CABINET MEMORANDA

Times of Meetings of the Cabinet and Certain Cabinet Committees. Note by the Secretary of the Cabinet

C. (65) 1 - Post Office Finance. Memorandum by the Postmaster-General

2 - Enquiry into Trades Unions and Employers' Associations. Memorandum by the Minister of Labour

3 - Children's Service in Greater London. Memorandum by the Secretary of State for the Home Department

4 - Comprehensive Secondary Education. Memorandum by the Secretary of State for Education and Science

5 - Educational Building - Minor Works. Memorandum by the Secretary of State for Education and Science

6 - Hospital Capital Expenditure: 1965-66. Memorandum by the Minister of Health

7 - Trade Disputes Bill: Question of Retrospection. Memorandum by the Minister of Labour

8 - Farm Price Review. Memorandum by the Secretary of State for the Home Department, the Secretary of State for Scotland and the Minister of Agriculture, Fisheries and Food

9 - Cigarette Advertising. Memorandum by the Minister of Health

10 - Public Expenditure. Memorandum by the Chancellor of the Exchequer

11 - The Development of Higher Education. Memorandum by the Secretary of State for Education and Science

12 - Commonwealth Immigration. Memorandum by the Secretary of State for the Home Department

13 - A New Town for Manchester. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

14 - New Town for Manchester. Memorandum by the President of the Board of Trade

15 - Farm Price Review. Memorandum by the Chancellor of the Duchy of Lancaster

16 - Prices and Incomes. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

17 - Housing Programme - England and Wales. Memorandum by the Minister of Housing and Local Government

18 - Gibraltar. Memorandum by the Foreign Secretary

19 - Defence White Paper. Note by the Secretary of State for Defence
20 - Aid to Zambia. Joint Memorandum by the Secretary of State for Commonwealth Relations and the Minister of Overseas Development

21 - Housing Programme. Memorandum by the Chancellor of the Exchequer

22 - A Policy for the Arts. Memorandum by the Prime Minister

23 - Racial Discrimination and Incitement to Racial Hatred. Memorandum by the Secretary of State for the Home Department

24 - Vote on Account, 1965-66. Memorandum by the Chancellor of the Exchequer

25 - Royal Commission on Medical Education. Memorandum by the Secretary of State for Education and Science

26 - Control of Private House-building by Financial Means. Memorandum by the Minister of Housing and Local Government

27 - Vote on Account 1965-66. Memorandum by the Chancellor of the Exchequer

28 - Housing Programme. Memorandum by the Minister of Housing and Local Government

29 - Control of Private Building. Memorandum by the Minister of Public Building and Works

30 - Prices and Incomes in 1965. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

31 - Tribunals of Inquiry (Evidence) Act, 1921. Memorandum by Secretary of State for the Home Department

32 - Housing Programme 1965. Memorandum by the Secretary of State for Scotland

33 - Housing. Memorandum by the Chancellor of the Exchequer

34 - Land Commission. Memorandum by the Lord President of the Council

35 - Deduction of Union Subscriptions from Pay. Memorandum by the Chancellor of the Exchequer

36 - The National Army Museum. Memorandum by the Secretary of State for Defence

37 - Doctors' Pay. Note by the Minister of Health

38 - Soundproofing of Private Houses near London (Heathrow) Airport. Memorandum by the Chancellor of the Duchy of Lancaster

39 - British Iron and Steel Federation. Memorandum by the Attorney-General
Rhodesia. Memorandum by the Secretary of State for Commonwealth Relations

Rail Closures. Memorandum by the Minister of Transport

Steel Nationalisation. Memorandum by the Chancellor of the Exchequer and the Minister of Power

Situation in General Practice. Memorandum by the Minister of Health

Farm Price Review. Memorandum by the Minister of Agriculture, Fisheries and Food

Rent Bill: Draft White Paper. Memorandum by the Secretary of State for Scotland and the Minister of Housing and Local Government

Rent Bill: Draft White Paper. Memorandum by the Secretary of State for Scotland and the Minister of Housing and Local Government

Prices and Incomes. Note by the First Secretary of State and Secretary of State for Economic Affairs

Atlantic Nuclear Force. Memorandum by the Secretary of State for Foreign Affairs

The Middle East. Memorandum by the Secretary of State for Foreign Affairs

The Parliamentary Commissioner. Memorandum by the Chancellor of the Duchy of Lancaster
CABINET

TIMES OF MEETINGS OF THE CABINET AND CERTAIN CABINET COMMITTEES

NOTE BY THE SECRETARY OF THE CABINET

I give below an up-to-date list of the times of meetings of the Cabinet and its main Committees, and also the latest times by which memoranda to be considered at these meetings may be circulated:

