sector, may be expected to yield a good return. Subject to regulations which affect private as well as public businesses of these kinds it will be the duty of the holding company to secure the best possible results for the public purse. The profits of the Holding Company group will accrue to the Exchequer in the form of dividends and should be some offset to losses on other nationalised transport undertakings.

Other Financial Matters

55. There are certain other liabilities not mentioned in the Table in paragraph 54, including liabilities in respect of savings bank deposits and superannuation funds - which amounted to about £400M. at 31st December 1959 and are attributable mainly to the railways. The Government do not propose any relief from these liabilities for the undertakings. The Government have noted the observations of the Select Committee on Nationalised Industries (in paras.150 to 154 of their Report) on the investment of savings bank deposits and superannuation funds in the British Transport Commission's undertaking. They are considering with the Commission what changes might be made in the present arrangements. This consideration, of course, in no way affects the security of the deposits and the rights of the beneficiaries, which will continue unimpaired. Consideration is also being given to the scale of depreciation and obsolescence provisions which should be made by the various new undertakings.
56. In this reorganisation and financial reconstruction it would not be reasonable to leave the railways subject to out-of-date restrictions on their commercial activities.

Fares and Charges

57. The present restrictions on the ability of the railways to adjust quickly and adequately their freight charges and passenger fares are, in the Government's view, no longer justified in present competitive conditions.

58. The railways will therefore be freed from statutory control over their charges except rail and bus fares in the London Passenger Transport Area where the London Transport Executive and British Railways have a virtual monopoly of public transport. This change will substantially reduce the functions of the Transport Tribunal.

Freehold and Leasehold Property

59. The present statutory restrictions on the development of property by the nationalised transport undertakings will be suitably relaxed.

Pipelines

60. The Commission already have power to accommodate, by way of leases, pipelines on their property. Subject to any general legislation on pipelines which the Government may wish to promote, it is proposed to give certain of the new undertakings, particularly Railways, powers to lease, provide and operate pipelines on their property.

Coastal Shipping

61. The Road and Rail Traffic Act, 1933, and the Transport Acts of 1947 and 1953 contain provisions protecting coastal shipping from competition from inland transport. The Government are at present examining these provisions in the light of the need to give greater commercial freedom to the railways and of the interest of the coastal shipping industry.
LEGISLATION

62. The Government's proposals for the new structure, for financial reconstruction, and for freedom of commercial operation will require major legislation. Consultations and preparation will take some time to complete. The Government propose to introduce the necessary Bill in the next Session of Parliament. Should interim legislation be required, it will be introduced.

CONCLUSION

63. Her Majesty's Government have, throughout their consideration of these problems, sought to find practical answers to the difficulties with which the nationalised transport undertakings are confronted. The Government have been guided solely by their concern to establish what is best for the industry and best for the country. They put these proposals forward as providing the best opportunity for the various undertakings and especially the railways, to become efficient and soundly based.
CABINET

KENYA - LAND POLICY

Note by the Lord Chancellor

I circulate, herewith, at Annex A the report of the Committee of Ministers which was set up last August under my chairmanship to give further study to the problem of the future security of title to land in Kenya. Also attached, as Annex B, is the draft of an Answer which the Colonial Secretary hopes to give on Thursday, 15th December, in reply to an Oral Question tabled by Major Patrick Wall, M.P.

2. I invite my colleagues -

(a) to endorse the Report of the Committee;

(b) to authorise the Colonial Secretary to reply as in Annex B to Major Wall's Question.

K.

House of Lords, S.W.1.

12th December, 1960
ANNEX A

REPORT OF THE COMMITTEE ON LAND TENURE IN KENYA

Introduction

In their discussion of a memorandum by the Colonial Secretary (C. (60) 110) on future land policy in Kenya, the Cabinet decided on 14th July (C. C. (60) 42nd Conclusions, Minute 3) that a Committee of Ministers under the Chairmanship of the Lord Chancellor should give further study to the problem of the future security of title to land. In a subsequent statement in the House of Commons the Colonial Secretary promised that as soon as detailed proposals had been prepared further discussions would take place with the Governor and his Ministers with a view to a final statement being made.

2. The Cabinet were agreed that the four schemes for compensation or guarantees mentioned in paragraph 10 of C. (60) 110 appeared to be unacceptable since they would impose a financial burden which would be beyond the resources either of the farmers themselves or of the United Kingdom Exchequer. We endorse this view and have therefore examined other possible measures which might be taken. These are:

(a) What legal and constitutional arrangements to safeguard property rights might be made upon independence?

(b) What administrative and political steps might be taken, outside the legal framework, to re-assure investors and property holders?

We also considered what statement could be made now.

Constitutional and legal arrangements

3. After examination of several precedents it seems clear to us that reasonably satisfactory and detailed provisions could theoretically be entrenched in the fundamental law of an independent Kenya so as to protect property. These provisions might be based on an improved version of those in the independence constitution for Nigeria, which were one of the models for the Code of Rights included in the new Kenya constitution made at the end of November.

4. The new Kenya Code represents a reasonable balance between the rights of the State and those of the individual. Its provisions limit the power of compulsory acquisition to certain public purposes, in circumstances in which the hardship caused to the right-holder can be reasonably justified; they require the prompt payment of full compensation; they confer rights of access to the Supreme Court, with such rights of appeal as are given in civil proceedings. They do not however limit the commonly accepted rights of the state to levy taxes, administer the estates of bankrupts, etc. A special provision is included to guarantee equality of economic opportunity and to prevent discriminatory taxation and discrimination in the use or enjoyment of a person's property.
5. If safeguards of this kind are to work properly it is particularly important to ensure the independence of the Judiciary, and it is desirable if possible to allow for appeals to a final court outside the territory. This should be possible, since even if the Judicial Committee of the Privy Council is not acceptable for this purpose, and no progress is made with the suggestion for a Commonwealth Court, it is probable that a Court of Appeal will continue to function for the East African territories as a whole.

6. Both the provisions safeguarding basic rights and those guaranteeing the independence of the courts should if possible be specially entrenched in the constitution. We reviewed various methods in which this might be done within a unitary State. Theoretically it would be possible to make these provisions unalterable, as was done in Cyprus (certain basic articles of the constitution are declared to be unalterable, and are also guaranteed by treaty with the United Kingdom, Greece and Turkey). In practice this is unlikely to be politically possible, and we might have to fall back on the device of making amendment of the basic provisions as difficult and expensive as we can. For instance, it might be specified that there should be two referenda held at a prescribed interval (six months or a year), together with an absolute two-thirds majority in two successive Legislatures, with a certificate from the Council of State that the proposed amendments are not unfairly discriminatory.

7. Whatever the formal position, there is however always the chance of some action in an independent Kenya which would be in breach of the spirit of the constitution and would simply ignore, suspend or abolish these safeguards.

8. One way in which the United Kingdom might be able to retain rights in international law if this happened would be to conclude an Agreement upon independence under which Kenya undertook to observe the constitution, or at least its basic provisions in respect of British subjects and Kenya citizens. The Agreement might include provision for arbitration by an independent tribunal (for instance, a Commonwealth Court or special Commonwealth tribunal). It could be given the status of fundamental law by the constitution. Treaties of Guarantee of this kind are not uncommon, (Cyprus is the most recent example), but have not so far been negotiated with any other Commonwealth country.

9. An Agreement of this sort would give farmers and investors some feeling that Her Majesty's Government still retained some interest in their well-being and fair treatment, and should help to reassure them. On the other hand, as guardian of some parts of the constitution, Britain might be exposed to special moral pressure to give ex gratia help to the victims if their rights were in fact infringed, although perhaps no more than would arise even if there were no agreement.

10. We emphasise that, although a detailed constitution and an agreement of this kind are technically possible, it will be for political decision at the time when independence is being negotiated how far Kenya can and should be pressed to accept them. There are other special problems (notably the problem of the Coast Protectorate) which may require to be dealt with at independence by concluding a special agreement. An
An agreement to safeguard fundamental rights may therefore be easier to negotiate, as one among several. On the other hand, some Commonwealth countries might be reluctant to recognise Kenya as an independent member if they thought these agreements derogated too far from her sovereignty.

Administrative and political measures

11. These fall into two classes: sanctions against a breach of property rights, and positive measures to encourage African leaders to a sense of responsibility about land.

12. Although in theory both physical intervention and the freezing of Kenya's assets in London might be possible, we cannot conceive circumstances in which the former would be defensible politically, while the latter would injure us and non-Africans in Kenya more than it would hurt an irresponsible Kenya Government. Any decision to freeze sterling assets, whoever owned them, would seriously impair the confidence of holders of sterling throughout the world; in any case, Kenya has virtually no disposable assets in London that could be frozen, and is most unlikely to have accumulated any by the time of independence. Nor could we fully rely on the refusal or withdrawal of financial and technical help, since both might be replaced from other sources, which might well cause us political embarrassment.

13. The Tanganyika leaders have given explicit pledges to all holders of land during recent months and it may be possible to hold them up to Kenya African leaders as an example. It has now been agreed to hold a conference in March, 1961, to discuss the problems involved in the final stages of Tanganyika's advance. At that conference the protection of human rights will be discussed; and if we could reach agreement to entrench these rights in a detailed form in the independence constitution, this would again help in due course when negotiating independence for Kenya.

14. Meanwhile the International Bank's mission, investigating Kenya's application for £5 millions to help in land resettlement, visited Kenya in October. Before they left, the Economic Minister in Washington stressed to them the importance of their discussing the prospects of stability on land with political leaders in Kenya; they did so, with reasonably encouraging results, and it now looks as though the Bank may participate in the scheme to at least the extent of £2 millions.

15. We should also encourage any demand which may naturally arise in East Africa for an economic development or investment conference, attended by officials of international agencies and private interests as well as political leaders, whose aim would be to find ways of stimulating investment. This might arise either from the economic difficulties of the area, or from the publication of the Raisman Report on inter-territorial economic and financial relations (expected this month), or as a result of good publicity for the proposed Nigerian development conference in January. Such a conference would be unlikely to take place for about a year.

16. We are agreed that it is very important to continue attempts to influence African leaders to make reassuring statements in Kenya. Some progress in this has been made by the Colonial Secretary, by the Kenya
Government and by private interests both with the elected African Ministers and with Mr. Gichuru, President of the Kenya African National Union (K. A. N. U.), and Mr. Mboya, its General Secretary. But their K. A. N. U. colleagues include a strong wing of irresponsible people and one or two, like Mr. Odinga the Vice-President, who are influenced by their contacts with Communist bloc countries. On present form it is probable that K. A. N. U. will secure a majority at the election. The Party policy which they have apparently at last adopted does not go so far as it might have done towards extremism, since it holds out some prospect of compensation for those affected by the promised land "reforms", but its publication has further depressed non-African farmers and investors who were hoping for explicit and satisfactory pledges. It is against this background that we have to consider what more should be said now by Her Majesty's Government and the Colonial Secretary has undertaken to make a statement in the House as soon as possible.

Statement

17. Some weeks after the Colonial Secretary's statement to Parliament on 20th July, the Governor made a forthright speech emphasising that we intended to stand by the new constitution and to plan realistically for independence without giving way to demands for short cuts. This speech had temporarily a reassuring effect, though it also provoked strong comments by the more extreme African leaders. The speech has, however, been overtaken by the development of the internal debate in K. A. N. U. and the publication of their policy, and some further statement of our attitude is now needed.

18. Unfortunately, there are still signs of a recession in confidence. As the Cabinet know (C. C. (60) 5th Conclusions, Minute 5) the Commonwealth Development Corporation are discussing a scheme of reorganisation with the three building societies operating in Kenya under which the Commonwealth Development Corporation will participate financially so as to support them in their current difficulties. A number of important tea and plantation companies have asked the Colonial Secretary for a guarantee of their investments, but were induced to drop this demand as unrealistic. The K. A. N. U. policy statement has led to further alarm, and it seems unlikely that their tactics after the election, even if their leaders enter the Government, will quiet existing fears. If the further statement which we have promised is not reasonably forthright, this of itself will help finally to destroy confidence.

19. The Governor and his advisers therefore believe, and we agree with them, that the proposed statement should be as forthcoming as the situation allows. It should rest so far as possible upon the more moderate utterances of the African leaders and, by implication, reject the statements of their more extreme colleagues. It should reaffirm the importance of security for land titles, stress the degree to which this will protect Africans as well as non-Africans, and make it clear that the continued protection of property rights will inevitably be an essential part of any further discussions on future constitutional advance. A statement on these lines is attached and we suggest that it should be made by the Colonial Secretary in the House on 15th December. The date is acceptable to the Governor.
20. We invite our colleagues -

(a) To endorse this report.

(b) To authorise the Colonial Secretary to make the draft statement attached.

December, 1960

ANNEX B
KENYA - SECURITY OF LAND TITLES

Question and Draft Answer

Question by Major Patrick Wall for Oral Reply on 15th December -

To ask the Secretary of State for the Colonies whether he will make a statement about the security of land titles in Kenya.

Draft Answer

At the Lancaster House Conference there were proposals from all the delegates for the enactment of a code to protect the fundamental rights of the individual, including his rights in property. Her Majesty's Government then undertook to provide for the judicial protection of human rights in the new constitution.

Her Majesty's Government have noted increasing recognition among Kenya political leaders of the need for measures and policies which will encourage the expansion of local and overseas investment. We welcome this recognition because without security and confidence private investment in agriculture and industry will not take place, and it will also be extremely difficult to proceed with resettlement schemes in any part of the territory for peasant and yeoman farmers. Security of title to land is an essential prerequisite to confidence and to renewed investment and the full use and settlement of the land; this of course is a problem not confined to one race only, nor only to agricultural titles. As a result of land consolidation under the Swynnerton Plan there are already over 145,000 African farmers with registered titles. Outside the coast there are over 11,000 agricultural titles held mostly by non-Africans and over 17,000 residential, commercial and industrial titles spread among all races. At the coast registered titles exceed 16,000. If confidence is to be won and maintained, all these must be fully secure.
Her Majesty's Government have now completed their examination of methods of ensuring this security both up to and after independence. Detailed provisions designed for the protection of all rights, including rights in property, have now been included in the new constitution. The results of this study will also be taken into account in any further discussions on further constitutional advance, since the continued protection of fundamental rights, including rights in property, will inevitably be an essential part of those discussions. Indeed, such protection for all individuals without regard to race, tribe or religion, follows naturally from the general acceptance of the right of all to stay and take part, without fear of discrimination or victimisation, in the public and economic life of the country.

December, 1960
13th December, 1960

CABINET

COMMONWEALTH YOUTH TRUST

Note by the Secretary of State for Commonwealth Relations

I annex for consideration by the Cabinet a note of Ministers' Conclusions on the Commonwealth Youth Trust.

I ask the Cabinet to approve:

(a) the recommendations in the note of Ministers' Conclusions;

(b) the draft Government announcement attached to the note.

D. S.

Commonwealth Relations Office, S. W. 1.

12th December, 1960.

ANNEX

COMMONWEALTH YOUTH TRUST

Note of Ministers' Conclusions

The Committee under the Chairmanship of Sir Gerald Templer recommended the establishment of a Commonwealth Youth Trust, whose object would be to strengthen the bonds between Commonwealth countries through their younger people. Where possible it was to operate through existing agencies; where these were lacking it was to institute new ones. One of its main roles in the first ten years was the building of a Commonwealth Youth City in London to house 5,000 students at a capital cost of about £10 millions. The Templer Committee thought that the Trust's other activities would involve an expenditure of some £400,000 per annum for
the first ten years and £200,000 thereafter. This money was to be raised largely by public subscription.

2. Ministers were generally in agreement with the recommendations of officials that the Templer Committee's proposals could not be accepted as they stood, at any rate at the present time. They agreed with the Templer Committee that more accommodation is urgently needed for overseas students in this country, but they thought that the Committee's solution of the problem - the building of a Commonwealth Youth City in London - was somewhat misconceived. In the first place it would be extremely expensive and would only deal with the problem in London, whereas at least half the overseas students are at universities and colleges outside London where the accommodation problem is just as acute. In the second place, it would seem unsound in principle to concentrate overseas students in one enormous emporium divorced not only from their particular college, but from their English counterparts and from English people generally. Oversea students ought to be housed for at any rate the first year of their stay in the United Kingdom in hostels which are much more closely integrated with their particular college; and furthermore these hostels should not be exclusively composed of overseas students, but should have at least fifty per cent of their residents from the United Kingdom.

3. Ministers therefore agreed with the recommendation by officials that, instead of financing a Commonwealth Youth City, the Government should embark on an immediate programme of hostels designed to provide 5,000 new places for overseas students over the next four or five years. This is estimated to cost £3 millions in capital and £275,000 a year in running expenses. So far as possible, it is hoped that these hostels could be integrated with the existing programme of new hostels for United Kingdom students.

4. So far as the setting up of a Commonwealth Youth Trust is concerned, this stands or falls by the chances of obtaining enough money from private sources. Unofficial advice from industry is that firms (who will be the main source of this finance) are most unlikely to be willing to contribute towards a Trust on anything approaching this scale. In any case, owing to other appeals in the same general field, it would not be desirable to launch one for a Commonwealth Youth Trust for at least another eighteen months.

5. For a number of reasons the establishment of a Trust financed largely from the Exchequer could not be justified. There is therefore no alternative to deferring this particular recommendation until it appears that the prospects of an appeal for funds would be more successful. Ministers thought that the position should be examined again in another eighteen months.

6. The existence of the Templer Committee's report is fairly well known and the Duke of Edinburgh is believed to be sympathetic with the general aims and purposes. Ministers did not think the report should be published; it was written on a confidential basis and contains some material which could be embarrassing. But the Government are committed to make
a statement about it at the beginning of the new session. Ministers recommend that this should be on the lines of the attached draft (Appendix).

November, 1960

APPENDIX

DRAFT GOVERNMENT ANNOUNCEMENT

Question

To ask the Prime Minister whether he will make a statement on the report of the Templer Committee on the setting up of a Commonwealth Youth Trust.

Answer

Yes, Sir. A Committee was set up in February, 1959, under the Chairmanship of Field Marshal Sir Gerald Templer to make a confidential report to Ministers on certain proposals previously outlined for setting up a Commonwealth Youth Trust. I should like to pay tribute to Sir Gerald Templer and all those who were associated with him on the Committee, and to record Her Majesty's Government's deep appreciation of their willingness to devote so much of their time to this important task.

Their report recommends that a Trust should be established whose fundamental object would be to strengthen Commonwealth bonds through its younger people. The Trust would administer funds to be raised mainly by public appeal. While sympathetic towards the proposal, the Government are advised that such an appeal would not be a practical proposition at this time; they propose to keep the matter under review and to revert to it when it is judged that an appeal would be more likely to succeed.

The Government are indebted to the Templer Committee for drawing their attention to the urgent need to provide increased living accommodation for overseas students in the United Kingdom. The Government have examined the matter in the light of the Templer Committee's report and have decided, as a matter of urgency, to embark on a programme of 5,000 new hostel places for overseas students in various parts of the country over and above those now available. In addition the programme will provide for a number of new or enlarged British Council social and cultural centres for Commonwealth and overseas students in various towns where the overseas student population has greatly expanded in recent years. The programme will be spread over a period and will cost about £3 millions. The Government intend to take advantage of the knowledge and experience of organisations in the student welfare field which are active in the towns in which these facilities are to be provided, and they hope that these organisations and other interested persons will share in meeting the expenses of running the hostels as well as in meeting their capital cost. It is intended that the
British Council should act on behalf of the Government in opening urgent discussions with these organisations.

The Government are also prepared to consider on their merits applications for assistance from public funds for specific organisations and projects in the field of Commonwealth youth, and they hope that private support for such will not be lacking even in the absence of a Trust specifically concerned with this work.

November, 1960
C. (60) 186

13th December, 1960

CABINET

COAL SALES TO THE IRISH REPUBLIC
AND NORTHERN IRELAND

Memorandum by the Minister of Power

The Prime Minister of Northern Ireland, Lord Brookeborough, recently drew the attention of the Prime Minister and the Home Secretary to the fact that Northern Ireland pays more than Eire for British coal. Coal in Northern Ireland is about 35s. a ton dearer because it is treated as part of the United Kingdom home market, while Eire is treated as an export market in which the National Coal Board have had to match American and Polish prices in order to keep a foothold. Lord Brookeborough referred to the dissatisfaction and political embarrassment caused by this disparity and asked whether anything could be done to improve the situation.

2. Two steps are proposed. First, the Board have decided to make a small price reduction for most of the house coal shipped to Northern Ireland. Secondly, because house coal is in short supply in the United Kingdom, and because of the losses involved in selling at present export prices, the Board have decided that the time has come to increase the price of this coal to the Republic. They propose at the end of the present contracts next May to quote importers in the Republic similar prices for house coal to those charged for sales to Northern Ireland. This step will almost certainly bring to an end the trade, which is about half the present British coal exports to the Republic, because importers there will find it cheaper to turn to American or Continental supplies.

3. The quantities of house coal which the Board export to destinations other than Eire are negligible, and they do not expect to receive any serious complaints of discrimination. The Board will make known their decision in the course of normal commercial negotiations for new contracts. The decision is a commercial one taken by the Board and will not involve the Government, but it will be of substantial assistance to the Northern Ireland Government and I think we should welcome it.

4. If my colleagues see no objection to the National Coal Board's proposal in respect of trade with the Republic, Lord Brookeborough will be informed accordingly.

R. F. W.

Ministry of Power, S.W. I.

13th December, 1960
CABINET

HOME DEFENCE POLICY

NOTE BY THE SECRETARY OF THE CABINET

The attached report on home defence policy was prepared by a Committee of officials in pursuance of a direction by the Prime Minister. The report has been examined by the Home Defence Committee and is submitted for consideration by the Cabinet.

2. Part III of the report attempts to assess the extent to which inadequacy of home defence preparations may impair the effectiveness of the deterrent policy in a time of international tension. The officials who prepared the report were unable to reach unanimous agreement on this question: the arguments on either side are set out in paragraphs 16 to 21 of the report. The Home Defence Committee, equally, are unable to present an agreed recommendation to Ministers on it. They are however agreed upon the importance of keeping the existing structure of Civil Defence in being, at least for the present; and they accept the view of the Home Office and other Departments mainly concerned that for this purpose home defence measures must be sustained at a level which will secure the continuing support and interest of the local authorities and voluntary agencies through which Civil Defence must be operated. They also accept the view of the Departments concerned that, in order to achieve this, it will be necessary to incur over the next few years additional expenditure of the order of £4 millions a year, as recommended in the attached report.

3. Part VI of the report discusses a number of other home defence measures which do not involve immediate expenditure. The Home Defence Committee considered that one of these—the question whether plans should be made for a limited evacuation of priority classes—should be brought specifically to the Cabinet’s attention in connexion with the more general issues raised in the report. On this a separate memorandum is being circulated by the Ministers concerned. The remaining measures discussed in Part VI of the report might be examined further by the Ministerial Committee on Civil Defence, in the light of the conclusions reached by the Cabinet on the main issues.

(Signed) NORMAN BROOK.

Cabinet Office, S.W. 1.
15th December, 1960.
REVIEW OF HOME DEFENCE POLICY

REPORT BY OFFICIALS

December 1960
# HOME DEFENCE POLICY

## REPORT BY OFFICIALS

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**APPENDIX A**
Assessment of weight and effects of nuclear attack

**APPENDIX B**
Programme X

**APPENDIX C**
Programme Y

**TOP SECRET**
HOME DEFENCE POLICY

I.—INTRODUCTION

The Home Defence Review Committee was established in February 1960, with the approval of the Prime Minister, to review home defence policy having regard to the nuclear deterrent and the latest assessment of the possibility and nature of a nuclear attack on this country during the next ten years.

2. The following is a brief historical background to the establishment of the Committee. The civil defence organisation was disbanded at the end of the war, and was revived at the time of the Berlin crisis of 1948. Following the invention of the hydrogen bomb the Strath Committee was established to consider the defence implications of fall-out. It reported in 1955, and recommended substantial expenditure in order to provide reasonable protection for the general public against nuclear attack and measures for their continued survival after attack. The Defence Committee (D.C. (55) 1st Meeting) endorsed the recommendations as a basis for the revision of home defence planning, subject to Ministerial approval of detailed schemes.

3. Various measures designed to reduce the casualties from a nuclear attack were authorised; but the stockpiling of food, the safeguarding of water supplies and the provision of other facilities on the scale then considered necessary for the continued survival of those who outlived the attack was not undertaken because of the cost. The home defence budget was progressively reduced from £70 millions in 1955–56 (which was not fully spent) to £18·5 millions in 1958–59. In 1958 the Defence Committee considered a memorandum by the Prime Minister (D. (58) 36) suggesting that the possible courses for future home defence policy were to reduce preparations to those which contributed directly to the efficient operation of the nuclear retaliatory forces; to provide for survival measures after attack, either in addition to or in place of current preparations; or to continue the current programme at about the existing level of expenditure. The Defence Committee considered (D. (58) 18th Meeting) that additional expenditure for survival measures after attack, though desirable, could not be contemplated at that time. They accepted the "illogicality" of home defence policy, at least temporarily, on the basis that its main purpose was to maintain the morale of the population rather than to provide effectively against nuclear attack. They agreed that the main emphasis of the programme should be on measures which gave a positive and visible indication of the Government's support for the voluntary civil defence services, and that home defence expenditure should continue at about the then current level (£18·5 millions annually).

4. However, the view that the policy was illogical inhibited the Government from giving any comprehensive explanation of their attitude towards home defence, and encouraged the persistence of doubts, particularly among those concerned with it outside the Government service, about the validity of the measures that were in progress.

5. An increase in the home defence estimate for 1960–61 to £19·5 millions was endorsed by Ministers on the understanding that a review of policy would take place during 1960.

II.—NATURE OF THE THREAT TO THE UNITED KINGDOM

6. Before the value of home defence can be assessed, whether from the technical military point of view or as an ingredient of the deterrent policy or as an aid to survival in the event of war, it is necessary to examine briefly the nature of the threat.

7. Even if there remains a possibility of a limited war in Europe, it seems improbable that there could be a physical threat to the United Kingdom except in the event of a threat of global war. Provided that the West can maintain a credible deterrent, the Soviet Union is unlikely deliberately to resort to global war.
However, the possibility of global war arising through miscalculation of either political or military factors cannot be ignored; and the threat of global war, which the policy of the deterrent is designed to withstand, will be invoked by the Soviet Union to a greater or lesser degree so long as the political tensions of the cold war remain.

8. The threat, for us, is the ability of the Soviet Union to devastate this country with a nuclear attack, at present launched primarily by manned bombers. Intelligence derived solely from information of a technical nature and without taking into account political assessments might to-day give us no warning of Soviet preparations to attack the West, but in the most favourable circumstances warning could be as much as a day or two. There would be about ninety minutes warning of the moment of a Soviet attack on the United Kingdom by present-day bombers, but if ballistic missiles were used now there could be no warning. By 1963 the threat could be entirely from ballistic missiles, but bomber attacks would be likely to supplement the initial missile attacks. By this time the strategic warning is likely to be less than at present. With the completion of the Ballistic Missile Early Warning System (B.M.E.W.S.) there would be warning of the moment of attack, which might be as little as three minutes or as much as twelve minutes. Warning of attack on North America would be unlikely to increase the warning obtained by the United Kingdom.

9. Home defence preparations must to some extent be geared to these warning periods. But since the major risk of war is likely to come, not through a calculated Soviet intention to initiate global war but from some miscalculation, it is likely that nuclear attack would be preceded by a period of political tension. Such a period might be short or long, but at some time during it the Government might have to consider what precautions, including home defence measures, should be taken. Home defence preparations made in peace would not commit the Government in a period of tension, but would enable them to take precautions if they thought fit at the time. The political advantages (both at home and abroad) of being seen to be taking such measures would have to be weighed against the possibility of their being regarded as provocative in the situation then prevailing.

10. For illustrative purposes Appendix A contains assessments of the weight and pattern of two possible plans of attack on the United Kingdom and their effects. Any such assessments must necessarily be speculative, but there is no doubt that the Soviet Union could effectively knock the United Kingdom out of a war involving the Western Alliance. If nuclear bases and cities were attacked on the scale assessed, and there were no general evacuation or provision of shelter, there might be over twenty million deaths (thirteen million from fall-out) and four million other serious casualties. Four to five million casualties might be avoided if a scheme for evacuating six million people had been carried out; and millions more might be avoided if it had been possible to provide adequate shelter from fall-out. There would probably be sufficient food for survivors, though there would be serious distribution problems; water, power and transport would probably suffice for survival purposes if certain precautions had been taken. All these assessments could be affected by variations in the weight and pattern of the attack, the amount of warning and the wind and weather conditions prevailing, as well as by the home defence preparations made in advance. It would be useless to try to relate home defence planning to a particular scale or type of attack, but any attack should clearly be assumed to cause widespread destruction and casualties.

11. The Committee have not examined the possible consequences of chemical or biological attack. The advice available to them was that the use of either against the United Kingdom was unlikely.

III.—PURPOSES OF HOME DEFENCE

Government control

12. The Committee are unanimous that there is one type of home defence measure which must be maintained, whatever view is taken of other measures—namely, preparations for carrying on the government of the country (including the provision of emergency headquarters for the central Government and of a regional organisation, together with their essential communications). They consider that any Government must fulfil the duty of providing, so far as it can, for the maintenance of a framework of administration in all circumstances.
13. There is not the same unanimity about the value of other home defence measures, which are considered in the following paragraphs in relation to their technical military value and to their part in the deterrent policy.

Technical military value of home defence preparations

14. The deterrent policy is based on plans to ensure that, if the Soviet struck a nuclear counter-attack from this country would be practicable. Home defence measures in the United Kingdom do not affect the technical ability of Western forces to launch nuclear weapons against the Soviet. Nor would they complicate the Soviet task of inflicting an unacceptable level of damage on the United Kingdom; the position would be somewhat different in large countries such as the United States and the Soviet Union, where space for dispersal and economic resources are sufficient to permit the taking of home defence measures of such a nature as slightly to complicate the task of attacking forces.

15. Thus, the home defence preparations which we could take would not affect the maintenance of nuclear equipoise between the West and the Soviet bloc.

The place of home defence in the deterrent policy

16. The assumption is that this country is unlikely to use strategic nuclear forces except in retaliation against an enemy attack. The main aim of defence policy is to make it clear that such retaliation can be and will be carried out. The effectiveness of this policy depends in part on the ability of the Government to retain the general support of public opinion in withstanding threats of nuclear attack by making it clear to the enemy that any such attack would incur certain nuclear retaliation. In normal times the deterrent policy may not be seriously questioned by the majority of people, and the Soviet leaders will be influenced primarily by the balance of military strengths and not necessarily by their assessment of the determination of the West to use nuclear forces. But in a period of tension, when the West might take a stand involving the risk of global war, the Soviet Union would judge the determination of the United Kingdom, not simply by our military strength or by any particular home defence measures, but also by the support which the Government commanded for the deterrent policy in general. Against this background, opinion on the Committee varied widely as to the need for home defence measures other than provision for the maintenance of Government control.

Minority view

17. One view is that, since the basic aim of Western defence policy is to prevent war, our preparations should be directed to increasing the possibility and encouraging the belief, both at home and abroad, that the deterrent will succeed in this aim. Our limited resources are therefore better spent on maintaining an effective military deterrent to war in all its forms than on insurance against an event as unlikely as global war. Home defence preparations, on any scale that we can afford, are futile against the actual threat. If there is only a short period of warning, it may be impossible to carry out any substantial measures before attack, and any measures which can be taken would have little or no effect on morale. Even if there were time to take full precautions before attack and the necessary advance preparations had been made in peace, the casualties could not be reduced below about eleven millions, even on the least pessimistic of the assumptions in Appendix A. Such preparations as we could afford would have an appreciably smaller effect. In any event the public have for a long time been aware that there is no means of providing adequate protection against the consequences of an attack with nuclear weapons, and the vast majority of people appear to have accepted the deterrent policy as the best means to avoid the ultimate choice between surrender and global war. In a time of tension the number of the undecided will be marginal; they are unlikely to be influenced by home defence measures on any scale that we can afford; and whatever the attitude of this minority it will not influence the action of the Government or the Soviet judgment of the resolution of the Government. Indeed, the greater the effort applied to home defence measures in time of tension or before, the more the impression may be spread that the Government does not really believe in the effectiveness of its deterrent policy.

18. However, those who take this view recognise that it would be politically impracticable to carry it to its logical conclusion by abandoning home defence...
measures entirely at the present time. They consider therefore that expenditure on home defence preparations should be severely restricted. It would include some provision for carrying on the Government of the country (see paragraph 12), but it would exclude measures designed solely to increase the number of survivors of a nuclear attack. The public should be encouraged to accept that the best defence and hope of survival lies in resolute support of the deterrent policy.

Majority view

19. Most members of the Committee hold the view that there will always be a great number of people who, in a period of tension involving a risk of nuclear attack, will increasingly question the Government's deterrent policy, unless they can be assured that some home defence preparations have been made against its possible failure. The longer the period of tension lasted, the more important it would be for the Government to be seen to have at its disposal measures designed to reassure the public in this way, and the more opportunity there would be to carry out the measures planned. By steadying public opinion such measures could well strengthen the Government's hand at a vital time. In this case the maintenance of public support of Government policies based on the retaliatory deterrent in a period of tension becomes the primary object of home defence preparations. Those who hold this view regard the taking of home defence measures as an integral part of the deterrent policy, and not merely as something which must be accepted because of the political difficulty of abandoning home defence. It is relevant that this view is gaining hold among other members of NATO, who might well doubt our ability to pursue a deterrent policy in a time of tension if we were significantly to reduce our home defence preparations.

20. Some of the Committee who hold the majority view also think that as long as there is a risk of war, whether from miscalculation or through some unforeseen change in the situation of nuclear equipoise between East and West, the Government has a duty to take measures to mitigate the consequences to the civil population if global war occurs. Although the maintenance of public support of Government policies in a period of tension would still be the primary object of home defence preparations, there are some measures which would greatly improve the prospects of survival after attack, even though their value for sustaining public morale before attack may not be conclusive. In practice these measures of insurance are largely the same as those required to rally public opinion.

21. Whatever precautions are taken, the casualties and devastation resulting from a nuclear attack would be on an unprecedented scale, and the public could not expect to have anything like the same degree of protection as in the last war. The education of the public in the limitations of home defence measures and in understanding the deterrent is essential to any future home defence programme. But if such measures as are undertaken are to succeed in maintaining public morale, they must be of such a nature as to appear reasonable to local authorities and others concerned with home defence, and indeed to the general public.

IV.—POSSIBLE FUTURE PROGRAMMES

22. The following paragraphs deal with the application of these points of view to future planning and expenditure. Possible programmes are first examined in terms of expenditure (Sections IV and V). Section VI is concerned with certain questions of policy where financial considerations are not decisive, at least in the next financial year.

23. In the current year 1960-61 we are spending about £19.5 millions on home defence, including Post Office capital expenditure on defence measures. This Post Office expenditure, which is estimated for the current year at about £4 millions, has been excluded from the figures used in the remainder of the report, which, in respect of communications services, show only the rental payments to the Post Office which would be paid in connexion with defence by civil Departments. For purposes of comparison, therefore, current expenditure is taken to be £15.5 millions.
in 1960–61. All figures exclude administrative costs in Government Departments, since these are not normally shown in the home defence budget.

24. If the minority view referred to in paragraphs 17 and 18—namely, that home defence preparations have little real value—were accepted, it would follow that certain additional expenditure might be incurred in completing measures to enable the government of the country to carry on during a period of tension and after attack; but that, for the rest, no additional expenditure should be incurred, and that instead every opportunity should be taken to reduce expenditure as and when this proved politically or otherwise possible.

25. This view is not expounded in detail in the rest of the report, since most of the Committee think that home defence measures serve a useful purpose in support of the deterrent policy. At the same time they do not believe that the present programme is satisfactory as it stands. They have therefore considered two possible courses—

(a) Programme X, which involves some increase in expenditure, the object being to provide a coherent and publicly defensible policy;

(b) Programme Y, which contemplates expenditure being kept as near as possible to its present level despite the consequent inadequacies.

Programme X

26. To suggest large increases over the present figure of £15.5 millions would be unrealistic. There is no prospect of going back to the position of say five years ago, when the home defence budget was about £70 millions and contemplated substantial increases in, for example, food and medical stockpiles. Programme X, which covers a five-year period, is intended to show the most economical programme which could be presented as a reasonably consistent and logical one and which would be likely to command confidence among local authorities and others concerned with home defence, and through them the general public. This programme is set out in some detail at Appendix B. It involves a total cost of about £19 millions in 1961–62. The total would rise to £20.2 millions in 1962–63 and £20.4 millions in 1963–64. It would drop significantly during the following two years, and the average for the five years would be about £19.6 millions.