Latest time for the circulation of papers

<table>
<thead>
<tr>
<th>Day</th>
<th>Time</th>
<th>Committee</th>
<th>Latest time</th>
</tr>
</thead>
<tbody>
<tr>
<td>MONDAY</td>
<td>11.00 a.m.</td>
<td>Economic Development Committee</td>
<td>Thursday: 1 p.m.</td>
</tr>
<tr>
<td>TUESDAY</td>
<td>10.00 a.m.</td>
<td>Legislation Committee</td>
<td>Friday: 1 p.m.</td>
</tr>
<tr>
<td></td>
<td>11.00 a.m.</td>
<td>Cabinet (if required)</td>
<td>Friday: 1 p.m.</td>
</tr>
<tr>
<td>WEDNESDAY</td>
<td>10.30 a.m.</td>
<td>Social Services Committee</td>
<td>Monday: 8 a.m.</td>
</tr>
<tr>
<td></td>
<td>11.30 a.m.</td>
<td>Defence and Oversea Policy Committee</td>
<td>Monday: 1 p.m.</td>
</tr>
<tr>
<td>THURSDAY</td>
<td>10.30 a.m.</td>
<td>Cabinet</td>
<td>Tuesday: 8 a.m.</td>
</tr>
<tr>
<td>FRIDAY</td>
<td>10.00 a.m.</td>
<td>Home Affairs Committee</td>
<td>Wednesday: 8 a.m.</td>
</tr>
</tbody>
</table>

2. Ministers are asked to hold free the meeting times of Committees of which they are members.

(Signed) BURKE TREND.

Cabinet Office, S.W.1,
8th January, 1965.
CABINET

POST OFFICE FINANCE

MEMORANDUM BY THE POSTMASTER-GENERAL

In pursuance of the policy initiated by the last Government in Cmnd. 1337 (The Financial and Economic Obligations of the Nationalised Industries) the Post Office has a financial target expressed as a return on net assets averaging 8 per cent over the five years 1963-64 to 1967-68. (By “return” is meant profit as shown in the Accounts plus interest on borrowing plus supplementary depreciation. Recent calculations are shown at pages 72-3 of the Post Office Report and Accounts 1963-64.)

2. The present situation is that while Telecommunications are just about on target, Posts are heavily in deficit. On the best forecasts that can at present be made, performance is expected, at current tariffs, to fall short of the 8 per cent return target (− ) or exceed it (+ ) as follows:

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<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Postal</td>
<td>−11</td>
<td>−20</td>
<td>−26</td>
<td>−33</td>
<td>−41</td>
<td>−131</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>+9</td>
<td>−1</td>
<td>−3</td>
<td>−6</td>
<td>−7</td>
<td>+8</td>
</tr>
</tbody>
</table>

The profits (+) and losses (−) contributing to these results are:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Postal</td>
<td>−8</td>
<td>−18</td>
<td>−24</td>
<td>−31</td>
<td>−38</td>
<td>−119</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>+39</td>
<td>+33</td>
<td>+36</td>
<td>+38</td>
<td>+42</td>
<td>+188</td>
</tr>
</tbody>
</table>

The major assumptions underlying these forecasts are annual growths of 3½–4 per cent in G.D.P. and about 4 per cent in staff expenditure as a result of improved pay, hours, etc., which is below both current experience and the average rate of increase over the last 10 years. (1 per cent of current account staff expenditure is rather more than £2 million postal and £1½ million telecommunications.)

3. The striking difference between the fortunes of the two services arises partly from past pricing decisions and partly from the differing character of the two services. Telecommunications are rapidly expanding, technically progressive and highly capitalised. They are thus currently able to finance considerable increases in
wage rates and prices of materials out of gains in productivity. On
the other hand the scope for mechanisation in Posts is more limited
and presents special difficulties. This service has a very high labour
content and cannot absorb rising costs to any great extent. Thus,
in the past 10 years expenditure on Postal services was increased by
improvements in pay and other conditions of service to staff
amounting to £83 million and by increased prices for purchases of
goods and services amounting to £17 million, giving a total of £100
million. Of this total, £83 million was met by increased charges
to the customer, £12 million by reduction of profit and only £5 million
(over the whole 10 years) by the excess of income from business
expansion over the expenditure required to earn it (both at constant
prices, etc.). The forecasts in paragraph 2 above assume, perhaps
optimistically, that the Postal services will now have an excess of
income from business expansion over the expenditure required to
earn it of about £3 million a year. But even this is only a little more
than is required to meet a 1 per cent pay award.

4. The Government has stated its intention of maintaining the
policy of financial targets for the nationalised industries. I am sure
this is right and that the Post Office should be financed in such a
way as to provide for the ploughing back of a reasonable contribution
from earnings to capital requirements and that its services ought
not to be under-priced or subsidised. The Post Office has suffered
notably from under-investment, under-pricing, a wages policy that
has harmed recruitment and a tendency for the quality of its services
to decline. Sound financial practice should help to improve matters.
The Post Office has also found the target approach in practice to
provide valuable internal stimulus and financial discipline. Indeed,
the Post Office had adopted policies consistent with Cmnd. 1337
long before its publication. In fact the Post Office achieved an overall
return of 8 per cent or more in each of the three years 1958–59 to

5. I should not regard cross-subsidisation of Posts by
Telecommunications (or vice versa) as economically sensible. In my
view, the two services should compete fairly on price if the right
division of custom is to prevail. In any case, under the target policy
there is clearly nothing to spare on the Telecommunications side.

6. The effect of Postal losses on the financing of the Post Office,
and particularly the amount to be borrowed from the Exchequer,
should also be noted. Following is the picture over five years consistent
with the forecasts in paragraph 2 above:

<table>
<thead>
<tr>
<th></th>
<th>Postal (£ m.)</th>
<th>Telecoms. (£ m.)</th>
<th>Combined (£ m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal capital requirements</td>
<td>107</td>
<td>978</td>
<td>1,085</td>
</tr>
<tr>
<td>Postal losses</td>
<td>119</td>
<td></td>
<td>119</td>
</tr>
<tr>
<td>Total requirements</td>
<td>226</td>
<td>978</td>
<td>1,204</td>
</tr>
<tr>
<td>Financed by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal finance</td>
<td>18</td>
<td>585</td>
<td>603</td>
</tr>
<tr>
<td>Borrowing from Exchequer</td>
<td>208</td>
<td>393</td>
<td>601</td>
</tr>
</tbody>
</table>
This shows plainly how Posts are now borrowing against current account losses (just like the Railways but less obviously). The total borrowing from the Exchequer over the period would be reduced by £114 million if the tariff increases proposed in this memorandum had effect from 1st April, 1965.

7. Continuance of the target policy requires the making good of the shortfall in Postal finance revealed in paragraph 2, as soon as possible. I do not believe that the long-term answer can be found in cutting services in quality or quantity. It may even require greater expenditure than at present to improve the standard of some services to an acceptable level. These factors, together with the general potentialities of technological progress, are dealt with more fully in Annex 1.

8. The fundamental lesson of Annex 1 is not that the present tariff proposals can be avoided or even materially reduced. The Annex examines the question whether this increase could be moderated by a drastic cutback in existing services. It shows clearly that the reduction of services provides no hope of avoiding continually rising prices to the Postal customer, not even if wage increases are restricted to a figure consistent at the national average with 4 per cent growth in G.D.P. If there was a drastic cut now the customer would get a once for all advantage equivalent to about ¾d. on the full letter rate while leaving him, in any case, with the prospect that every year the price will rise by about ¾d. And in the process the services would have deteriorated to a level below that which is acceptable.

9. I should like therefore to announce in the week beginning 18th January increases in Postal tariffs as shown in Annex 2. The full-year value of these increases is £37 million. In terms of return, to make good the 8 per cent five-year target over the remaining three years would strictly require £45 million. A yield of £37 million will, however, meet the target for 1965-66 and make some contribution to the shortfalls in 1963-64 and 1964-65.

10. It is perhaps worth mentioning that these changes are estimated to add only about 0-07 of a point to the cost-of-living index. Again, in considering the increase from 3d. to 4d. for the inland letter, it should be noted that the equivalent of the pre-war rate (1½d.) would be over 5d. to-day in purchasing power. Yet again, out of 13 Western European countries 8 have basic letter charges exceeding 4d. and 3 of the exceptions (Italy, Portugal and Spain) give bad service. Sweden, Norway, the Irish Republic and Belgium all have a letter rate of over 5d. Looking at the matter still another way, the profit on Posts in the 1930s would be the equivalent of about £90 million to-day, whereas all that an 8 per cent target implies is an average profit of about £3 million a year.