Programme Y

27. Programme Y, covering the same five-year period, is that recommended if Ministers should decide that any substantial increase over the current rate of expenditure cannot be afforded. Unless there is to be a major change of policy, some increase in expenditure in 1961–62 is unavoidable. For one thing, Ministers have already approved certain proposals, including the Carrier system for warning purposes, which are bound to mean more expenditure next year. Furthermore, the present programme is in some respects ill-balanced, and it seems to the Committee that a start should be made towards filling the more serious gaps in it. Because of existing commitments there is little room for redeployment of effort next year within a programme on broadly the present scale; but over the next five years the balance of such a programme could be improved, although inadequacies would remain. Programme Y (details of which are given at Appendix C) involves expenditure of £16.4 millions in 1961–62 and in 1962–63 and smaller sums for the following three years. The average for the five years would be about £16.2 millions.

Expenditure not in either Programme

28. If it were decided to make a survey of accommodation for shelter purposes (see Section VI B) and to institute a bounty for the Civil Defence Corps, the Auxiliary Fire Service and possibly the National Hospital Service Reserve (see Section VI D) there would be an increase in the total cost of whatever programme is adopted of about £1 million in 1962–63, rising to £1.5 millions by 1965–66.

Main items of expenditure, 1960–62

29. The table in paragraph 30 sets out the main heads of current expenditure and gives the figures for 1960–61 and comparable figures under Programmes X and Y for 1961–62. In Section V the main items and the comparative effects of Programmes X and Y upon them are considered in more detail.

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30. The figures are as follows:

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V.—MAIN ITEMS OF EXPENDITURE UNDER ALTERNATIVE PROGRAMMES

31. The main heads of expenditure are discussed below.

(a) Government Control

Premises

32. The present plans envisage an underground emergency headquarters for the central Government; extensive devolution to ten regional commissioners in England and Wales and a Scottish headquarters; and a system of subordinate controls within each region, consisting of sub-regions and groups, areas and sub-areas. Scotland would have three zones under the Scottish headquarters, each with its groups, areas and sub-areas. In the following paragraphs references to regions should be read as including zones in Scotland.

33. The emergency underground headquarters for the central Government is due for completion in 1961–62.

TOP SECRET
34. Except where use can be made of existing purpose-built protective accommodation, the plan is to improvise the other headquarters by strengthening accommodation in existing buildings so as to provide some protection against fall-out.

35. A start has been made with the regional headquarters. It will cost about £1 million to complete them. Each regional headquarters is planned to accommodate about 450 staff. Additional staff may be needed, but will have to be housed elsewhere in support offices. A start has also been made on the sub-regional headquarters: the programme is likely to cost about £0.3 million.

36. The other headquarters are provided by local authorities with a 75 per cent. Exchequer grant. A start has been made with a small programme for group and area controls. The minimum programme likely to be at all acceptable to local authorities, which would include provision for some sub-areas, would involve grants of about £3.7 millions.

37. Under Programme X the regional and sub-regional headquarters would be completed in 1965. The programme for group, area and certain sub-area controls would be completed in 1968.

38. Under Programme Y the regional headquarters would be completed in 1968 and the sub-regional headquarters in 1971. The programme for group, area and certain sub-area controls would last until 1980.

Communications

39. The exercise of control after a nuclear attack would depend to a great extent on the availability of communications. These should be considered under two broad heads, namely Post Office communications and stand-by point to point wireless.

40. Post Office communications.—The Post Office network is designed to meet the needs of the country as a whole, and individual routes carry many circuits. The whole Government control organisation, apart only from links between area headquarters and sub-area headquarters, is planned to be provided with communications which will, so far as possible, avoid the large cities by dispersal of circuits over a variety of routes, and be independent of public supplies of power. These emergency communications with the necessary equipment will, broadly speaking, be provided pari passu with the provision of premises. Communications between area and sub-area headquarters will depend on the normal telephone system.

41. The installation of communications at the central Government headquarters will be completed in 1961. The rental of these facilities for the civil Departments will amount to £0.285 millions a year. This figure has been included in both Programmes X and Y.

42. Rentals payable by civil Departments for communications required for the remainder of the control organisation will, when completed, amount to £1.25 millions a year. Programme X provides for these facilities to be installed down to and including sub-regions and groups by 1966, and for the facilities from sub-regions and groups to areas by 1969. The corresponding dates under Programme Y are 1972 and 1981, but links between regional headquarters and regional support offices would be installed by 1969.

43. Point-to-point single channel stand-by wireless. The Post Office communications system (which itself includes a "backbone" multi-channel radio system) cannot be guaranteed to withstand a full-scale nuclear attack. The following proposals therefore provide for stand-by point-to-point wireless links within the control organisation.

44. Such a link between the central Government headquarters and regional headquarters would provide a valuable insurance and would, at the very least, enable the central Government to confirm whether or not regional headquarters were functioning after an attack. The provision of an Army wireless link between Headquarters United Kingdom Land Forces at the central Government headquarters and Divisional/District Commanders at regional headquarters is understood to be under consideration. If it were established, it should suffice for this purpose. Because of the probable disposition of units Service wireless cannot be assumed to be available for civil controls below regional level.
45. The interruption of Post Office communications from regional headquarters down to and including area headquarters would seriously impair the ability of the Government to exercise control. Although plans provide for some degree of alternative routing, there is a strong case for supplementing them with stand-by point-to-point wireless on a minimum scale. The cost would be about £0-5 millions.

46. Post Office communications from area headquarters to controls bel y T| would depend on the normal local telephone lines. Since these would be particularly vulnerable, it has long been planned that they should be supplemented by wireless provided by the Home Departments. The cost of such wireless links would be about £0-63 million.

47. Programme X provides for stand-by wireless links between area and sub-area headquarters to be completed in 1966 and for such links to be established between areas and higher controls up to regional headquarters by 1969. Programme Y makes no provision for wireless for these purposes. Neither programme provides for a civil link between the central Government headquarters and regions, since the establishment of an Army link, if agreed, would suffice for civil purposes (see paragraph 44 above).

British Broadcasting Corporation

48. The British Broadcasting Corporation have made plans to maintain sound broadcasting in war even if electricity supplies are interrupted. They provide for a national broadcasting service and transmissions in each civil defence region. Work on this essential service started in 1959.

49. Programme X contemplates completion of the work by 1966. Under Programme Y the completion date would be 1969.

(b) Food

50. Annual expenditure on the food stockpile (including storage charges) is at present £2·31 millions. This stockpile should be just about enough to provide a spartan diet for the survivors of attack, if adequate arrangements are made for controlling the supply and distribution of home-produced food and for procuring, shipping, landing and distributing food from abroad with as little interruption as possible.

51. Most of the preparatory work for the distribution of food would be lost unless there were ration documents available to enable supplies to be controlled. The printing of ration books, which could not be kept secret, might arouse public concern about the risk of war; but on the other hand, it would be difficult to enlist the co-operation of those concerned in preparing an emergency food scheme if it were known that it was not proposed to print ration books by any particular date. The cost of printing would be about £0·2 million.

52. Both Programmes X and Y include the maintenance of the food stockpile at the present rate of expenditure, the printing of ration books by 1965 and the provision of equipment for emergency feeding arrangements and food monitoring.

(c) Water Supplies

53. Some emergency equipment for pumping and carting water has been acquired (to a value of £1·25 millions), but since 1958 no expenditure on fresh capital items has been authorised. The item of £19,000 in the 1960-61 programme is for maintenance and training.

54. The Committee have concluded that, with the interruptions to distribution which would occur under the scale and pattern of attack now assumed, a programme suggested some years ago for softening plant to remove dissolved fall-out from reservoir water (estimated at £18 millions) should be abandoned. This would mean that the population dependent on reservoirs, like the remaining two-thirds of the country, would have to rely on emergency equipment and manipulation of supplies from other sources.

55. It seems to the Committee that some additional provision should be made for water supplies in war. Their proposals for both Programmes X and Y reflect
this view, although a detailed scheme would have to be worked out after a survey and consultation with water undertakings. Programme X provides for £0.25 million in 1961–62, £0.5 million in 1962–63 and £0.75 million in the succeeding years. Programme Y provides for £0.2 million in 1961–62 and £0.25 million in each of the following years.

(d) Fuel and Power

Electricity

56. The provision of stand-by generating equipment will often be the only practical means of ensuring electricity supplies for essential purposes immediately after attack. Expenditure on stand-by generators is included under the items for which the generators are needed, and is not shown separately.

57. The national grid supplies might take days or, in heavily damaged areas, months to restore. Discussions with the industry about electricity in war are proceeding, and in due course may lead to proposals for additional expenditure.

58. In the meanwhile Programme X includes a token figure for a 50 per cent. Government grant of £25,000 in 1961–62 and £50,000 a year thereafter towards measures to facilitate the restoration of supplies. This figure has been included because of the importance of electricity supplies, but its size cannot be related to the magnitude of the task of restoration. No provision is made under Programme Y.

Gas

59. About £0.4 million (of which £0.2 million fell on the Exchequer) has been spent on defence measures for the gas industry, largely for the purchase of equipment needed to restore production and repair breaks in the distribution system after attack. Gas is important for certain survival purposes, such as food processing.

60. Supply prospects after attack would be improved by further expenditure of about £0.6 million on equipment and about £1.35 millions for shelter against fall-out for employees required to remain at work in an emergency. The Exchequer would bear 50 per cent. of the cost.

61. Programme X would permit the completion of this scheme by 1966. Nothing would be done under Programme Y.

Petroleum

62. The Government has built over a thousand miles of pipeline and two million tons of protected storage as an emergency addition to the commercial oil facilities which are heavily concentrated in the big ports and cities. The present value of the Government system and the associated stocks is over £50 millions, and the annual upkeep about £0.6 million. Plans are being prepared to secure the more effective control and operation of the system in nuclear war. These include the provision of fall-out protection and stand-by pumps at key operating centres at a cost of about £0.5 million.

63. There would be serious problems of distribution of motor fuel immediately after attack. Stocks already distributed, for example, at petrol stations, would probably last only for a few days. The surest solution would be for essential services to build up their own stocks, but a cheaper remedy would be for the Ministry of Power to supplement their bulk reserves by laying in distributed stocks of, say, 50,000 tons, which, if they survived the attack, would be about a week’s supply for essential services. These stocks could be bought for about £0.75 million, and stored and maintained relatively cheaply in surplus Air Ministry depots in various parts of the country.

64. The desirability of printing fuel authorisation forms in peace to control the issue of motor fuel after attack is under consideration. Printing would cost about £10,000.

65. Programme X would permit the completion of the control and protective measures for the Government’s emergency oil system and the purchase of a distributed reserve of motor fuel by 1963, and the printing of fuel authorisation forms by 1962.
66. Programme Y would permit the completion of the control and protective measures by 1968, but no provision would be made for a distributed reserve of motor fuel or for the printing of fuel authorisation forms.

Coal
67. War planning for the coal industry is concerned mainly with the organisational problems of distribution after attack. No Government expenditure is foreseen at present, but the possibility of minor expenditure in due course cannot be precluded.

(e) Transport

Ports
68. Plans have been made to receive shipping in war at the smaller ports and at anchorages, and about £8 millions has so far been spent, mainly on equipment. The re-supply of this country with food and other essentials after attack is vital to survival. Good progress has been made with the emergency ports scheme, which would cost £1-8 millions to complete.

69. Under Programme X final completion of the emergency ports scheme would be achieved by 1969 at an average annual capital expenditure of £0-2 million. Under Programme Y capital expenditure would continue at the current rate of about £0-1 million a year and the scheme would not be finally completed until 1980.

Railways
70. Up to 1956 about £2-6 millions had been spent to help the railways to function after attack (including £1-4 millions on London Transport railways). One permanent emergency train control centre and five mobile centres and telephone exchanges were completed. Nothing has been spent since.

71. Although a nuclear attack might leave much of the railway system intact, it might destroy a number of main terminals and control and communications centres. A complete alternative system of control cannot be contemplated, but additional mobile and static control and communications centres would help to ensure the distribution of supplies of essential food and other materials. The total expenditure would be about £0-5 million.

72. Under Programme X this plan for alternative control and communications centres would be completed by 1965. No provision is made under Programme Y.

Road transport
73. The wartime organisation for controlling and providing road transport has been planned on a regional basis, and would make the maximum use of the existing structure of the industry, from which controllers would be appointed at all levels. No capital expenditure is involved.

74. Many vehicles would have to be requisitioned during the precautionary period for the Army and the civil defence services. The advance printing and distribution of requisitioning forms would be essential. The cost of printing would be about £1,000.

75. Under both Programmes X and Y the printing of requisitioning forms would be completed by 1962.

(f) Medical Services
76. Plans for the expansion of hospital services and their redeployment from densely populated areas can presumably proceed. Little expenditure is involved in planning, and redeployment is not dependent on having an evacuation scheme for the general public.

77. A scheme which the Ministry of Health worked out some time ago to educate members of the public in first aid and emergency home nursing would, if now implemented, provide a valuable addition to the casualty services at a cost of about £30,000 a year, depending on the response.
78. The existing home defence stockpile of medical supplies and hospital equipment, which is worth about £16 millions, is inadequate in content and distribution, and a worthwhile improvement could be made at a modest cost.

79. Programme X provides for expenditure of about £0·15 million a year on training and training equipment for forward medical aid, the introduction of the emergency home nursing scheme at an annual cost of about £30,000 and an improvement in the medical stockpile, on which expenditure would run at £0·35 million a year.

80. Under Programme Y expenditure on training for forward medical aid would continue at the current rate of about £0·1 million a year. The emergency home nursing scheme would be introduced, but annual expenditure of £0·235 million on the medical stockpile would permit only marginal improvements in it.

(g) Civil Defence Organisation

Administrative and training costs
81. These amount during the current year 1960–61 to £2·593 millions. This sum includes the costs of the Ministry of Works in providing various training schools, stores and depots; the salaries of the Home Office civil defence regional organisation; and the cost of running the Civil Defence Staff College and training schools.

82. Programmes X and Y both envisage keeping expenditure as near to its present level as possible.

Grants to local authorities
83. These amount this year to £5·032 millions, and therefore account for a considerable proportion of the total expenditure on civil defence. Grants cover a variety of items, but most of the expenditure is in respect of the Civil Defence Corps. Grants are paid by the Home Departments, the Health Departments and the Ministries of Agriculture and Housing for the maintenance and training of the Corps, including equipment, uniforms and local authority training and storage premises.

84. Programme X proposes for next year an additional £0·15 million primarily to take account of increasing costs, particularly of staff, and an additional £0·1 million for further equipment for the ambulance and first aid section of the Civil Defence Corps, especially ambulances. Programme Y makes provision for the first of these items only.

85. No provision is made under either programme for the payment of a bounty for the Civil Defence Corps, but if this proposal were accepted, additional cost would be incurred in 1962–63 and later years (see Section VI D).

Miscellaneous expenditure
86. This covers a wide variety of expenditure, including provision of radiac instruments, wireless, training vehicles, grants to the Women’s Voluntary Service and research. The total expenditure this year under these various headings is £1·291 millions.

87. Programme X envisages an increase next year to £1·349 millions. The increase is accounted for mainly by provision for operational wireless for the Civil Defence Corps, training vehicles and equipment. Under Programme Y expenditure next year would be £1·309 millions.

Fire Service equipment
88. This year about £0·368 million is being spent on providing training equipment (£0·25 million) and stockpiling emergency supplies of six-inch hose (£0·118 million).

89. In 1952–54 expenditure on operational equipment ran at about £6 millions a year. A good stock of emergency pumps was accumulated, but the programme was cut short in 1956, and little provision has been made for emergency piping or for water storage. Plans have now been developed for storing water in pits excavated in an emergency by bulldozers and lined with polythene sheeting. The
main requirement is for a stockpile of this sheeting, together with more hose and polythene piping.

90. Programme X provides an additional £0.63 million a year for stockpiling emergency equipment. Programme Y provides an additional £80,000 a year for this purpose. Neither programme includes expenditure on a bounty or on annual camp payments for the Auxiliary Fire Service. These are discussed in Section VI.

(h) Warning and Monitoring Organisation

91. The present civil warning system could be brought into operation at about forty-eight hours' notice, and could give warning of a manned bomber attack to the bulk of the population. It is inadequate, however, because it does not provide siren cover over country districts, and it has become too slow with the increase of aircraft speeds and the threat of ballistic missiles. A system known as Carrier is being introduced to give warning to selected points within seconds of the detection of an attack. It will be linked in due course with the Ballistic Missile Early Warning Station at Fylingdales. The estimated capital cost of the Carrier scheme is about £3 millions. In addition there will be continuing charges for maintenance and rental. The annual cost falling on the home defence budget over the next five years for all these purposes would average £0.66 million under Programme X and £0.47 million under Programme Y.

92. The Royal Observer Corps are trained to monitor and report fall-out, but there is no provision for warning the public against fall-out. Twenty-eight of the thirty-one group headquarters and 1,200 out of about 1,950 posts will be built or under construction by 1961. The total cost of completing the building programme and completing the provision of radiac instruments for the Royal Observer Corps is about £1.6 millions.

93. Programmes X and Y permit the completion of the building programme by 1963 and the upkeep of the existing warning system. Programme X provides for the completion of Carrier and for warning cover (against both attack and fall-out) throughout the country by 1964. Programme Y provides for the completion of Carrier by 1968 and for country-wide warning cover by 1969.

94. Both programmes depend on the use of Post Office communications for passing fall-out information after attack. Further consideration is being given to methods of transmission where line communications are particularly vulnerable, and to the possibility of operating all sirens in the country from a central point by remote control. No immediate expenditure is proposed, but the possibility of future expenditure cannot be precluded.

VI.—OTHER MEASURES

95. The following paragraphs deal with measures which raise questions of policy not necessarily involving significant expenditure, at least in the next financial year. These are—

A.—Evacuation
B.—Shelter
C.—Industry
D.—Review of the Civil Defence Corps and the Auxiliary Fire Service
E.—Consultation with other governments
F.—Manning of Government headquarters
G.—Register of premises
H.—Use of money

Except for shelter, on which the Departments concerned propose to make a further submission to Ministers in due course, the Committee consider that the measures recommended should be implemented under either Programme X or Programme Y.

A.—Evacuation

96. The last published statement of Government policy was given in the 1956 Defence White Paper, which said that the Government had approved in principle a scheme for evacuating some twelve million people in the priority classes (children,
adolescents, expectant mothers and the aged and infirm) from the major cities to the less thickly populated areas.

97. The assumption later adopted that our deterrent bases, mainly in the Eastern part of England, would be a first priority for attack in a thermo-nuclear war invalidated this scheme. Early in 1959 an outline alternative scheme was prepared providing for the movement of some six million persons in the priority classes from reduced areas within a smaller number of cities to places in the West and the South-East of the country. This revised scheme was considered by Ministers on several occasions, but no decision was reached.

98. Conflicting considerations arise in deciding evacuation policy. The bulk of the population must clearly be urged to stay put in a period of tension, just as industry should be encouraged to keep going for as long as possible up to the time of attack (Section VI C). But there are the following points in favour of planning a voluntary scheme of evacuation for selected priority classes—

(a) Evacuation would be more likely to save lives than any other civil defence measure (in the absence of specially provided shelters) by reducing the density of the population in the most thickly populated areas, where casualties from attack would be very great. Without a scheme the Government would have practically nothing to offer the inhabitants of our largest cities as a means of reducing the number of casualties in a nuclear attack.

(b) Civil defence planning assumes that a major task in war would be to bring help to the stricken cities. For that purpose it has been planned to station mobile units of the civil defence, fire and police forces outside the cities and to locate all government headquarters down to civil defence area headquarters away from likely targets. Plans have also been made to move from the cities staff and resources needed for the wartime operation of services such as shipping and ports, hospitals, railways and oil distribution. It is hardly consistent to make no plans for the removal of women and children if they wanted to go.

(c) An evacuation scheme could not be improvised at short notice. The freedom of manoeuvre of any future Government in a period of tension might well be restricted if no official scheme were ready to put into operation should the Government consider it necessary.

(d) An announcement that we were abandoning evacuation would be an innovation in NATO civil emergency planning. At home it would be likely to lead to demands for an expensive shelter programme.

99. On the other hand there are these considerations—

(i) The loss of the Eastern half of the country as a reception area necessarily limits the number and size of evacuation areas. Thus, the six-million scheme proposes no evacuation from the areas in which the deterrent bases are situated; and a number of cities which were heavily attacked during the last war (e.g., Plymouth) are also excluded. Some of the areas to be evacuated are small in relation to the destructive power of thermo-nuclear weapons (being in fact those of an earlier evacuation scheme related to atom bomb attack). Moreover they adjoin thickly populated areas where no plans for evacuation are contemplated.

(ii) Although the six-million scheme would provide for people to be moved from high risk areas, use would still have to be made for reception purposes of areas which are near possible targets or which might in some circumstances be subjected to heavy fall-out.

(iii) People who stayed at home would have food in their own houses. If they were evacuated, a heavy burden would suddenly be thrown on the food supply arrangements in the reception areas. There would be serious difficulties in adjusting supplies quickly.

(iv) Families would be split at a time when they might wish to stay together, and movement of some of the priority classes (particularly women of working age) might tend to disrupt the day-to-day life of the country. To move and house six million people would be bound to cause much confusion.
100. One imponderable factor is the extent to which an official evacuation scheme, if put into operation, would increase or decrease the risks of unorganised panic evacuation on a scale which might bring the life of the country to a standstill. On the one hand, it can be argued that these risks would be increased if the Government showed that they recognised that some parts of the country were safer than others, by themselves putting an official evacuation scheme into operation. On the other hand, if there were such a scheme, the Government of the day could appeal to the public sense of duty, state that there was no room in the reception areas for unofficial evacuees and give a warning about the risks from fall-out for people caught in the open; and it might be that their appeal for non-priority classes to stay put would in these circumstances meet with a considerable response.

101. Planning an evacuation scheme would not be expensive; it would primarily involve the time and effort of central and local government servants and transport officials. One question to be settled would be whether expenditure (estimated at about £40,000 and included in Programme X) should be incurred in the advance printing of billeting allowance books.

102. The Government runs the risk of criticism whether it has an evacuation scheme or not. If there is a scheme, it may be criticised for its inadequacy; if there is no scheme, the Government may be accused of imprudence or irresponsibility. But it would be difficult to postpone for very much longer the announcement of a decision one way or the other. As pointed out above, the 1956 Defence White Paper stated that the Government had approved a scheme in principle. Earlier this year it was explained in Parliament that this proposal was being reviewed in the light of the latest strategic appreciation; interest in Parliament continues, and there is also pressure from local authorities and others who are greatly concerned with evacuation policy for the results of this further review to be announced.

103. On balance, the Committee consider that it is desirable to plan an evacuation scheme, and to announce that this is being done. If, however, the Government decide against evacuation, it would be desirable for them to say so publicly.

104. If there is to be a scheme, it should be voluntary, and hence the numbers who would take advantage of it cannot be foreseen. However, it seems reasonable to plan for the evacuation of some six million people, generally on the lines of the outline scheme prepared in 1959. That scheme was based on earlier assessments of the weight and nature of the attack, and its details would need to be reconsidered in the light of the latest assessments. By limiting the priority classes to children up to school-leaving age and mothers of such children and expectant mothers (that is, leaving out some 800,000 adolescents, aged and infirm) it would be possible to have either more, or somewhat larger, evacuation areas. The difficulties referred to at paragraph 99 (i) would not be eliminated, but on the whole this would seem to be a desirable modification.

105. The Committee therefore recommend that the preparation of an evacuation scheme generally along the lines of the six-million scheme should be approved in principle and an announcement made.

B.—Shelter

106. Paragraph 117 of the 1956 White Paper on Defence said—

"... Full protection within a few miles of the ground burst of a megaton weapon is impracticable. Outside this range protection against blast and heat could be obtained from shelters similar to those used in the last war. The danger of fall-out, however, necessitates shelters which can be occupied for periods of forty-eight hours or more. An ordinary brick dwelling house with nine-inch walls used to the best advantage reduces gamma radiation by a factor of about twenty times. Further protection could be obtained by thickening the existing walls and ceilings of roofs of houses. To give a high degree of immunity, the ideal would be a shelter below the surface of the ground, preferably inside the house. ..."

The White Paper went on to say, however, that "to provide this degree of protection on a country-wide scale would not be feasible".
107. This paragraph of the White Paper still holds good, except that with the scale of attack now assumed, the likely intensity and area of fall-out would generally necessitate a longer occupation of the best available accommodation.

108. Denmark, Holland, Norway, Sweden and Switzerland have been building shelters for some years. Russia is said to have been providing strengthened basements under multi-storey buildings since 1952. There is much discussion in Germany and the United States about shelter provision. If the United States embarked on a large shelter programme, it might lead to a revival of interest in the subject in this country.

109. Much shelter still exists from the last war, but the amount is steadily decreasing, and a good deal of it would be unsuitable for prolonged occupation. There is at present useful shelter for only a very small proportion of the population.

110. If purpose-built shelters or specially strengthened basements were available in cities for protection against blast and heat, they would be likely to save many lives outside the area of complete destruction. But to provide such protection for a substantial proportion of city dwellers would be beyond our resources. The Committee do not think it would be practicable to stipulate that basements in all new frame-built structures should be strengthened, since this would provide shelter on only a small scale (and for the most part in the middle of the likely target areas), would almost certainly mean that the whole cost would have to be met by the Exchequer, would be likely to lead to demands for shelter elsewhere and would probably need legislation. The Committee are therefore unable to recommend any special provision at the present time for protection against blast and heat.

111. Shelter against fall-out could secure a large reduction in casualties. In the estimated attack referred to in Section II the number of deaths from fall-out might be reduced from thirteen millions to less than one million if measures had been taken in advance to improve the protection of buildings, if sufficient provisions had been laid in for a two weeks’ stay, if the public had been warned of the approach of fall-out and if those concerned remained continuously in their refuge for up to two weeks and then spent not more than fifteen hours in getting clear of the fall-out area.

112. Sample surveys have been carried out in a number of local authority areas of the protective factors against fall-out provided by houses and by larger buildings which could be used as communal fall-out shelters. These sample surveys show that the position varies greatly from area to area, and suggest that, if the maximum reduction of casualties were to be achieved, it would be necessary to carry out a detailed survey of each area and to make a careful plan for the use of communal shelters by those whose homes provided a low standard of protection.

113. If a nation-wide survey were decided on, local authorities would need temporary additional assistance. It would also be necessary to consider what other measures might be necessary in peacetime—for example, whether anything should be done in the way of stockpiling containers for water in buildings earmarked as suitable for use as communal shelters. Experience gained from the sample surveys suggests that the cost of a nation-wide survey over a period of years might well amount to £2-3 millions, of which 75 per cent. would fall to be met by way of Exchequer grant.

114. A number of unresolved questions remain. To give some examples—how is the use of buildings for communal shelters to be fitted in with plans for evacuation and care of the homeless? At what stage is it to be assumed that the movement to communal shelters would take place? What are to be the assumptions about the protective factor for houses below which families would be advised to leave their homes? What plans are to be made for the use of industrial premises? Would physical work be put in hand in peacetime, and what would be the order of the cost? Further examination of these and other difficult problems is needed before any suggestions can be put to Ministers that local authorities generally should be asked to survey their areas in detail.

115. In view of what is being done about shelters in other countries, and in view of the size of the contribution which shelters might make towards the saving of lives, the Committee think it right that this examination should take
place; but for the present Ministers are asked only to note that these studies are contemplated and that a further submission will be made to them in due course.

116. Whatever was done by the Government and by local authorities, much would depend in the end on the public's improvising fall-out protection in their own homes. The Committee think that the necessary guidance to the public on how to do this should be prepared in greater detail than is at present available, so that at a time of emergency it would be ready and could be given publicly, and could indeed be made available in the meantime if members of the public asked for it.

C. Industry

117. Although some of the larger industrial concerns have formed civil defence units in response to Government requests, there is no general policy for the conduct of industry in a period of tension preceding nuclear attack or in the survival period afterwards. Industrial organisations taking part in civil defence preparations have frequently sought guidance on the role of industry in home defence planning.

118. In a period of tension the execution of such measures as mobilisation or evacuation would cause difficulties for industry, but it is important for the maintenance of the economy and of public morale at such a time that industry should keep going to the best of its ability for as long as possible up to the moment of attack. The Government of the day would have to encourage industry to do this, but the task would be simplified if industry were given guidance on these lines in peacetime.

119. After an attack there could be no hope of maintaining the normal economy of the country. Industry and the public generally will probably realise this, particularly if measures are taken to educate them in the realities of nuclear warfare. Nevertheless it would be essential to take early steps to maintain or restore certain basic industries and services (for example, food, water, power and communications), and the Committee recommend that some expenditure should be incurred on these in peace. Various measures for these industries have been mentioned in Section V, but further consultations will be necessary in the case of some industries, for example, electricity.

120. Other industries, for example, building, textiles, chemicals and engineering, would be needed in the restoration period; but expenditure could not be contemplated in peace on physical preparations for their restoration after attack, which would depend on the maximum improvisation with the resources available at the time. It is, however, important to identify in advance the key industries likely to be needed at various stages after attack, in order to give regional commissioners guidance in the allocation of resources and manpower. Consultations with industry would be necessary for this purpose. Apart from the basic survival industries, notably food and water, industrial organisations should be told that the main task is to plan a control organisation which could improvise the best use of available resources after attack.

121. The Committee therefore recommend that an approach should be made to industry on the following lines—

(a) Industrial production and other forms of work should continue as far as possible in the period after the institution of preparatory home defence measures up to the time of attack.

(b) During the period immediately after attack first efforts should be directed to restoring those services essential to the maintenance of life.

(c) Production in other industries essential to the early stages of the restoration period should be resumed as soon as possible by the maximum improvisation with the resources available at the time.

(d) The co-operation of industry is needed in peacetime—

(i) to assist in the identification of essential undertakings; and

(ii) to examine what measures might be taken in peace to assist speedier restoration of production in these industries after attack, with maximum improvisation with resources available at the time.
D.—Civil Defence Corps and Auxiliary Fire Service

Functions and organisation

122. The Civil Defence Corps, although planned as a national body, consists of a number of local divisions recruited, trained and equipped by county, county borough and large burgh councils. Its 350,000 members are divided into five sections—headquarters, wardens, ambulance and first aid, welfare, and rescue.

123. The Corps is supplemented by industrial civil defence units raised by managements of the larger firms, and consisting at present of about 200,000 volunteers.

124. The purpose of the Civil Defence Corps is to provide trained civilian man-power to man the lower levels in the control system, to supply the higher levels of control with information, to guide and instruct the public and to care for the vast number of survivors likely to be injured, homeless and destitute. These are functions which cannot be fully discharged by any other body at present in being. The police would be reinforced in war by special constables, but even so would be fully committed in their primary duty of maintaining law and order, and would indeed themselves need support for this purpose from the armed forces. A large part of the Service man-power which would be made available to support home defence would come from the Territorial Army. Of the planned strength of 186,000 for the Territorial Army at least 100,000 would be available to support the civil power. They would assist the police; and there would be innumerable tasks that could be performed by disciplined bodies of men working under their own officers. But the Territorial Army is not so organised as to be able to replace the civil defence services, since some areas of the country have no Service units; units would in any event be likely to be used away from their peacetime stations, and would lack the local knowledge which, for example, wardens and civil defence headquarters must have; and the advantages of a disciplined force would disappear if the force were widely dispersed into small groups. A flourishing and efficient Corps could play an important part in maintaining public morale in a period of tension and in mitigating the effects of an attack.

125. There is a strong case for maintaining a Civil Defence Corps, but the Home Departments envisage the need for a review of the Corps as it exists at present, since of a paper strength of 350,000, probably not more than 150,000 have undertaken serious training, and only a small proportion are of high enough quality to be capable of holding posts of responsibility. There is clearly scope here for considering some tightening up of training requirements.

126. The Committee recommend that in the light of their review of home defence policy the functions and organisation of the Civil Defence Corps should be examined in the general context of the man-power resources likely to be available for home defence in war. Such an examination could best be carried out under the aegis of the Civil Defence Committees, and should include the Auxiliary Fire Service.

Bounty scheme

127. Proposals have been put to the Committee for the payment of a bounty, on Territorial Army lines, to members of the Civil Defence Corps.

128. If there were to be such a scheme it would be necessary to put strict conditions on it. It would be restricted to members who gave an undertaking to serve full time in war—an undertaking which is not at present required from members. It might also be provided, for example, that the bounty would be paid only when a suitable training test had been passed; that enlistment would be for a fixed period of years, during which a minimum amount of training would have to be carried out; and that volunteers would then pass into a reserve, where they would do only refresher training but would still be liable for call-up.

129. The cost of a bounty scheme would depend on the number of those prepared to accept the necessary obligations and able to pass the necessary test. The Home Office consider that 50,000 initially would be a good start. If this number qualified, and the bounty were £20 a year for senior officers, £15 for junior officers and £10 for other ranks, and half these rates for reservists, the initial cost...
would be of the order of £0.75 million in a full year. If the total number qualifying for a bounty eventually rose to 200,000, the total expenditure involved would be some £2 million.

130. The main argument for a bounty is that it would be a visible and impressive symbol of the Government's belief in the value of civil defence. It would boost the morale of the Corps. It would in particular remove the grievance that members of the Corps have no treatment in conditions of service comparable with the Territorial Army, with whom they associate increasingly in exercises and training. The introduction of a bounty scheme should make it easier to carry through a reorganisation designed to improve the standards and efficiency of the Corps as a whole, and in particular to provide a corps d'élite—a nucleus of well-trained men and women who could act as leaders if war came.

131. It is argued on the other hand that a tightening up of training requirements and the imposition of an obligation to serve full time in war would probably make little practical difference to the situation if war came, and that a bounty scheme would therefore not be worthwhile. It is also pointed out that it is difficult to estimate the cost, though it might be possible to limit the numbers qualifying for payments. If the scheme attracted a widespread response, the cost might exceed present forecasts; and the concession of a bounty to a non-military organisation might well lead to demands from other voluntary bodies for similar treatment.

132. Any bounty scheme would clearly have to be extended to the Auxiliary Fire Service. About 16,000 men have volunteered for it, but more are needed, especially as the Royal Air Force reservists who were trained for fire service in war between 1954 and 1958 are a dwindling body. If 10,000 men (including some new volunteers) qualified for a bounty, the cost would be about £0.15 million a year. There would moreover be a strong case for paying a proportion of volunteers to attend camp at the Home Office schools provided originally for the Royal Air Force reservists. (No comparable expenditure would arise in respect of the Civil Defence Corps.) The cost of camp payments in the first year would be about £50,000. If the scheme proved successful, the cost of bounty and camp payments might in time amount to £0.4 million a year.

133. The payment of bounties to the Civil Defence Corps and the Auxiliary Fire Service might prompt a demand to extend bounties to the National Hospital Service Reserve, although the circumstances are not quite the same as in the Civil Defence Corps. If, however, this had to be conceded, the annual cost might be £50,000. The Home Office think that there would be good grounds for resisting any other application, in particular from industrial civil defence.

134. The Committee recommend that the proposed review of the Civil Defence Corps and the Auxiliary Fire Service should include consideration of the desirability of a bounty scheme.

E.—Consultation with other Governments

135. Planning in certain fields, such as shipping and oil, involves consultation with other Governments under the auspices of NATO. On the initiative of the Americans, Germans and Dutch the place of civil emergency planning in NATO defence arrangements is now under consideration, and it has been suggested that the present NATO structure should be revised in order to give the same prominence to civil emergency planning as to military planning on the grounds that it forms an integral part of the deterrent. It seems right that we should continue to play our part in NATO civil emergency planning, though we might try to temper the pace to suit ourselves.

136. Although the planned NATO Central Supplies Agency would advise member countries on supply problems in war and co-ordinate demands where necessary, the United Kingdom should try to make arrangements for the procurement of food in war from overseas. The Committee recommend that we should consult the Governments of the countries to which we should chiefly look for supplies, particularly within the Commonwealth.

TOP SECRET
F.—Manning of Government Headquarters

137. Headquarters down to sub-region would be staffed mainly from the Civil Service and the armed forces. Staff are being earmarked for the central Government but not for lower formations. The headquarters will not function efficiently in war unless some common-user staff have been trained beforehand, specially for communications and intelligence duties. Voluntary training has been undertaken for regional and sub-regional headquarters, but so far the voluntary system has proved generally unsatisfactory and no training has been done for the central Government headquarters.

138. The detailing of staff for training or the offer of greater inducements to encourage volunteers would both present difficulties, and the Committee think that greater efforts should be made to obtain volunteers by traditional means, at least initially.

G.—Accommodation

139. The Government and local authorities would need to take over many premises in an emergency for such purposes as emergency hospitals, sheltering and feeding the homeless and establishing bases for operational forces. The register which was started in 1949 for such premises is out of date, and the Committee recommend that it should be reviewed in the light of current assumptions about the nature of an attack and home defence measures.

140. Local education authorities have not yet been told of the decision of the Ministerial Committee on Civil Defence (C.D. (59) 2nd Meeting, Item 1) that at least day schools and the non-residential parts of boarding school premises should be assumed in planning to be available for home defence purposes in a precautionary period. The Committee recommend that the authorities concerned should now be told that educational premises should be regarded as generally available for home defence purposes in an emergency.