11. Annex 1 also contains a number of important policy decisions intended to be announced at the same time as the tariff increases which will have far-reaching consequences for the postal services in the future. But they must be seen as a development of the service, and of new services, not as an axing of existing services.
12. The pitch of the tariff proposals in this paper, and the policy outlined in Annex 1, have been discussed with the First Secretary of State and the Chancellor of the Exchequer who accept the need for the proposed increases. The engagement of consultants—we have in mind McKinseys—to investigate ways of raising the level of productivity of the postal services has been agreed with them as an integral part of the operation.

13. I attach at Annex 3 the draft of a White Paper which I propose to publish on the day I make my announcement.

A. W. B.

G.P.O. Headquarters, E.C.1,
ECONOMICS OF POSTAL SERVICE

Cost of the inland postal service

1. In 1965-66 estimated expenditure on the inland postal service will be £208 million. Staff costs account for £168 million. The other sizeable element is contract payments for conveyance of mail amounting to £20 million. On these we are about to complete negotiations with the Railways which will give us a more favourable contract for parcels, and account of this has been taken in our financial forecasts.

2. The staff costs of £168 million broadly sub-divide as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Collection and delivery</td>
<td>78</td>
</tr>
<tr>
<td>(b) Sorting (including associated processes)</td>
<td>64</td>
</tr>
<tr>
<td>(c) Counter work</td>
<td>11</td>
</tr>
<tr>
<td>(d) Station services and miscellaneous</td>
<td>15</td>
</tr>
</tbody>
</table>

Quality of the postal service

3. Due mainly to staff shortages in London and certain Provincial centres, the quality of the inland postal services is patchy.

Traffic trends

4. Ordinary inland traffic is buoyant. Our forecasts allow for a continued growth of postal business as a whole of 3 per cent per annum.

Overall productivity

5. Our forecasts allow for an improvement in profitability (expressed in real terms) of 1 per cent per annum of total expenditure. This is the result of increased business being absorbed without commensurate increased costs, improved efficiency from mechanisation and other changes in methods, offset by such factors as housing developments which add to our delivery staff to the extent of some hundreds of postmen a year without producing additional business.

Scope for staff economies

6. As indicated in paragraph 3 above the service is suffering because of shortage of staff. This could be remedied by the recruitment of part-time men and women and full-time women as a permanent feature of the postal service. To such recruitment the Union of Post Office Workers is opposed except as a temporary measure. Indeed a recent attempt temporarily to recruit such staff in London based on an agreement designed to meet an acute shortage of full-time men lead to a threat of industrial action by the London constituents of the Union. This attitude ignores the likely state of the labour market in the foreseeable future.
Savings through restriction of services

7. Outside of London the present pattern of postal service gives two deliveries in most places. A scheme has been considered whereby in general only one delivery would be given everywhere starting at approximately the present time but in general not finishing until the afternoon. Within this pattern an attempt would be made to maintain present times of first delivery within the central business areas of towns. Collections would be on a reduced scale but would give an opportunity for reply the same day. Because of the effect on business firms outside the central areas it would be essential to provide an adequate private box service which would call for considerable additional accommodation. It is estimated that a scheme of this sort would save about £14 million per annum. The scheme would give something like the American pattern of delivery. Before embarking on such a scheme it would be essential to test public opinion on a representative scale, in effect posing the choice of higher charges or a reduced service. Even if public reaction was favourable the scheme would take two or three years to plan and implement, and longer in some places if redundancy was cleared by natural wastage. It is clear therefore that a saving could not be achieved in time to help us without immediate financial problem.

8. The scope for saving by adjusting the priorities in which different classes of mail are dealt with is limited: at the end of the day the total quantity of mail to be dealt with remains unaffected. But in order to avoid the creation of unmanageable peaks of work, printed papers—corresponding roughly to third class mail in the United States—if posted after about 4/4.30 p.m. are set aside in sorting offices and dealt with after the evening rush is passed. In addition the Post Office offers rebates to large posters of printed papers—roughly 5,000 items or more—on condition that the posters make a preliminary sortation of the mail and agree to the Post Office having seven days in which to handle it. The current tariff proposals provide for an extension of this system whereby the largest users of the post will be offered even more favourable rebates and so encouraged to do more and more work. In respect of deferment of mail by class, we are already roughly in line with America.

9. It is sometimes suggested that by withdrawing delivery to the door, and making it only into letter receiving boxes at the garden gate, large savings could be made. In fact we estimate that they would be about £2-3 million a year; this sum would be substantially reduced if the Post Office had to provide, erect and maintain the boxes.