H.—Use of Money

141. No planning has been done to determine how supplies of money or other medium of exchange should be maintained after attack. As far as possible the use of money should continue, but there are serious practical difficulties about establishing reserves of notes and coins. Other monetary problems could also be considered without involving immediate expenditure.

142. The Committee recommend that the Treasury and the Bank of England should discuss these problems on an informal basis as a preliminary to consideration by the interested Departments.

VII.—THE CHOICE

143. Those members of the Committee who do not take the minority view described in paragraphs 17 and 18 of this report consider that the broad choice before Ministers is between affording some increase in expenditure on the scale indicated in Programme X, and restraining expenditure as near as possible to the present level, as indicated in Programme Y. The choice depends on balancing the burden of the additional expenditure under Programme X against the advantages which it would provide in the form of a coherent and publicly defensible policy.

144. The effect of the choice of programme on the public and on those concerned with home defence is important, since the Committee consider that home defence has reached a point where it needs re-energising, if it is not to decline. Apart from some increasingly perfunctory references in the annual Defence White Paper, there has for some years been no comprehensive public statement by the Government of its attitude to home defence; and many people have tended to conclude that the Government has lost faith in the practicability of this country's surviving a nuclear attack. It has become increasingly difficult to maintain the enthusiasm of the civil defence services. Plans for maintaining the government organisation below the central Government are still at a rudimentary stage, the warning and monitoring system is inadequate, little has been done to safeguard water supplies after attack and there are obvious deficiencies in planning in such fields as evacuation and shelter.

TOP SECRET
145. The paragraphs that follow illustrate the consequences of the choice between Programmes X and Y by summarising their effects on the measures involving expenditure described in Section V, and by examining their implications for the handling of the policy issues discussed in Section VI.

146. As the analysis in Section V shows, Programme Y would enable a start to be made on filling some of the gaps in the present programme. In particular, it makes some provision for subordinate headquarters and for Post Office communications in the control organisation; for resuming the purchase of emergency equipment for water supplies; for a scheme for instructing the public in first-aid and emergency home nursing; for printing food ration books; and for extending the warning system so as eventually to provide warning of attack and fall-out over the whole country. Over the five-year period, as existing commitments were worked through and there was increasing scope for redeployment, it would be possible to secure a better balanced programme within broadly the present figure of expenditure.

147. But the analysis in Section V shows the very considerable defects of Programme Y as compared with Programme X—

(a) (i) Under Programme Y the regional headquarters would not be completed until 1968 and the subregional headquarters not until 1971. The subordinate controls would not be ready for twenty years. There would be no wireless backing from region down to sub-area. This means that the ability of the central Government to exercise authority from emergency headquarters, on which considerable sums have already been spent, would be severely restricted for a long time and would even then depend on communications which would be very vulnerable.

(ii) Programme X, on the other hand, would enable the regional and sub-regional headquarters to be completed by 1965, and the programme for subordinate controls to be completed by 1968. Wireless links would be provided from regional headquarters down to sub-area by 1969.

(iii) Also, under Programme Y the essential broadcasting services would not be completed before 1969, whereas under Programme X they would be completed by 1966.

(b) (i) Although Programme Y includes some provision for drinking water supplies, the amount is so modest that it would take many years before even a minimum programme could be achieved. Similar considerations apply to fire-fighting equipment.

(ii) Programme X would enable some worthwhile provision to be made in both these important matters.

(c) (i) The Ballistic Missile Early Warning Station at Fylingdales will be able to give warning of attack by ballistic missiles in 1963. Under Programme Y this warning could not be transmitted to the whole population until five years after the Station had come into operation; and it would not be possible to give public warning of attack and warning against fall-out over the whole country until 1969.

(ii) Programme X would enable the Fylingdales warning to be given to the whole population by 1964. It would also enable warnings against fall-out to be given by the same year.

(d) Programme Y would not permit the final completion of the ports emergency scheme before 1980. Under Programme X the scheme would be completed by 1969.

(e) Further respects in which Programme X differs from Programme Y are as follows. It would enable operational wireless to be provided for the Civil Defence Corps. It would enable additional equipment to be provided for the ambulance and first-aid sections, and some improvement to be made in the content and distribution of the medical stockpile. It would also permit some improvement to be made in the emergency railway control organisation.
148. It is the view of a majority of the Committee that *Programme X* is the minimum needed to provide a coherent and publicly defensible policy; and that if Ministers accepted this programme, it would then be open to them, if they felt it appropriate, to make a comprehensive statement about home defence policy. If, on the other hand, the decision should be in favour of *Programme Y*, the Committee do not consider that Ministers would be in a good position to volunteer a comprehensive statement of policy, having regard to the deficiencies of this programme to which attention is drawn above. Nor do they consider that a programme on this scale would be sufficient to counter the present lack of interest among local authorities and others concerned in home defence planning.

149. The action to be taken on the policy issues discussed in Section VI also has to be considered against this background. The recommendations made by the Committee on these issues would in general be a good deal easier to carry out if Ministers decided on *Programme X*, and if some general statement of policy were made.

150. For example, the Committee have explained why they think that in any event some statement on evacuation policy cannot be deferred for long; but, unless the Government were in a position to make a comprehensive statement on home defence policy, the announcement that an evacuation scheme was to be prepared could well lead to embarrassing questions about other aspects of home defence. A number of other proposals—the suggested approach to industry about policy in the precautionary period and after attack; guidance to local authorities about the use of schools and other premises in an emergency; our role in NATO home defence planning; the attraction of volunteers to man the control organisation—could best be carried out in the context of a publicly known and coherent Government policy on home defence. Furthermore, such a policy would provide the most convenient basis on which to deal with the printing of food ration books and the introduction of the emergency home nursing scheme, both of which it is recommended should be carried out whichever programme is adopted. The proposed reviews of the Civil Defence Corps and of shelter policy would not immediately raise the question of public presentation, but they might well involve consultation with local authorities and others outside Government circles.

**VIII.—CONCLUSIONS**

151. The Committee all believe that some provision should be made for carrying on the government of the country in nuclear war, and that the provision of emergency headquarters for the central Government and of a regional organisation should be completed.

152. There is a minority view that other home defence preparations have no place in our defence policy, since we could not afford to undertake preparations on a scale that would influence the public’s attitude to the deterrent policy in a period of tension, still less provide adequate protection against attack. Those who hold this view consider that our limited resources are best spent on maintaining an effective deterrent, but they nevertheless recognise that it would be politically impracticable to abandon home defence entirely at the present time. They consider that expenditure for this purpose should be severely restricted, and progressively reduced as this becomes politically possible.

153. The view of the majority of the Committee is that home defence preparations are an integral part of the deterrent policy, primarily because of their potential value in steadying public opinion in support of this policy in a period of tension. Some of the Committee also think that the Government has a duty to take measures to mitigate the consequences to the civil population in global war, and that home defence preparations are justified in order to increase the chances of survival if a war were to come. In practice, measures which would be justified on this latter ground are largely the same as those which would be of value on the former ground, namely to steady public opinion in a period of tension.

154. The Committee have considered two possible programmes of expenditure in relation to the majority view. If expenditure were held broadly at its present level over the next five years, on the lines of *Programme Y*, some improvements could
be made in home defence preparations; but these would still suffer from serious limitations. The Government could not show that they had a coherent and reasonable home defence policy; it would be difficult to give a positive lead in home defence or to make a comprehensive statement of policy; and little could be done to remedy the present lack of interest among local authorities and others concerned in home defence planning.

155. These difficulties would be reduced if some moderate increase in home defence expenditure could be allowed, on the lines of Programme X. This would permit significant improvements within a reasonable time.

156. Whichever programme is adopted, there are certain other measures, which would not involve significant expenditure, at least during 1961–62, which the majority of the Committee consider should be taken. They recommend that—

(a) The planning of an evacuation scheme for about six million people in priority classes should be authorised and announced (paragraph 105).

(b) The possibility of using existing accommodation as shelter against fall-out, and the question of a national survey for this purpose, should be studied by the Departments concerned (paragraphs 113–115).

(c) An approach should be made to industry about their part in home defence preparations (paragraph 121).

(d) The functions and organisation of the Civil Defence Corps and the Auxiliary Fire Service should be reviewed by officials, in the light of the man-power resources likely to be available for home defence in war, and this review should include consideration of the desirability of a bounty scheme (paragraphs 126 and 134).

(e) We should continue to play our part in NATO civil emergency planning, bearing in mind on the one hand the importance which some of our allies attach to such planning, and on the other hand the limitations on the resources which we can make available for it (paragraph 135).

(f) Consultations with the Governments of the countries to which we should chiefly look for food supplies in war, particularly within the Commonwealth, should be authorised (paragraph 136).

(g) Plans should be pursued for the manning of the government control organisation based, at least initially, on voluntary recruitment (paragraph 138).

(h) The register of premises to be taken over for defence purposes in an emergency should be reviewed in the light of current assumptions and policy and the authorities concerned should be told that educational premises should be regarded as generally available for home defence purposes in an emergency (paragraphs 139–140).

(i) The Treasury should be authorised to discuss monetary problems arising out of home defence policy with the Bank of England, as a preliminary to planning by the Departments concerned (paragraph 142).

157. For the most part the measures recommended in the previous paragraph would be considerably easier to carry out under Programme X than under Programme Y, since Programme X would provide a coherent framework for them.

158. A majority of the Committee consider that a coherent and publicly defensible policy for home defence is now needed, and that the minimum programme of expenditure required to achieve this is that proposed under Programme X; and they recommend that this programme should be adopted.

December, 1960.
APPENDIX A

ASSESSMENT OF WEIGHT AND EFFECTS OF NUCLEAR ATTACK

Weight of attack

1. A Soviet attack would aim to put this country out of the war by the use of nuclear weapons. The Soviet already have the ability to do this as part of a general attack on the West, and by 1963 they could do so by using missiles alone.

2. They would probably give first priority to our nuclear bomber bases and offensive missile sites. There are now about seventy of these targets, and under present defence policy they are likely to remain (in roughly their present number and distribution) the primary targets for an enemy attack at least until the later 1960s. The error of missiles successfully fired will probably not exceed 1–1 mile, but in order to have a reasonable assurance of success the Soviet Union might well initially launch two weapons against each military target, and might make follow-up attacks. For maximum effect the Soviet would probably use ground-burst 3-megaton weapons. An initial attack on this scale would not, comparatively speaking, cause a great number of casualties from blast and heat, but with present home defence preparations fall-out would account for millions of deaths, the number depending largely on the wind direction at the time of attack. In addition, the Soviet Union, in order to ensure the elimination of this country from the struggle, would probably also attack centres of population, the seat of government and major ports, and two 3-megaton weapons might be launched on London and one on each of say fifteen other large centres of population. On these assumptions the initial onslaught on bases and centres of population would consist of not less than one hundred and fifty 3-megaton weapons directed largely at the Eastern half of England and the Midlands, but with isolated targets on the West Coast and in Scotland.

3. Towards the end of the 1960s the number of military targets in this country would decrease, if there were by then few or no identifiable deterrent bases in the United Kingdom. In that case the Soviet Union would no doubt concentrate their attack against cities. In order to have a reasonable assurance of success, the Soviet Union might launch six 3-megaton weapons on London and one on perhaps twenty other centres of population. Although it is difficult to be specific, it seems likely that a much smaller attack might well suffice to put this country out of the war, but it seems only prudent to assume that the Soviet would want to make sure.

4. Any assessment of enemy plans must be speculative; but the Soviet Union has the ability to launch a crippling attack against both military and civil targets in this country simultaneously with a general attack on the West, and it is therefore necessary to consider the worst that might happen.

5. It seems unlikely that the Soviet would plan to use either chemical or biological warfare against targets in the United Kingdom.

Effects of attack

6. The effects of a nuclear attack on this country would depend on the weight of weapons used, the choice of targets, the protection provided for the population, e.g., by means of evacuation or shelter, and the prevailing weather conditions, and in particular the wind direction and strength. Any estimate of the effects of a nuclear attack is inevitably somewhat arbitrary. The wind direction alone could greatly alter the picture. The following paragraphs illustrate what might happen with the most common Westerly wind.

7. If nuclear deterrent bases and cities were attacked on the scale envisaged in paragraph 2, then in the absence of general evacuation or shelter for the population, the casualties from all causes, including fall-out, might amount to over 20 millions killed and about 4 millions seriously injured or sick. If the attack were confined to twenty-one cities, then on the same assumptions about 12 million people would be killed and over 4 million would be injured or sick.
8. If a scheme for evacuating say 6 million people from centres of population had been successfully carried out, the number killed in either of the assumed patterns of attack might be reduced by about 4 million and the seriously injured by about 1–1 million.

9. Out of the estimated total of over 20 million deaths resulting from an attack on bases and cities no less than 13 millions would be caused by fall-out. Many of these casualties could be avoided if it were economically and physically practicable to provide shelter against fall-out: in the best case the reduction might be as much as 12 million.

10. On the assumptions adopted fall-out would be most widespread in the Midlands and the Eastern half of England, but other areas might be affected, depending on the targets selected. In the areas worst affected by fall-out various services, vehicles and stores of food and fuel might be intact, but they would be inaccessible, perhaps for a considerable time. In the rest of the country there would be gross overcrowding resulting from movement of people from the cities before attack, whether or not there were an official evacuation scheme, and the arrival after attack of the injured and homeless. The life of the country would be severely disrupted, and resources of food, water, transport, fuel and other supplies would have to be carefully husbanded. Distribution of resources would be a major problem. There might be sufficient food to provide survivors, on average, with an adequate but Spartan diet; but the distribution difficulties might leave some areas very short of food. Emergency feeding would have to be improvised on a large scale. Water supplies, power and fuel resources and transport would probably suffice for essential needs, if certain minimum precautions had been taken. Given adequate labour and two or three days' warning of attack, the emergency ports system could probably handle most imports on a scale required for survival, although there would be difficulty over bulk cargoes of grain. For a considerable time after attack telephones and telegraph services could be maintained at only about 5 per cent. of their normal capacity, and would have to be reserved for essential purposes. The armed forces would probably have to help the surviving police forces to maintain law and order. The effects of attacks on the scale discussed above and the prospects of survival after attack could be affected by the home defence measures taken in peace.
### PROGRAMME X

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<td>1. Government Control Organisation</td>
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<td>Emergency Government headquarters</td>
<td>0.266</td>
<td>0.041</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1962</td>
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<tr>
<td>Regional headquarters</td>
<td>0.075</td>
<td>0.200</td>
<td>0.350</td>
<td>0.290</td>
<td>0.125</td>
<td>—</td>
<td>1962</td>
<td>(i) Phasing of expenditure and date of completion of the programme will depend on the acquisition of suitable sites. Tests have not yet been made on any of the sites acquired to date. The programme would provide for the adaptation of existing buildings as local authority control centres in groups, areas, and selected sub-areas. The availability of suitable premises is likely to vary considerably in the various regions and at this stage it is not possible to say that further expenditure will not ultimately be required.</td>
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<td>Sub-regional headquarters(i)</td>
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<td>0.095</td>
<td>0.095</td>
<td>—</td>
<td>1965</td>
<td>(ii) No firm estimate of expenditure under this head is possible at this stage. These figures include only token provision for communications with public utilities, the oil industry and railway emergency control centres.</td>
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<td>Group, area and sub-area(ii)</td>
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<td>0.550</td>
<td>0.550</td>
<td>0.600</td>
<td>1965</td>
<td>(iii) It has not been possible to estimate the additional maintenance expenditure which may be incurred in 1962-63. (iv) Communications rentals are calculated on the basis of progress which would be made in the preparation of premises if expenditure were incurred as at 1 A above.</td>
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<td>Maintenance</td>
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<td>0.205</td>
<td>0.220</td>
<td>0.230</td>
<td>0.230</td>
<td>1966</td>
<td>(v) The figures shown under this item do not include that part of the total rentals paid by the Ministry of Defence and the Service Departments.</td>
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<td>B. Communications(v)</td>
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<td>(i) G.P.O. system</td>
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<tr>
<td>Emergency Government headquarters(v)</td>
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<td>0.285</td>
<td>0.285</td>
<td>0.285</td>
<td>0.285</td>
<td>1969</td>
<td>(vi) Not shown in 1960-61 Estimates.</td>
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<td>(viii) No firm estimate of expenditure under this head is possible at this stage.</td>
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<td>From sub-region and group to area and below</td>
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<td>0.020</td>
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<td>0.130</td>
<td>0.185</td>
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<td>(ii) Wireless</td>
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<td>Region-sub-region-group-area</td>
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<td>0.070</td>
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<td>Area and below</td>
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<td>0.147</td>
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<td>0.339</td>
<td>0.290</td>
<td>0.061</td>
<td>1966</td>
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Note—All figures where appropriate include provision for Scotland.

(i) Tests have not yet been made on any of the sites acquired to date. The programme would provide for the adaptation of existing buildings as local authority control centres in groups, areas, and selected sub-areas. The availability of suitable premises is likely to vary considerably in the various regions and at this stage it is not possible to say that further expenditure will not ultimately be required.

(ii) No firm estimate of expenditure under this head is possible at this stage. These figures include only token provision for communications with public utilities, the oil industry and railway emergency control centres.

(iii) It has not been possible to estimate the additional maintenance expenditure which may be incurred in 1962-63.

(iv) Communications rentals are calculated on the basis of progress which would be made in the preparation of premises if expenditure were incurred as at 1 A above.

(v) The figures shown under this item do not include that part of the total rentals paid by the Ministry of Defence and the Service Departments.

(vi) Not shown in 1960-61 Estimates.

(vii) Estimated ultimate annual rental.

(viii) No firm estimate of expenditure under this head is possible at this stage. These figures include only token provision for communications with public utilities, the oil industry and railway emergency control centres.