Future plans for postal modernisation

10. It is right that at a time when the Post Office is asking for increased tariffs it should, at the same time, make clear its own determination to push on as rapidly as possible with its modernisation programme. Some of the capital for this programme will have to come out of the yield of the increased tariffs and some of it will have to be borrowed. In the long run the return to the public will be yielded in better services, a reduction of staff difficulties and greater economy.
and convenience. Collection and delivery services are motorised to the maximum economic extent. The sorting office is now the main field for mechanisation. Installation of mail-conveying and parcel-sorting machinery is going ahead as fast as the availability of machines and buildings permits. But the main savings will come from mechanisation of letter sorting. This presents problems which are only just beginning to yield to years of intensive research. It will not be until the late sixties that proven letter sorting machines will begin to be installed in our large sorting offices.

11. I propose specifically to undertake the following reviews and make certain changes that I wish to announce at the same time as the tariff increases:

(i) We shall review the postal mechanisation programme to see if it can be speeded up. In this I shall work closely with the Ministry of Technology and the industry, not least to see whether we can open up an extended opportunity for exporting postal mechanisation equipment.

(ii) We shall review the associated building programme in conjunction with the Ministry of Public Building and Works to see whether this can be carried through more economically and more rapidly. This will become necessary if the pace of mechanisation is to be increased and in any case the provision of modern buildings for postal work is an essential ingredient of a successful recruitment policy.

(iii) We shall press ahead firmly with the introduction of standardised envelope sizes, which have now been agreed upon internationally by the UPU. Negotiations that have been going on, and are now going on, will be most effective if it is recognised that within a measurable time non-standard envelopes will attract a higher tariff. I shall therefore fix a firm date for the introduction of such a tariff after consultation with the envelope manufacturers and the stationery trade. In addition to the necessity for standardisation imposed on us by mechanisation, one consequential effect of standardisation in Britain might well be to give us the advantage of being one of the first countries in the world offering entirely standard sizes in its export trade. I shall ask the co-operation of my colleagues responsible for other Departments and the Chairmen of the Nationalised Boards of Industry, Local Government and other semi-public bodies, to introduce standard sizes, as early as possible.

(iv) We shall also now press ahead with plans for a national postal coding system to cover the whole country. Our experiments, in which the people of Norwich have been co-operating so readily, show that properly planned and introduced postal codes yield economies. The progressive introduction of codes throughout the country will be essential if the full benefits of postal mechanisation, both
operational and economic, are to be got. This will necessarily take some time but we shall set in hand the detailed studies required.

(v) We shall also undertake a major review of the postal services offered to see whether or not they can be more closely geared to meet modern needs and more efficiently handled by us. Among the possibilities that we are considering is the establishment of priority letters, and the reorganisation of fully paid letters and printed papers on a new basis that relates the cost to speed of transit rather than the nature of the matter contained in the packet. We are also considering the possibility of introducing a cheaper deferred message card which would offer a larger postcard type service at a slower rate. One definite experiment will be made in the coming year. This will be the testing of a Post Office Christmas card for sale to the public through Post Offices. This Christmas card—probably a series of six separate cards—will be of standard size, will be sold complete with the necessary stamp or frank and will be highly competitive in price with those offered by the stationery trade. The low price for card and stamp combined will have one condition attached to it. To be guaranteed delivery by Christmas it will have to be posted by a certain date—possibly 15th December. In this way we shall use our own card to help to even out some of the peaks in the Christmas period. I also hope that this card will be a revenue raiser.

(vi) We shall engage a leading firm of industrial consultants to carry out a fundamental and widely based investigation into ways of raising the level of productivity of the postal services.
PROPOSED CHANGES IN POSTAL TARIFFS

Note: Income and profit or loss figures are for 1965-66 before tariff changes.

I. Inland and Irish Republic

<table>
<thead>
<tr>
<th>Category</th>
<th>Present charges</th>
<th>New charges</th>
<th>Additional yield in full year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Letters</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>£97.1m.</td>
<td>Up to 1 oz.</td>
<td>3d.</td>
</tr>
<tr>
<td>Profit</td>
<td>£3.0m.</td>
<td>2 oz.</td>
<td>4d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>then</td>
<td>1d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>per 2 oz.</td>
<td>then</td>
</tr>
<tr>
<td>2. Postcards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>£2.9m.</td>
<td>2d.</td>
<td>3d.</td>
</tr>
<tr>
<td>Loss</td>
<td>£0.6m.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. (a) Printed papers and samples</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>£46.9m.</td>
<td>Up to 2 oz.</td>
<td>2d.</td>
</tr>
<tr>
<td>Loss</td>
<td>£6.0m.</td>
<td>4 oz.</td>
<td>5d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>then</td>
<td>1d.</td>
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<tr>
<td></td>
<td></td>
<td>per 2 oz.</td>
<td>then</td>
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<td></td>
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<tr>
<td>(b) Printed papers and samples posted in bulk, and complying with special conditions in regard to method and times of posting and delivery. (Arrangement not applicable to items for the Irish Republic)</td>
<td>As in (a) above but rebates are given. Basically, the rebates are 10% of the total postage for postings of 5,000-24,999 and 20% of the total postage for postings of 25,000 and above</td>
<td>As in (a) above and with rebates as at present: but with rebates of 25% for postings of 250,000 or more</td>
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<tr>
<td>4. Newspapers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>£2.5m.</td>
<td>Up to 6 oz.</td>
<td>3d.</td>
</tr>
<tr>
<td>Loss</td>
<td>£2.1m.</td>
<td>then</td>
<td>4 oz.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>per 6 oz.</td>
<td>then</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>per 2 oz.</td>
</tr>
<tr>
<td>5. Parcels</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Max. weight 22 lb.</td>
<td>Up to 2 lb.</td>
<td>2 oz.</td>
<td>Up to 2 lb.</td>
</tr>
<tr>
<td>Income</td>
<td>£32.6m.</td>
<td>3 lb.</td>
<td>3 3</td>
</tr>
<tr>
<td>Loss</td>
<td>£10.0m.</td>
<td>4 lb.</td>
<td>3 6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 lb.</td>
<td>2 9</td>
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</tr>
</tbody>
</table>

SECRET
6. **Express services**  
Conveyance all the way by messenger  
1s. Od. a mile  
3s. Od. a mile  
New charges  
<table>
<thead>
<tr>
<th>Category</th>
<th>Present charges</th>
<th>New charges</th>
<th>Additional yield in full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Express services</td>
<td>1s. Od. a mile</td>
<td>3s. Od. a mile</td>
<td>£3m.</td>
</tr>
<tr>
<td>Special delivery by messenger from delivery office</td>
<td>1s. Od. a packet</td>
<td>3s. Od. a packet</td>
<td></td>
</tr>
<tr>
<td>Railex packets</td>
<td>6s. and 7s. a packet</td>
<td>20s. a packet</td>
<td></td>
</tr>
<tr>
<td>Minor supplementary services</td>
<td></td>
<td>Charges to be appropriately adjusted</td>
<td></td>
</tr>
</tbody>
</table>

Income £235,000  
Loss £335,000  

7. **Articles for the blind**  
Income £10,000  
Loss Nil  

8. **Surface letters**  
Income £0.7m.  
Profit £0.1m.  
Up to 1 oz. 3d. per oz. 1½d.  
Up to 1 oz. 4d. per oz. 1½d.  
Additional yield in full year £3m.  

9. **Surface postcards**  
Income £7,000  
Loss £7,000  
2½d. 3d. Negligible

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**II. Commonwealth**

---

**SECRET**
Post Office Tariffs
POST OFFICE TARIFFS

1. This White Paper deals with the financial problems of the postal services and announces the measures that it is proposed to take to deal with them.

I. FINANCIAL OBLIGATIONS

2. In the White Paper "The Financial and Economic Obligations of the Nationalised Industries" (Cmd. 1337), published in 1961, the last Government initiated the policy that each Nationalised Industry should earn a sufficient return on its capital assets to provide from its own profits an adequate contribution to its capital requirements. This policy was confirmed by the present Government when, in answer to a question on the 22nd December, 1964, the Chancellor of the Exchequer stated that it was intended to retain and develop the system of financial objectives for the nationalised industries, following Cmd. 1337.

3. The financial objective agreed for the Post Office is that it should earn a return on net assets averaging 8 per cent over the five years 1963-64 to 1967-68. ("Return" means profit, as shown in the Accounts, plus interest on borrowing and supplementary depreciation). The Post Office had adopted policies consistent with Cmd. 1337 some years earlier and had achieved an overall return of 8 per cent or more on its net assets in each of the three years 1958-59 to 1960-61.

4. The Post Office needs to achieve its financial objective if it is to be able to plough back a reasonable contribution from its earnings to the capital requirements with which it is faced as it expands to meet public needs. Failure to meet the objective as a result of under-pricing of Post Office services would lead to under-investment, and a worsening of the quality of service provided for the public.