(ix) Total rental of £0.39 million not incurred before 1968-69.
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<th>Item</th>
<th>Estimated expenditure 1960-61 £ millions</th>
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<tr>
<td>2. Evacuation</td>
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<td>Printing of billeting documents</td>
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<td>3. Food</td>
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<td>(a) Stockpile, storage and maintenance</td>
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<td>(b) Ration documents</td>
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<td>(c) Training in emergency feeding techniques</td>
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<td>(d) Equipment</td>
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<td>(1) Maintenance of emergency equipment</td>
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<td>5. Fuel and Power Supplies</td>
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<td>(a) Electricity</td>
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<td>(b) Gas</td>
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<tr>
<td>(1) New measures to ensure continuity of supplies</td>
<td>£0.185(xii)</td>
<td>£0.185(xii)</td>
<td>£0.185(xii)</td>
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<td>(2) Maintenance</td>
<td>£0.010(xii)</td>
<td>£0.010(xii)</td>
<td>£0.010(xii)</td>
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</table>
- (x) The estimated cost of the wartime requirement is £0.5 million.
- (xi) The total cost of measures to safeguard water and electricity supplies can be estimated only after survey and consultation with the industries. No year of completion can therefore be shown.
- (xii) Government grant only. The industry provide an equivalent amount.
(c) Petroluem
   (i) Improvements and maintenance at existing installations ... 0.770
   (ii) Purchase of reserve stockpile and maintenance ... —
   (iii) Authorisation forms ... —

6. TRANSPORT—
   (a) Ports—
      (i) Completion of scheme(xiv) ... 0.100
      (ii) Maintenance ... ... 0.070
   (b) Railways—
      Emergency train control centres ... —
   (c) Road transport—
      Printing of vehicle requisition forms — 0.001

7. MEDICAL SERVICES—
   (a) Training and provision of training equipment ... ... ... 0.103
   (b) Emergency home nursing training scheme(xvi) ... —
   (c) Medical stockpile maintenance and improvement ... 0.220

8. CIVIL DEFENCE ORGANISATION
   (a) General
      (i) Administrative and training costs including schools 2.593
      (ii) Grants to local authorities for administration and training of A.F.S. and C.D. Corps 4.283
      (iii) Grants to local authorities for Welfare Section of C.D. Corps 0.227

(xiii) These figures are net. The expenditure is greatly reduced by As-in-A from commercial use. Should these fall below expectations, some increase would be required.
1963
(xiv) Expenditure to date on this scheme is about £8 millions.
1962
(xv) The gross maintenance cost is approximately £0.16 million a year of which £0.09 million in 1960-61 is offset by hire of equipment. The average receipts from hire in future years is assumed to be £0.06 million a year. This may vary from year to year. The net maintenance figure for all years subsequent to 1960-61 is assumed to be £0.1 million.
1969
(xvi) Expenditure under this heading may vary with public response to the scheme.
1965
1961
1962
### PROGRAMME X (continued)

<table>
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<tbody>
<tr>
<td>(iv) Grants to local authorities for training, and equipment for Ambulance and First Aid Section, C.D. Corps ... ...</td>
<td>0.357</td>
<td>0.450</td>
<td>0.450</td>
<td>0.450</td>
<td>0.450</td>
<td>0.450</td>
<td>(xvii) This programme provides for all civil defence services including police and fire, and it may prove to be insufficient; expenditure in later years would then have to be considered.</td>
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<td>(b) Civil Defence Corps</td>
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<tr>
<td>(i) Stockpile of radiac instruments (xvii) ... ... ... ...</td>
<td>0.557</td>
<td>0.500</td>
<td>0.500</td>
<td>0.500</td>
<td>0.500</td>
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<td>(ii) Operational wireless ... ... ... ...</td>
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<td>0.100</td>
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<td>0.100</td>
<td>0.100</td>
<td>0.100</td>
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<td>(iii) Training wireless(xviii) ...</td>
<td>0.080</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(xviii) In this programme, training wireless could be maintained at its present level from stocks acquired under items 1 B (ii) and 8 (b) (ii).</td>
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<td>(iv) Training vehicles and equipment and uniforms ... ... ... ...</td>
<td>0.255</td>
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<td>(v) Emergency clothing (W.V.S.)...</td>
<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
<td>(xix) This programme, on which £2.25 millions has already been spent, would be substantially completed during 1961–62.</td>
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<tr>
<td>(vi) Miscellaneous (grants to W.V.S. and voluntary societies, research and development, &amp;c.) ...</td>
<td>0.380</td>
<td>0.380</td>
<td>0.380</td>
<td>0.380</td>
<td>0.380</td>
<td>0.380</td>
<td>(xx) It has been agreed in principle that capital expenditure by the Post Office which in this programme is phased over three years should be repaid by the Home Departments over ten years and that payments should include the cost of maintaining the system. The figures shown are the estimated Home Departments' repayments in the years 1961–62 —1965–66, plus rental for the network to link group headquarters to the B.M.E.W.S. There will continue to be a charge for maintenance after the capital has been repaid.</td>
</tr>
<tr>
<td>(c) Warning and monitoring organisation</td>
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<tr>
<td>(i) Protection of R.O.C. posts and group headquarters ...</td>
<td>0.910</td>
<td>1.072</td>
<td>0.500</td>
<td>0.030</td>
<td>—</td>
<td>—</td>
<td>1963(xix)</td>
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<td>(ii) Maintenance of R.O.C. posts and group headquarters ...</td>
<td>0.010</td>
<td>0.014</td>
<td>0.025</td>
<td>0.032</td>
<td>0.038</td>
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<td>(iii) Upkeep of siren system, communications of warning system and accommodation at sectors...</td>
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<td>0.410</td>
<td>0.420</td>
<td>0.430</td>
<td>0.440</td>
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<td>(iv) Warning system</td>
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<td>(a) Carrier</td>
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<tr>
<td>(i) Equipment and maintenance (xx) ...</td>
<td>0.030</td>
<td>0.155</td>
<td>0.390</td>
<td>0.570</td>
<td>0.570</td>
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<td>(ii) Installation charges ... ...</td>
<td>—</td>
<td>0.270</td>
<td>0.420</td>
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<td>Description</td>
<td>1964</td>
<td>1975</td>
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<tr>
<td>Provision of hand-operated sirens and maroons</td>
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<td>Fire Service</td>
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<td>(i) Stockpile of fire-fighting equipment</td>
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<td>0.750</td>
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<td>(ii) Training equipment</td>
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<td>0.250</td>
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<td>Maintaining Board of Trade stockpile</td>
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<td>Miscellaneous</td>
<td>0.096</td>
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<tr>
<td>Less Appropriations-in-Aid</td>
<td>0.503</td>
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<td>0.500</td>
<td>0.500</td>
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Post Office capital expenditure, which is estimated for the current year at about £4 millions, has been excluded from these tables. The tables, however, include rentals in respect of communications services which would be paid to the Post Office by civil Departments in connexion with defence.
## APPENDIX C

### PROGRAMME Y

<table>
<thead>
<tr>
<th>Item</th>
<th>Estimated expenditure £ millions</th>
<th>Year of completion</th>
<th>Remarks</th>
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<tr>
<td></td>
<td>1960-61</td>
<td>£ millions</td>
<td>£ millions</td>
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<tr>
<td>1. GOVERNMENT CONTROL ORGANISATION</td>
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</tr>
<tr>
<td>A.—Premises</td>
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<tr>
<td>Emergency Government headquarters</td>
<td>0-206</td>
<td>0-041</td>
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<tr>
<td>Regional headquarters</td>
<td>0-075</td>
<td>0-130</td>
<td>0-130</td>
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<tr>
<td>Sub-regional headquarters</td>
<td>0-025</td>
<td>0-030</td>
<td>0-030</td>
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<tr>
<td>Group, area and sub-area(i)</td>
<td>0-097</td>
<td>0-100</td>
<td>0-200</td>
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<tr>
<td>Maintenance</td>
<td>0-121</td>
<td>0-195(ii)</td>
<td>0-200(ii)</td>
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<td>B.—Communications(iii)</td>
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<tr>
<td>Emergency Government headquarters</td>
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<tr>
<td>(iv)</td>
<td>0-058</td>
<td>0-090</td>
<td>0-155</td>
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<tr>
<td>Regions, sub-regions, groups</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Regional support offices</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>From sub-region and group to area and below</td>
<td>0-010</td>
<td>0-030</td>
<td>0-050</td>
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<tr>
<td>C.—Broadcasting</td>
<td>0-111</td>
<td>0-120</td>
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<tr>
<td>2. EVACUATION</td>
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<tr>
<td>Printing of billeting documents(ix)</td>
<td>—</td>
<td>—</td>
<td>—</td>
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</tbody>
</table>

**Note.**—All figures where appropriate include provision for Scotland.

(i) This programme would provide for the adaptation of existing buildings as local authority control centres in groups, areas and sub-areas. The availability of suitable premises is likely to vary considerably in the various regions and at this stage it is not possible to say that further expenditure will not ultimately be required.

(ii) It has not been possible to estimate the additional maintenance expenditure which may be incurred in 1962-63 and subsequent years on buildings adapted as local authority control centres. The sums shown therefore (which include £0-178 million for the maintenance of emergency Government headquarters) make no provision for this item.

(iii) Communications rentals are calculated on the basis of the progress which would be made in the preparation of premises if expenditure were incurred as under 1 A above.

(iv) This figure does not include that part of the total rental which is to be paid by the Ministry of Defence and the Service Departments (£0-265 million).

(v) Not shown in 1960-61 Estimates.

(vi) Ultimate annual rental of £0-666 million would be reached in 1972.

(vii) Ultimate annual rental of about £0-200 million might be reached in 1969. No firm estimate however of expenditure under this head is possible at this stage. These figures include only token provision for communications with public utilities, the oil industry and railway emergency control centres.

(viii) Ultimate annual rental of £0-39 million would be reached in 1981.

(ix) Expenditure under this heading (£0-040 million) may have to be reconsidered.
### 3. Food

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<td>(a) Stockpile, storage and maintenance</td>
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<td>2.310</td>
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<td>(b) Ration documents</td>
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<td>(c) Training in emergency feeding techniques</td>
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<td>0.185</td>
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<tr>
<td>(d) Equipment</td>
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<td>(1) Maintenance of emergency equipment</td>
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<td>0.055</td>
<td>0.055</td>
<td>0.055</td>
<td>0.055</td>
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<td>(2) Purchase of food monitoring equipment for training(x)</td>
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<td>0.020</td>
<td>0.020</td>
<td>0.020</td>
<td>0.020</td>
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<tr>
<td>(e) Miscellaneous</td>
<td>0.091</td>
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### 4. Water Supplies

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<tbody>
<tr>
<td>(a) Gas</td>
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<tr>
<td>(1) New measures to ensure continuity of supplies</td>
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<tr>
<td>(2) Maintenance</td>
<td>0.010</td>
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<tr>
<td>(b) Petroleum</td>
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</table>

### 5. Fuel and Power Supplies

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<tbody>
<tr>
<td>(a) Gas</td>
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<td></td>
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<tr>
<td>(1) New measures to ensure continuity of supplies</td>
<td></td>
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<tr>
<td>(2) Maintenance</td>
<td>0.010</td>
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<tr>
<td>(b) Petroleum</td>
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### 6. Transport

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<tr>
<td>(a) Ports</td>
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<td>(i) Completion of scheme(xiv)</td>
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<td>0.100</td>
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<td>(ii) Maintenance(xvi)</td>
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<td>Printing of vehicle requisition forms</td>
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</table>

(x) The estimated cost of the wartime requirement is £0.5 million.

(xi) The total cost of measures to safeguard water supplies can be estimated only after survey and consultation with the industry. No year of completion can therefore be shown.

(xii) Government grant only. The industry provide an equivalent amount.

(xiii) These figures are net. The expenditure is greatly reduced by As.-in-A from commercial use. Should these fall below expectations, some increase would be required.

(xiv) Expenditure to date on this scheme is about £30 millions.

(xv) Certain projects might involve capital expenditure higher than £10-100 million in some years after 1961-62.

(xvi) The gross maintenance cost is approximately £0-16 million a year, of which £0-09 million in 1960-61 is offset by hire of equipment. The average receipts from hire in future years is assumed to be £0-06 million a year. This may vary from year to year. The net maintenance figure for all years subsequent to 1960-61 is assumed to be £0-1 million.
### PROGRAMME Y (continued)

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<tr>
<td></td>
<td>£ millions</td>
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<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
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<tr>
<td>7. MEDICAL SERVICES</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>(a) Training and provision of training equipment</td>
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<td>0.100</td>
<td>0.100</td>
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<td>(b) Emergency home nursing training scheme</td>
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<td>0.030</td>
<td>0.030</td>
<td>0.030</td>
<td>0.030</td>
<td>0.030</td>
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<td>(c) Medical stockpile—maintenance and improvement</td>
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<td>0.235</td>
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<td>8. CIVIL DEFENCE ORGANISATION</td>
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<td>(a) General</td>
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<tr>
<td>(i) Administrative and training costs including schools</td>
<td>2.593</td>
<td>2.740</td>
<td>2.800</td>
<td>2.675</td>
<td>2.660</td>
<td>2.660</td>
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<tr>
<td>(ii) Grants to local authorities for administration and training of A.F.S. and C.D. Corps</td>
<td>4.283</td>
<td>4.400</td>
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<td>4.600</td>
<td>4.700</td>
<td>4.800</td>
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<td>(iii) Grants to local authorities for Welfare Section of C.D. Corps</td>
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<td>0.260</td>
<td>0.270</td>
<td>0.280</td>
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<tr>
<td>(iv) Grants to local authorities for training and equipment for Ambulance and First Aid Section, C.D. Corps</td>
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<td>0.350</td>
<td>0.350</td>
<td>0.350</td>
<td>0.350</td>
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<tr>
<td>(b) Civil Defence Corps</td>
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<tr>
<td>(i) Stockpile of radiac instruments</td>
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<td>0.500</td>
<td>0.500</td>
<td>0.500</td>
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</tr>
<tr>
<td>(ii) Training wireless</td>
<td>0.080</td>
<td>0.080</td>
<td>0.080</td>
<td>0.080</td>
<td>0.080</td>
<td>0.080</td>
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<td></td>
</tr>
<tr>
<td>(iii) Training vehicles and equipment and uniforms</td>
<td>0.255</td>
<td>0.330</td>
<td>0.330</td>
<td>0.330</td>
<td>0.330</td>
<td>0.330</td>
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<td>(iv) Emergency clothing (W.V.S.)</td>
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<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
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<tr>
<td>(v) Miscellaneous (grants to W.V.S. and voluntary societies, research and development, &amp;c.)</td>
<td>0.380</td>
<td>0.380</td>
<td>0.380</td>
<td>0.380</td>
<td>0.380</td>
<td>0.380</td>
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</tr>
</tbody>
</table>

(cvii) Expenditure under this heading may vary with public response to the scheme.

(viii) This programme provides for all civil defence services including police and fire and it may prove to be insufficient; expenditure in later years would then have to be considered.

1966
(c) Warning and monitoring organisation
(i) Protection of R.O.C. posts and group headquarters .... 0·910
(ii) Maintenance of R.O.C. posts and group headquarters .... 0·010
(iii) Upkeep of siren system, communications for warning system and accommodation at sectors 0·320
(iv) Warning system
(a) Carrier
(i) Equipment and maintenance(six) .... 0·030
(ii) Installation charges .... —
(b) Provision of hand-operated sirens and maroons .... —
(d) Fire Service
(i) Stockpile of fire-fighting equipment .... 0·120
(ii) Training equipment .... 0·248

9. Other Items

<table>
<thead>
<tr>
<th>Item</th>
<th>1963</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining Board of Trade stockpile</td>
<td>0·690</td>
<td>0·450</td>
<td>0·350</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0·096</td>
<td>0·100</td>
<td>0·100</td>
</tr>
<tr>
<td>Totals</td>
<td>15·929</td>
<td>16·870</td>
<td>16·959</td>
</tr>
<tr>
<td>Less Appropriations-in-Aid</td>
<td>0·503</td>
<td>0·500</td>
<td>0·500</td>
</tr>
<tr>
<td>Net Totals(xx)</td>
<td>15·426</td>
<td>16·370</td>
<td>16·459</td>
</tr>
</tbody>
</table>
EVACUATION POLICY

MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT AND
MINISTER FOR WELSH AFFAIRS

The arguments for and against planning a scheme for evacuating women and children from some of the large centres of population are set out in paragraphs 96 to 105 of the report by officials of their review of Home Defence policy.

2. I would like to put before the Cabinet what seem to me to be the crucial questions.

3. As a Government we do not have the soft option of staying mute. It is now almost two years since the Commons were first told that we were reviewing the plans previously announced for evacuating some 12 million people. Parliament and the local authorities may at any time now demand to know the outcome.

4. The choice lies between abandoning evacuation as a policy and taking further, in consultation with the local authorities, the examination of the outline plan to evacuate some 6 million women and children. There is not room to evacuate 12 million.

5. Conditions are wholly different from 1938–39. My own thinking is governed by the conviction that no British Government would, in advance of actual war, give the order to put evacuation plans into effect. That would start a general exodus from the cities, bringing the economic life of the country to a standstill. That is an argument for adopting a policy of “stay-put” in place of a policy of evacuation.

6. But I can see that an announcement that we were abandoning evacuation would have serious implications. It might run us into great difficulty with other countries of the North Atlantic Alliance: and it would be hard too to get public opinion, at this point of time, to accept a policy of stay-put for all, women and children included. We might indeed stir up a great deal of alarm and bitter argument about an operational matter which, in my view, will have singularly little practical importance if ever home defence plans have to be put into operation.

7. It would involve no great expense to carry to the next stage—namely, consultation with the local authority associations—the consideration of the outline scheme for evacuating some 6 million of the priority classes. The details of this scheme will need some further work in the light of the latest assessment of attack.

8. Consultation with the local authorities will however bring out the practical limitations on the planning of any evacuation scheme. It will become clearly apparent that Eastern England can no longer be used for reception: that the capacity of the country areas elsewhere limits the numbers which could be accommodated to an extent which will make it impossible to plan evacuation from all likely target areas, or of all the women and children who might be within the range of blast and fire damage in the areas chosen for evacuation: and that there would be considerable fall-out hazards in some of the reception areas.
9. It might help to shape opinion on this whole subject of evacuation, if these matters which now condition the drawing up of an evacuation policy were brought into the open.

10. On balance, my recommendation is that we should announce that we have abandoned the "12 million scheme" and that we are proposing to explore further with the local authorities proposals for evacuating to the western half of the country and to south-east England some 6 million people in the priority classes. But I think it is important that the announcement should be made in a way which will leave us free to reconsider the whole matter in the light of the consultations and what emerges from them. The opportunity might be taken, in the course of the consultations, to sound opinion privately on the question whether it is tolerable to leave out of the priority classes the adolescents, the aged and the infirm, as recommended in the Report of Officials (paragraph 104).

H. B.

Ministry of Housing and Local Government, S.W. 1,
16th December, 1960.
CABINET

SUBSCRIPTION TELEVISION

MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE AND POSTMASTER GENERAL

Consideration to Date

The Home Affairs Committee discussed this question in May and concluded that an experiment in subscription television should not be authorised in advance of the Pilkington Committee's report.

2. Several powerful groups have staked a claim to participate in subscription television if it comes. All the major film and relay firms have an interest. Special companies have also come into being, the five largest being:

- Rank/Rediffusion
- British Home Entertainment Ltd. (Lord Slim, Lord Brabourne, Earl of Harewood)
- British Telemeter Home Viewing (Guardian, Financial Times, British Lion Films)
- Associated British Picture Corporation Ltd.
- Associated Television Ltd., in conjunction with British Relay Wireless Ltd.

3. The Rank/Rediffusion group have developed their own "Choiceview" equipment. They ask to be allowed to start an experiment in Darlington.

4. Considerations For and Against an Early Experiment

For

(a) Whether, and to what extent, the public are prepared to pay for subscriber television programmes.
(b) What the correct basis of charge should be.
(c) What type of equipment would be most suitable at the subscriber's end.
(d) Most important, that the British equipment is better than American equipment already being demonstrated in Canada, so that we shall not be left behind in the race for what may prove to be a very valuable world market for equipment.

Against

(a) Equipment, as such, can be tested through a volunteer panel with existing programmes, or a demonstration can be staged in Canada where Rediffusion have wide interests.
(b) Any experiment must at this stage be confined to line, and this would have a hostile reception from those groups interested in a radio service.
(c) A limited field trial might well give a false indication of consumer reaction and commercial prospects. (Commercial Television took some two years to prove itself financially.)
(d) In general, no pattern should be set for a new service in advance of the planning of the broadcasting services of the country as a whole; the general effect on the broadcasting services should first be assessed.
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CONFIDENTIAL
The Pilkington Committee

5. The terms of reference of the Pilkington Committee embrace subscription television—whether by line or by radio.

6. If an experiment were to be authorised we should need to make it clear that this did not imply acceptance of subscription television as a future television service. We should now need to convince the Pilkington Committee, as well as Parliament and the country that:

(a) Approval of an experiment would in no way fetter the freedom of the Committee to make any recommendations within its terms of reference.

(b) If an experiment were successful, it would not prejudice the Government’s consideration of the Committee’s recommendations and would not necessarily mean the Government would favour a subscription service in preference to alternatives and probably untried types of television programmes and vice versa.

It would take at least nine months to mount an experiment and the results could not be known until a year’s actual operation.

7. So far the Committee’s views on an early experiment have been uncompromisingly hostile. They are contained in a letter from Sir Harry Pilkington (Annex A). (The other major television questions before the Committee which they think would be prejudged are listed in Annex B.)

Other Policy Aspects of an Experiment

8. In view of the many interests an experiment would need to be run by some form of consortium: more than one experiment might be necessary. We believe Rank/Rediffusion would be prepared to take part in a consortium experiment if their equipment were used. The British Broadcasting Corporation and the Independent Television Authority, among others, might be invited to participate. Parliament would no doubt wish to debate the terms of the Postmaster General’s licence, since it could be said that we were bringing into being a third television programme-producing authority in addition to the Corporation and the Authority. Parliament would be interested in the control of programme content, balance, political and religious items; and especially perhaps in the basis of allocating licences and the financial conditions to be attached. The recent Conservative Political Centre pamphlet argues that existing contractors should not be given additional contracts; Rediffusion and Rank, and others interested, have large stakes in commercial television.

Conclusion

9. The alternatives seem to be:

(a) To postpone a decision about an experiment until after Pilkington has reported—in about 18 months’ time.

(b) To try to persuade the Pilkington Committee to acquiesce in an experiment on the explicit assurances set out in paragraph 6; plus perhaps the option to participate in some way in the experiment if they so wished.

10. We invite the views of the Cabinet.

R. M.

J. R. B.

15th December, 1960.
Dear Minister,

I put to the Committee the substance of the talk Mr. Hudson and I had with you and the President of the Board of Trade on 15th November about an experiment in subscription television. In doing so, I drew attention to the President’s view that it would be easier for the equipment developed here to compete in overseas markets if it could be shown at work.

After going over the ground again, the Committee felt bound to conclude that an experiment should not be authorised before it had reported. The essential arguments are twofold. First, the issues of broadcasting policy prompted by proposals for subscription television are far-reaching and involve other major questions before the Committee. A decision to authorise an experiment would inevitably prejudice the answers not only to the question whether subscription television should be introduced, but also the answers to the other questions. I must emphasise that these other questions are anything but trifling; the answers to them will shape the future and purpose of broadcasting. In short, they are so important that, if they are prejudged, the Committee must ask itself whether its work would serve any useful purpose.

The second essential argument is this. The Committee fully understand the President’s concern to promote exports. Even if they were pretty certain to materialise and to contribute significantly to our trade, it must be doubtful in the extreme whether they primarily should determine the future of broadcasting in the United Kingdom. But the export possibilities here must be problematical.

There is one thing which has not yet been said plainly and perhaps ought to be. It would be unrealistic to suppose that the export of equipment is more than incidental to the main objective of those who are anxious to experiment. Their main objective is surely to run a service of subscription television in this country; and that is a matter on which the Committee are to advise.

Yours sincerely,

(Sgd.) HARRY PILKINGTON,
Chairman.

ANNEX B

Major Television Questions with which Pilkington Committee are Concerned

Some of the issues with which the Pilkington Committee is faced are:

(a) What additional television services should be provided, i.e., how many and what nature? This includes the question of additional services for the British Broadcasting Corporation and the Independent Television Authority, Welsh television, &c.

(b) How shall they be financed?

(c) Who should provide them?

(d) Should they, or any of them, start up in the remaining frequencies in Band III and/or Bands IV/V. And how many can be catered for?

(e) What is to be the future of the relay industry?

(f) Is there a place for television for public showing—this would clearly be a competitor with subscription television for television material.

(g) What will be the effect on the existing television service of any additional services recommended?

December 1960.
CABINET

FARM IMPROVEMENTS SCHEME

MEMORANDUM BY THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD

On 25th July the Cabinet, after consideration of a memorandum by the Chancellor of the Exchequer (C. (60) 118) asked me to give further consideration to the possibility of limiting expenditure under the Farm Improvements Scheme by administrative methods and of finding other compensating savings by reductions in other forms of Exchequer assistance to agriculture; and to bring the matter before the Cabinet again in the autumn (C.C. (60) 45th Conclusions, Minute 4).

2. The Farm Improvements Scheme was designed to increase the long-term efficiency of the agricultural industry by encouraging owners to improve the equipment of their farms, much of which had inevitably been neglected and fallen out of date in the 30 or so years before, during and immediately after the war.

3. The scheme was set up as part of the Agriculture Act, 1957, which gave effect to an agreement with the Farmers' Unions in talks following the 1956 Annual Review and recorded in a White Paper, Long-term Assurances for Agriculture, 1956 (Cmdn. 23). There was then no accurate knowledge of the amount of work needed to bring the equipment of our farms to reasonable efficiency. It was estimated that with the incentive of 33 1/3 per cent. grants, some £150 millions would be spent over the ensuing 10 years. This put Exchequer liability at £50 millions. This is the figure that was written into the Act—with the proviso that it could, by order, be increased to £55 millions.

4. Time has shown that this was an under-estimate. By last September, i.e., when the scheme had run for three years out of the 10, proposals costing in all £73 millions had been approved and it is estimated that others, submitted but not yet approved, would cost another £8 millions—a total of some £81 millions. Grant on these would amount to £27 millions. In short half the total sum provided for in the Act has been committed in less than one-third of the time.

5. While there may in future be some falling off in the number of proposals coming forward, it is certain that the £50 millions will be exhausted well before the 10 years are up. At the present rate, all will be committed before the end of 1963; alternatively, if the scheme were to continue, with applications at the present rate, for the full 10 years, total grant payments would, in the end, be of the order of £70 millions—£85 millions.

6. An examination made last summer by the Agricultural Departments and the Treasury produced the conclusion, with which Ministers represented on the Farm Price Review Committee concurred, that there were no worthwhile possibilities of limiting expenditure by administrative means. The question has again been considered by officials, and I am satisfied that this conclusion is still correct. Briefly, the initiative in submitting proposals in response to the incentive of 33 1/3 per cent. grants rests with farmers and landowners. There is no basis on which the Agricultural Departments can slow down the rate of applications, or accept only some of those which satisfy the conditions of the Act.
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7. I have considered the possibility of making savings elsewhere to compensate for additional expenditure under the scheme, but have come to the conclusion that this is not possible. We cannot make pound for pound cuts in the value of the price guarantees for agriculture, if only because grants under the scheme are specifically excluded by the 1957 Act from the Annual Farm Price Review: but, of course, the more is spent on capital equipment, the more can we expect costs, which will be reflected in Annual Reviews, in future to be kept down.

8. So the question to be resolved is whether to let the scheme run on as set out in the Act with grants at 33\% per cent. for the full 10 years or to curtail it in some way so as to keep expenditure within £55 million. In this connection I would draw my colleagues' attention to the terms in which this figure of £55 million was presented to the Legislation Committee (Annex A) and to the House (Annex B). I am satisfied that the financial provision in the Act was never envisaged as more than a best estimate of the cost for the 10-year scheme—certainly not as a ceiling on expenditure.

9. I feel strongly that the right course is to allow the scheme to run for the full 10 years at the present rate of grant:

(a) This scheme is one of the most successful of all our forms of assistance to agriculture. It increases efficiency directly and reduces long-term dependence on Exchequer support.

(b) The fact that the original estimates look like being exceeded is only an indication of the need for the 10-year scheme of modernisation and the extent to which 30 and more years of depression and neglect have left the long-term equipment of the land inadequate or out of date. 66\% per cent. of the cost is being met by landowners.

(c) As was said in the memorandum to the Legislation Committee (Annex A), our agreement with the farmers in 1956 was for a ten-year Scheme of 33\% per cent. grants. We could scarcely avoid charges of breach of faith if only three years after its introduction we announced that either the Scheme was to be limited in time or the grant reduced.

(d) To cut either the rate of grant or the period of application would penalise those who in good faith and for good reasons have been programming their expenditure over the whole ten years of the Scheme.

(e) The talks with the National Farmers' Union which the Prime Minister initiated have only just been completed. The outcome will be incorporated in a White Paper. It would be most inopportune to make cuts in a programme of capital re-equipment whose continuation has been implicit in all recent discussions on efficiency and incomes, and which results from the discussions with the Farmers' Unions four years ago.

10. For these reasons I urge that we should decide now to continue the Scheme for the full ten years at the present rate of grant. The announcement could be made either when it becomes inevitable or when it seems most prudent to do so.

11. This memorandum has been agreed with the Home Secretary and the Secretary of State for Scotland.

C. S.

Ministry of Agriculture, Fisheries and Food, S.W.1,
16th December, 1960.

CONFIDENTIAL
ANNEX A

EXTRACT FROM MEMORANDUM TO THE LEGISLATION COMMITTEE DATED 26TH FEBRUARY, 1957, BY MINISTER OF AGRICULTURE, FISHERIES AND FOOD

AGRICULTURE BILL, 1957

Our agreement with the farmers incorporated in the White Paper provided for the payment of 33 1/3 per cent grants for a period of 10 years. We estimated that the grants were likely to cost something of the order of £50 millions. I propose that provision for this sum should be included in the Bill with power by Order to increase the provision to £55 millions. I am, however, anxious to make it clear that we have no intention, by a system of quotas or otherwise, to restrict the volume of grant-aided work from year to year with a view to keeping within this financial limit. For this purpose, I would propose to include in my Second Reading speech a general statement on the lines attached to this note which has been agreed with officials of the Treasury by my Department.

ANNEX B

EXTRACT FROM SECOND READING SPEECH ON THE AGRICULTURE BILL, 25TH MARCH, 1957

Clause 18 is the financial Clause, and states that the grants will be 33 1/3 per cent. We estimate the cost at about £50 millions for 10 years. For constitutional reasons, we thought it desirable to put this figure in the Bill, though it is necessarily a very speculative figure. We worked it out rather like this. We estimate that, without any grants, the work of the kind covered by these schemes is running at about £8 millions a year at present, excluding work of a kind already aided under other schemes. We believe that with a stimulus of this sort, the flow might be doubled, say, £15 millions, of which £5 millions would represent the cost of the grant.

We are now asking Parliament to authorise an expenditure up to £50 millions for 10 years, and to give us the power to increase that sum to £55 millions, if the estimates prove too low. If the expenditure seems likely to exceed that figure, we shall have to look at the question afresh when the time comes. If, on the other hand, the volume of work is less than we estimate, we are taking power to extend the period from 10 to 12 years.

I cannot give a definite undertaking as far as 10 years ahead that never, in any circumstances, will there have to be a limitation of this expenditure. The Government must retain freedom of action there, but I hope that we shall avoid any form of limitation and be able to allow the scheme free play and permit grant-aided improvements to go forward without restraint.
Cabinet

Cost of the Health Service

Memorandum by the Secretary of State for the Home Department

The draft Health Estimates for next year show an increase of £54 millions, or 8.8 per cent, over the original Estimates for the current year (even after disregarding the increase of £6 millions in capital expenditure).

2. The Home Affairs Committee have considered and approved proposals by the Secretary of State for Scotland and the Minister of Health for meeting about half of this increase, as follows:

<table>
<thead>
<tr>
<th>Saving in full year</th>
<th>£ millions</th>
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</thead>
<tbody>
<tr>
<td>(i) Welfare foods</td>
<td></td>
</tr>
<tr>
<td>(a) Halve the subsidy on liquid welfare milk</td>
<td>11.5</td>
</tr>
<tr>
<td>(b) Charge cost price for other welfare foods</td>
<td>1.2</td>
</tr>
<tr>
<td>(ii) Increase charges for</td>
<td></td>
</tr>
<tr>
<td>(a) Dentures by amounts ranging from 5s. to 15s.</td>
<td>1.0</td>
</tr>
<tr>
<td>(b) Spectacle lenses by 4s. a pair</td>
<td>1.3</td>
</tr>
<tr>
<td>(iii) Increase maximum charge for amenity beds in hospital from 4 to 7½ guineas a week</td>
<td>0.3</td>
</tr>
<tr>
<td>(iv) Double the prescription charge of 1s. per item</td>
<td>12.2</td>
</tr>
</tbody>
</table>

Total: 27.5

(26.2 in 1961-62)
Against this saving it would be necessary to set off the estimated additional charge on the National Assistance Board - about £1.5 millions in a full year - and a sum possibly of the order of £2-3 millions to compensate the milk industry for any loss due to reduced consumption of milk.

3. Welfare foods. We are advised that the reduced consumption of milk and other welfare foods which must be expected to result from this proposal is unlikely to be great enough to have any significant effect on health (though the possible effect on large families is being further considered). But we should have to take account, in the annual price review, of its effect on the milk industry.

4. Dental and optical appliances. The proposal to increase the charges for these is the only one of the proposals which would require legislation. The yield is relatively small but the change would provide an opportunity to make certain concessions, desirable as a matter of policy, on children’s glasses and dental appliances for children and expectant and nursing mothers and to make these charges, with all other National Health charges, variable in future by regulation. For these reasons the Committee were generally of the opinion that legislation would be justified but, largely because of the effect on the Parliamentary programme, I feel obliged for the moment to reserve my own position.

5. Prescriptions. The average cost of prescriptions has increased by 50 per cent since the present charge was fixed four years ago and the drug bill continues to increase at an alarming rate. The Health Ministers are planning a major attack on it on another front; but we are satisfied both that the charge should be increased and that, if so, it should be by 100 per cent. We do not believe that this need lead to compensatory over-prescribing; there are arrangements for preventing that (which nevertheless protect patients who have a chronic need for drugs). But we recognise that, while the National Assistance Board can and will take care of their own clients, this proposal may have a quite serious effect on elderly people who are just above the assistance level.

6. I must add that the political impact of these proposals as a whole, conjoined with our proposal to increase the “health stamp” by 1s., will be very considerable. The plan is to announce them and to introduce the Bill on the stamp simultaneously with publication of the Health Estimates early in February. We shall be very strongly attacked and presentation will not be the easier when it is realised that the product of the stamp increase, about £36 millions next year, and the product of these proposals will together slightly exceed the estimated increase in the cost of the services next year (about £62 millions as against £60 millions). On the other hand there is much anxiety among our own supporters about the increase in Government expenditure generally and the mounting cost of the Health Service in particular. The preponderating balance of opinion in the Committee is that the political effect of doing nothing to meet this would be definitely worse than that of going forward with our proposals.
7. The Committee therefore recommend the Cabinet to agree that we should go forward with the proposals set out in paragraph 2, subject to further consideration of the question of, and the practicability of, legislation on dental and optical appliances.

R. A. B.

Home Office, S.W.1.

19th December, 1960.
CABINET

HOUSE COAL PROSPECTS FOR THE WINTER

MEMORANDUM BY THE MINISTER OF POWER

In my report on house coal prospects in C. (60) 152, I said the National Coal Board estimated that the demand on them for large coal during the winter might be 24 million tons, the same as last winter. The Board hoped to get 22.6 million tons from current production by raising the percentage of large coal in the total output to 23.3. The balance of 1.4 million tons—plus any shortfall from current production—was to come partly from the Board’s stocks of large coal, which were about 0.75 million tons at the beginning of winter, and partly from extra doubles and from the screening of large coal out of the stocks of unscreened coal.

2. My report expressed some doubts about the ability of the industry to achieve the target of 23.3 per cent. large coal in total output: I am glad to say that in November the collieries produced 3.61 million tons of large coal, representing 24 per cent. of their total output—the best monthly percentage realised for over two years. If this performance can be maintained, supplies from current production during the winter as a whole would be 0.7 million tons higher than anticipated. The Board are, indeed, now aiming to do even better than this.

3. On the other hand demand has continued very high. During the first five weeks of winter, merchants’ disposals to consumers were about 450,000 tons (18 per cent.) higher than last year. Some of the extra coal supplied has no doubt gone into householders’ stocks, and an increase in demand of this scale is most unlikely to continue for the whole winter. But demand for large coal could still be appreciably more than the estimated 24 million tons, particularly if the weather is unusually cold or if householders start hoarding because of rumours of shortages.

4. The National Coal Board have so far more than kept pace with the high demand and their despatches to merchants in the five weeks were 640,000 tons (26 per cent) more than last year. Merchants’ stocks on 3rd December were 1.77 million tons, only about 7 per cent. below last year’s level of 1.91 million tons. This is a useful improvement on the stock position when I last reported to the Cabinet. Merchants’ stocks were then nearly 24 per cent. below last year. The Board’s own stocks of large coal had only fallen to 0.66 million tons on 3rd December, having been helped out by some screening of “unscreened” stocks.