II. PRESENT AND FORECAST

5. For the first three years of the five-year target period referred to in paragraph 3, the performance of the postal and telecommunications services is expected, at current tariffs, to fall short of the 8 per cent objective (−) or exceed it (+) as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>1963-64</th>
<th>1964-65</th>
<th>1965-66</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postal services</td>
<td>−11</td>
<td>−20</td>
<td>−26</td>
<td>−57</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>+9</td>
<td>−1</td>
<td>−3</td>
<td>+5</td>
</tr>
</tbody>
</table>

The profits and losses contributing to these results are:

<table>
<thead>
<tr>
<th>Year</th>
<th>1963-64</th>
<th>1964-65</th>
<th>1965-66</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postal services—Loss</td>
<td>−8</td>
<td>−18</td>
<td>−24</td>
<td>−50</td>
</tr>
<tr>
<td>Telecommunications—Profit</td>
<td>+39</td>
<td>+33</td>
<td>+36</td>
<td>+108</td>
</tr>
</tbody>
</table>

6. While the telecommunication services are expected to earn sufficient profits in aggregate to meet the 8 per cent financial target, the postal services...
are heavily in deficit, and the deficit is growing. The reasons for this striking difference in the financial performance of the two services are partly past pricing decisions and partly the differing character of the services. The telecommunications services are rapidly expanding, technically progressive and intensively capitalised. They are therefore able to finance substantial increases in the prices of labour and materials out of gains in productivity. The postal services, on the other hand, employ a very large labour force and comparatively little capital, and scope for the mechanisation of these services is more limited. The restricted scope for absorbing rising costs on the postal services is illustrated by the experience of the past ten years. In that period improvements in pay and conditions of service of staff have cost the postal services about £83m. and increases in the prices for purchases of goods and services another £17m. Of this total increase in expenditure, £83m. was met by increased charges to the customer, £12m. by reduction of profit and only £5m. (over the whole ten years) by the excess at constant prices of business expansion over the expenditure required to meet it.

7. The shortfall in the performance of the postal services must be made good if the financial objective set for the Post Office is to be achieved. It would not make economic sense for the postal services to be subsidized by the telecommunications services; the right pricing policy should be adopted for both. In any case, the margin between performance and target for the telecommunications services is negligible.

III. ALTERNATIVE TO INCREASES IN POSTAL CHARGES

8. As an alternative to increasing postal charges to avoid the prospective deficit in 1965-66, the Post Office has considered the possibility of a reduction in the services given to the public. But even the most drastic cutback in existing services would not save enough money to postpone an early increase in postal tariffs. A cut in services, once achieved, could not be repeated and in the process the services provided for the public would have deteriorated to an unacceptable level.

IV. POSTAL CHARGES

9. To meet the shortfall in the performance of the postal services and to provide part of the capital required for the modernisation programme described in Section V, it is proposed to increase the charges for certain postal services as follows. The minimum charge for inland letters will be increased to 4d. but the minimum weight step will be raised to 2 oz. in place of the present 1 oz. There will be increases at other weight steps. The charges for inland postcards, printed papers and samples, newspapers and parcels will also be increased: there will, however, be a larger rebate for bulk postings of 250,000 or more printed papers. Express service fees will be raised to meet the true cost. The charges for letters and postcards sent by surface route to Commonwealth countries will be brought into line with the domestic rate: the charges for other overseas services will not be increased. Details of the changes proposed are set out in the Annex. They include the abolition of inland charges on articles for the blind (at present ½d. up to 2 lb. etc.) which will in future go free. They will all operate from 1st April, 1965.
10. The increase in the charge for inland letters is necessary if sufficient revenue is to be raised to meet the financial obligations of the Post Office and if the right relationship is to prevail between the charges for inland letters and for other inland correspondence services. Increasing the minimum weight step for inland letters from 1 oz. to 2 oz. results in a decrease in the charge for letters between 1 oz. and 2 oz. The other services for which charges are being raised are all losing money. The increases proposed for these services are as high as they can reasonably be in relation to the proposed charge for inland letters. The charges for a number of services, including airmail correspondence, overseas parcels, registration and insurance services and postal orders and money orders, are not being changed.

11. The proposed increases in postal charges are expected to yield additional revenue amounting to £37m. in a full year. This should be sufficient to meet the shortfall on target which would otherwise have been expected in 1965-66 and make some contribution towards the deficits in 1963-64 and 1964-65.

12. The changes proposed will have a negligible effect on the cost of living (the addition of only about 0·07 of a point to the index). The proposed inland letter rate of 4d. would be lower than the basic letter charge in most Western European countries. It would also be lower than the equivalent at to-day’s purchasing power of the pre-1939 rate of 1½d.