5. The other problem touched on in my previous note was that of ensuring adequate transport for supplies of house coal. Here an agreement was reached between the Board and the British Transport Commission, under which diversions of power station and industrial coal to the roads are being built up to a total of about 100,000 tons a week. The arrangements have been going smoothly, although the Board tell me there have recently been a few local difficulties, such as fog, the retention of wagons by some consumers, and the reluctance of others to accept road-borne supplies. These difficulties are being watched, but the Board expect the 100,000 tons figure to be reached by Christmas, as they had planned.

6. The Coal Board think that by February, when demand will be at its peak, diversions on a larger scale may be needed. It is too early for them to put a firm
figure on this, especially as rail movements generally have been going much more smoothly than last year. This possible need for larger diversions is being kept under review and will be discussed with the Commission early in January.

7. To sum up, although the National Coal Board, with the co-operation of the British Transport Commission, have had considerable success in stepping up supplies, we are not yet in a position to say that the danger of house coal shortages is over. I shall continue to watch the situation carefully, keeping in close touch with the Chairman of the Coal Board.

R. F. W.

Ministry of Power, S.W. 1,
MOSCOW COMMUNIST SUMMIT AND ITS IMPLICATIONS FOR THE WEST

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

The meeting in Moscow of representatives of 81 Communist parties from 10th November to 1st December resulted in the issue of a 20,000-word statement, and an appeal to the peoples of the world. Detailed notes on these documents contrasting them with those issued after the last meeting of 12 Communist parties in 1957 are attached.

2. Why the Meeting was held.—The meeting took place as a result of the sharpening differences between Peking and Moscow. The main differences, evident since 1958 and acrimonious since September 1959, were not resolved in any way by meetings which had been going on since last June. They concerned Chinese dissatisfaction with Mr. Khrushchev's attitude towards the West in general and the United States in particular, and over apparent Soviet reluctance to encourage revolutionary action in the Middle East, Africa and Latin America. Beneath these specific conflicts, which were couched in doctrinal terms according to normal Communist practice, there were divergencies inherent in the different problems and circumstances of the two very disparate societies, and in the different background of their leaders. In voicing their disagreement with Soviet policies, and in pursuing independent policies of their own, domestic and foreign, the Chinese inevitably challenged Soviet leadership. This problem of leadership in turn became more basic and insoluble than all the other issues dividing the two parties—exacerbated by personal hostility between Mr. Khrushchev and Mr. Mao Tse-tung.

3. What happened at the Meeting and what will be the effect on intra-bloc relations?—On the basis of the evidence available both overt and covert, I believe that the meeting resulted in a slight measure of compromise between the Russians and the Chinese though this may prove ephemeral; it produced no real reconciliation of views. Given the underlying nature of the conflict I do not in fact think that such a reconciliation was ever in the least likely at the meeting. It was never more than a theoretical possibility that Mr. Khrushchev, as a result of Chinese pressure, would have renounced the convictions evidently reached after profound consideration and first enunciated at the 20th Party Congress in 1956 that:

(a) Global war is not fatally inevitable.
(b) The peaceful transition to Socialism in individual countries and on a world scale is now possible because of the increased strength of the Socialist camp (the implicit consequence of this is that adventurist policies involve unnecessary risks).

Nor, in the circumstances, was it ever really conceivable that the Chinese, who have more to gain by upsetting the status quo, would yield to Soviet arguments and give up their more militant attitude on these questions. But if neither side were likely to yield completely to the other, it did not follow that an open split between them was likely to follow. It always seemed likely that the forces uniting Peking and Moscow (their joint interest in preserving the monolithic structure and appeal of the bloc; and their military and economic inter-dependence) were bound to
prove stronger than their divisions. The real points at issue in November, therefore, were:

(a) How the two giants would succeed in papering over the cracks.

(b) How far the Chinese would succeed in showing the Russians that there was widespread support in other Communist parties for the Chinese view, and that the Soviet leaders would in the future have to take more account of Peking as a second focus of Communist power.

4. As regards the attempt to paper over the cracks the documents resulting from the meeting are elastic and general in their terms. Mr. Khrushchev's main theses are affirmed. The meeting no doubt represents something of a triumph for him, and the immediate effect must be to strengthen his own personal standing, and hence remove doubts amongst the world's Communist parties about the paramountcy of his doctrines on the non-inevitability of war, peaceful co-existence, &c. Mr. Mao Tse-tung's face is saved by the militant tone and repeated emphasis on struggle, and by the absence of any but the most perfunctory reference to the possibility of negotiations with the West. But it appears from secret sources that the Russians had already formally accepted by last June the need for greater militancy and this has been reflected in their recent policies. Most significant of all: within the broad limits set by the documents there is little to inhibit either the Russians or Chinese from pursuing divergent policies on specific issues. In general, however, they are both likely for some time to emphasise publicly the points of cohesion. Basically, therefore, in terms of Sino-Soviet relations the actual documents have little new significance.

5. On Chinese Influence.—We know from secret sources that the Chinese viewpoint was supported explicitly by six delegations, and that many others remained neutral. The rivalry between the Soviet and Chinese leaders persisted throughout the meeting; and the Chinese delegate in his final speech said that he did not agree with some of the formulations but had accepted the statement in the interests of unity. Some delegates even gained the impression that the era of Sino-Soviet co-operation was at an end. However this may be, the meeting is a milestone in the evolution of the system of leadership in the Communist bloc. The Soviet Communist Party remain paramount: but henceforth, if they are to avoid a repetition of the recent crisis, they will have to concert the main lines of their global policy more effectively by argument and persuasion. Conversely, the Chinese party, though still in second place, have secured tacit recognition of their influence and the overt concession that, when disputes arise, party leaders will hold meetings and consultations to reach joint views.

Significance of the Meeting to the West

6. In General.—I do not think that the West should derive too much comfort from the outcome of the Moscow meeting. It is true that the official Communist doctrine that war is not inevitable (which the Chinese had questioned) has been reaffirmed; and that the Chinese have now substantially endorsed the Soviet view of the disastrous consequences of nuclear war—a view which does not differ substantially from our own. The main change in fact from 1957 is in the direction of greater—and exaggerated—self-confidence, and of a more forceful line generally. The 1957 declaration claimed only that Socialism was on the up-grade and was exerting ever greater influence upon the international situation. The new statement asserts that in the world arena "a preponderance of the power of Socialism over imperialism" is becoming more manifest. To-day it is the Socialist system that determines the future course of world history. The time is not far off when Socialism's share of world production will be greater than that of capitalism. Already the present so-called general crisis of capitalism is credited to Soviet competition. The defeat for capitalism will be achieved in "the decisive sphere of endeavour, the sphere of material production".

7. The statement is revealing on the meaning which is currently attached to the phrase "peaceful co-existence". It is also studded with militant appeals... "to fill the peoples with a holy anger", to secure the abolition of military bases and the acceptance of Soviet disarmament policies, to penetrate the Trade Unions and stir up strikes—all these objectives governed by the phrase at the end of the statement that "the Communists see as their task the development of a decisive offensive on the ideological front".

SECRET
8. Finally the class struggle is to become acute in colonial areas where the complete collapse of colonialism is imminent. The struggle for national liberation is second only in historical importance to the formation of the world Socialist system. The creation of "independent national democracies", with State planning free from Western capital, becomes the next political objective. (Significantly the models which the Communists had in mind seem to have been Cuba or Guinea rather than India or even the United Arab Republic.)

9. **Specific Issues.**—The statement and appeal cannot be looked upon as a detailed guide to future Soviet and Chinese policies towards the outside world. Nevertheless they are a general reflection of the lines the two countries will take and the following tentative assessment is suggested:

**THE SOVIET UNION**

(a) Steps which Mr. Khrushchev believes might carry the risk of world war will continue to be avoided.

(b) He believes that he can mobilise sufficient power and public opinion to prevent "imperialists" from fighting "local wars" to defend their interests while the Soviet Union will be able to encourage "just" struggles of national liberation.

(c) "Peaceful co-existence", involving as it does in Soviet terminology, the ideological, political and economic struggle, will be pursued relentlessly.

(d) Mr. Khrushchev may feel obliged to demonstrate his title to world revolutionary leadership by taking a generally more forceful line—indeed he may have come to the conclusion many months ago that this was tactically desirable. The anti-Western and anti-United States tone of the pronouncement will make it more difficult to revive the atmosphere of Camp David. Nevertheless Mr. Khrushchev is likely to pursue his idea of high-level negotiations with the West on Berlin, Germany and disarmament (this has been confirmed by statements made since the meeting by Soviet leaders to the United States Ambassador in Moscow), though the eventual negotiations on these subjects would be no easier than before. However, the commitment to militancy and the pursuit of more forceful policies in other directions will persistently confront him with a tactical dilemma and he will try to create situations in which the West will be compelled to negotiate at a disadvantage. He will also be under increased pressure to present the outcome of any such negotiation as a victory.

(e) Whilst continuing in general to support bourgeois nationalist Governments which favour neutralist policies Mr. Khrushchev may be even more fanatical and difficult on the subject of colonialism, and may be more inclined than hitherto to encourage revolutionary situations in Africa, Central America and Indo-China. This may for example cause repercussions on the present difficult situation in Laos. There may be increased and competing Sino-Soviet intervention in Latin America. In North Africa Mr. Khrushchev will no longer be able to let his policy on Algeria be governed exclusively by Western European considerations as he did in late 1959 and early 1960.

(f) On disarmament and nuclear tests, the Russians seem confident that Western Governments will eventually be forced by the pressure of their own public opinion to accept Soviet terms. Disarmament in fact, like peace, will be imposed.

(g) The omission from the statement of all reference to Peking's admission to the United Nations should not be taken to imply any change of Soviet policy in this respect. The 1957 declaration made no such reference. Moreover the "appeal" does make the point as part of the diatribe against the United States.

**CHINA**

10. It must be assumed that for the time being at least Peking will pay lip service to the common doctrine enunciated in the Moscow statement. Soviet opposition is, however, unlikely to have moved the Chinese from their conviction
that Communism needs more aggressive leadership. Their future foreign tactics are likely to be governed by the following considerations:

(a) They will remain, within the limits imposed by economic difficulties, as vigorous and uncompromising as ever in the promotion of their aims and in their attitude to the capitalist world. They may step up their aid and political intervention abroad and may embark on more extreme measures than hitherto involving, for example, shipments of arms to Latin America and tropical Africa, and intensive military and political training of Communists from key under-developed countries.

(b) Since 1953 the Chinese have been careful to avoid action calculated to involve them in full-scale war with the West. Nothing that happened at the conference is likely to change their policy in this respect. There is, for example, no indication that the Soviet Union has promised them closer military support.

11. Conclusions

(a) The Communist Summit meeting succeeded for the sake of Communist bloc unity in papering over the cracks in the dispute between Peking and Moscow, but did not resolve the fundamental differences, as indeed it was never likely to do.

(b) Relations between Moscow and Peking may for a time be more outwardly friendly and much lip-service will be paid to unity; but neither side is likely to feel inhibited from pursuing its previous policies, and Peking will not be inhibited from trying to secure an increasingly important position in the bloc.

(c) For the outside world the outcome of the meeting probably means little basic change in the policies which China and Moscow will pursue on specific issues but there may be some intensification of the cold war which Mr. Khrushchev seeks to dignify under the name of “peaceful co-existence”. While, therefore, the outbreak of nuclear war has probably been brought no nearer by the Moscow meeting, neither has the achievement of normal peaceful relations between the Communist and non-Communist world. It is possible of course that Mr. Khrushchev may again conclude, as he did in 1959, that a less militant attitude than he is now pursuing, would be advantageous to the Soviet Union. But whereas Marshal Stalin, who did not have to account for his actions to anyone, found it easy to change his policies overnight, Mr. Khrushchev, in the new circumstances which prevail in the Soviet Union and to the Communist world as a whole, would have to move much more carefully.

H.

Foreign Office, S.W. 1,
22nd December, 1960.
THE MOSCOW STATEMENT OF 1st DECEMBER, 1960

The statement is interesting both for the changes from the last bloc declaration made in Moscow in 1957 and for the way it deals with points at issue between Peking and Moscow.

1960 Compared with 1957

2. Compared with the 1957 declaration which was signed only by the 12 parties of bloc countries, this year's declaration carries 81 signatures, representing parties from all over the world. There is a comparable expansion in the tone of confidence disclosed which verges on euphoria. The 1957 declaration claimed only that Socialism was on the up-grade and was exerting ever greater influence upon the international situation. The new statement asserts that in the world arena "a preponderance of the power of Socialism over imperialism" is becoming more manifest. To-day it is the Socialist system that determines the future course of world history. The time is not far off when Socialism's share of world production will be greater than that of capitalism. The defeat for capitalism will be achieved in "the decisive sphere of endeavour, the sphere of material production".

Sino-Soviet Dispute

3. Much of the Moscow statement reaffirms positions on which Moscow and Peking have long agreed. The forces uniting the two Powers have, not surprisingly, proved stronger than the causes of division. However on the latter the statement represents a considerable victory for the Soviet point of view. It endorses Mr. Khrushchev's main theses particularly on:

(a) The non-inevitability of war.
(b) The horrors of nuclear war.
(c) The change in the world balance of power making possible the peaceful transition to Socialism.

4. The Chinese appear to have secured some minor concessions, e.g., on the definition of "independent national democracies" and in the harsh languages used about the United States and Yugoslavia; it may also be fair to assume that the militant tone and repeated emphasis on struggle and the absence of any but the most perfunctory reference to the possibility of negotiations with the West, owe much to Chinese inspiration.

5. The main points are as follows:

(a) War and Peace

This section of the statement endorses the Soviet thesis, first formulated at the 20th Congress of the Communist Party of the Soviet Union (C.P.S.U.) in 1956, that the strength of the Socialist camp is now such that wars are not fatally inevitable. It also endorses the more far-reaching pronouncement of the 21st Congress of the C.P.S.U. in January 1959 that:

"There will arise a real possibility of eliminating world war from the life of human society even before the complete victory of Socialism, while capitalism remains in a part of the world."

The fight for peace is declared to be the prime task of the Communist parties; earlier Chinese statements have tended to treat the fight for peace as secondary to the fight for the destruction of imperialism. In its only reference to local wars the statement says that it is possible to combat and stamp out effectively such wars started by the imperialists. Among the examples quoted in support of this view are Algeria, the Congo and Laos.

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(b) Peaceful Co-existence

The statement endorses the Soviet contention that peaceful co-existence between countries with different systems is the only alternative to nuclear war and moreover offers favourable opportunities for the development of the struggle both in capitalist and colonial countries. "Peaceful co-existence among States does not mean ... a rejection of the class war. Co-existence between States of differing social systems is a form of class struggle between Socialism and capitalism. ... Peaceful co-existence of States with different social systems does not mean a reconciliation between the Socialist and bourgeois ideologies. On the contrary it implies an intensification of the struggle of the working class and of all the Communist parties for the triumph of Socialist ideas." The statement contains only one vague and passing reference to the desirability of negotiations with the West, nothing about the need (more than once mentioned by Mr. Khrushchev) for mutual concessions as necessary to enable agreements with the West to be reached, and nothing about the advantages of personal contacts between Eastern and Western leaders.

(c) Underdeveloped Countries

The section on underdeveloped countries is a compromise. The statement that independence can be won "both through armed struggle and by non-military methods" represents a victory for the Soviet view, since the Chinese have hitherto held armed struggle to be the "principal" and "most important" means. On the other hand there is a Chinese emphasis in the comment that the "national bourgeoisie" in underdeveloped countries, though it "can participate in the revolutionary struggle", remains "unstable" and "inclined to compromise". In the passage on "independent national democracies" which follows the Russians and Chinese have apparently tried to define the kind of State which they would like to see taking the place of former colonies and dependent territories. The result is a description which fits extremists like Cuba and Indonesia better than moderates like India and Egypt—a point which the Chinese may use to reinforce their arguments that economic aid from the Soviet bloc should be distributed more selectively.

(d) Intra-bloc Relations

While stressing that all parties are independent and have equal rights, the statement stresses that the C.P.S.U. "has been and remains the universally recognised vanguard of the World Communist Movement" and that its example "represents the revolutionary principles of proletarian internationalism applied in practice". This appears to be as definite an assertion of Soviet primacy as anything in the 1957 declaration. However, the possibility of further Sino-Soviet disagreement is implied in the sentence: "When this or that party raises questions about the work of another brotherly party, its leadership of the party in question and, when necessary, meetings and consultations are held."

(e) Economic Competition and United States Imperialism

The emphasis in the opening section of the statement on material production as "the decisive sphere of human endeavour" is typically Russian and the Chinese may have had some difficulty in accepting the assertion, attributed to Lenin, that the Socialist countries will "influence the development of world revolution chiefly by their economic construction". On the other hand the Chinese have obtained a rather more thorough going and unqualified condemnation of the United States than was included in the 1957 declaration.
ANNEX B

THE "APPEAL TO THE PEOPLES OF THE WORLD"

From the meeting of representatives of 81 Communist and Workers’ Parties, Moscow, November 1960.—Published 12th December, 1960

This appeal is the successor to the "Peace Manifesto" issued after the Conference of Communist Parties held in Moscow in 1957. Both documents make the point that war can and must be prevented, but the appeal of 1960 is more emphatic than the manifesto of 1957 both on the menace of war and on the forces ranged against it. The general tone is also more intense.

2. The following points are common to the 1957 manifesto and the 1960 appeal:
   (a) End the arms race.
   (b) Ban the manufacture, testing and use of atomic and hydrogen weapons.
   (c) Abolish foreign military bases.
   (d) Prevent the rearmament of Germany (and that of Japan, says the 1960 appeal).
   (e) Support "peaceful co-existence ".

3. The following points occurred in 1957, but are not repeated in 1960:
   (a) "Demand an end to the plotting and military provocation of the imperialists in the Middle East." (This is obviously passe.)
   (b) "Demand from your Government that in the United Nations they pursue a policy of peace and opposition to the cold war." (This description hardly fits the behaviour of the Soviet bloc during the present session. That may be why the 1960 appeal, although it also calls for an end to the cold war, does not link this with the United Nations.)

4. The following points appear for the first time in the 1960 appeal:
   (a) "Combat attempts by the Governments of the imperialist Powers to involve new countries in the cold war"—an obvious reference to the Congo.
   (b) "Demand the conclusion of a peace treaty with the two German States and the conversion of West Berlin into a demilitarised free city."
   (c) "Do not let the United States monopolies rob the heroic Cuban people of their freedom, by economic blockade or armed intervention."
   (d) "Insist on the immediate conclusion of a treaty on general, complete and controlled disarmament."

Conclusion

5. The appeal of 1960, like the manifesto of 1957, is simply an endorsement of current Soviet policy.