V. FUTURE POSTAL PLANS

13. The Post Office is constantly seeking ways of modernising the postal services and improving their productivity. Industrial and management consultants are already studying particular problems in staff to work relationships in sorting offices, and in the handling of parcels traffic. A more fundamental and wider based investigation into ways of raising the level of productivity of the postal services will also be commissioned. The forecasts of performance in paragraph 5 allows for the short-term financial gain from the modernisation schemes in hand.

14. The Post Office intends to proceed with its plans for the modernisation of the postal services as rapidly as possible. Some of the capital for its programme of postal mechanisation will come from the yield from the proposed increases in charges and some will have to be borrowed. In the long run, the return to the public from these plans will be better services, few staff difficulties and greater economy and convenience. It must be emphasised, however, that the financial savings from mechanisation at present foreseeable, even in the long run, are not of a sign which would revolutionise the economics of the postal services. The most promising field for mechanisation is in the sorting of letters where intensive research is now yielding results... But the installation of proven letter sorting machines in large sorting offices will, on present plans, only begin in the late sixties. In co-operation with the Ministry of Technology and Industry, it is hoped to speed up the postal mechanisation programme. At the same time the associated building programme is being reviewed by the Post Office and the Ministry of Public Buildings and Works to see whether it can be implemented more economically and more rapidly.
15. The other plans in prospect are:

(a) It is intended to press ahead firmly with the introduction of the standardised envelope sizes which have now been agreed internationally. After consultation with the stationery trade, a firm date will be fixed for the introduction of a higher tariff for non-standard envelopes. Co-operation will be sought from Government Departments, Nationalised Industries and local authorities to introduce standard sizes of envelopes as soon as possible.

(b) A national postal coding system, which is essential to the full success of postal mechanisation, will be devised for progressive introduction throughout the whole country.

(c) A major review of the postal services offered to the public is being undertaken to see whether or not they can be more closely geared to modern needs. Among the possibilities being considered is the establishment of priority letters, the introduction of a deferred message card and the sale of a Post Office Christmas card at a competitive price but which would only be guaranteed delivery by Christmas if posted at a stated early date.
# POST OFFICE TARIFFS

## PROPOSED POSTAL SERVICE CHARGES

### I. Mail Services—Inland and to Irish Republic

<table>
<thead>
<tr>
<th>Category</th>
<th>Present</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Letters</td>
<td>Up to 1 oz. 3d., 2 oz. 4d., then per 2 oz. 1'd.</td>
<td>Up to 2 oz. 4d., then per 2 oz. 3d.</td>
</tr>
<tr>
<td>2. Postcards</td>
<td>2'd.</td>
<td>3d.</td>
</tr>
<tr>
<td>3. (a) Printed Papers and Samples*</td>
<td>Up to 2 oz. 2'd., 4 oz. 4d., then per 2 oz. 1'd.</td>
<td>Up to 2 oz. 3d., 4 oz. 5d., then per 2 oz. 1'd.</td>
</tr>
<tr>
<td>(b) Printed Papers and Samples posted in bulk, and complying with special conditions in regard to method and times of posting and delivery. (Arrangement not applicable to items for the Irish Republic.)</td>
<td>As in (a) above but rebates are given. Basically, the rebates are 10 per cent of the total postage for postings of 5,000-24,999 and 20 per cent of the total postage for postings of 25,000 and above.</td>
<td>As in (a) above and with rebates as at present: but with rebates of 25 per cent for postings of 250,000 or more.</td>
</tr>
<tr>
<td>4. Newspapers</td>
<td>Up to 6 oz. 3d., then per 6 oz. 1'd.</td>
<td>Up to 2 oz. 3d., 4 oz. 5d., then per 2 oz. 1'd.</td>
</tr>
<tr>
<td>5. Parcels</td>
<td>Up to 2 lb. 2 0, 3 lb. 2 3, 4 lb. 2 6, 5 lb. 2 9, 6 lb. 3 0, 8 lb. 3 6, 10 lb. 4 0, 12 lb. 4 6, 15 lb. 5 0, 18 lb. 5 9, 22 lb. 6 6</td>
<td>Up to 2 lb. 2 9, 3 lb. 3 0, 4 lb. 3 3, 5 lb. 3 6, 6 lb. 3 9, 8 lb. 4 0, 10 lb. 4 6, 12 lb. 5 0, 14 lb. 5 6, 16 lb. 6 0, 18 lb. 6 6, 20 lb. 7 0, 22 lb. 7 6</td>
</tr>
</tbody>
</table>

* Sample service not available to Irish Republic.

### II. Mail Services—Commonwealth

<table>
<thead>
<tr>
<th>Category</th>
<th>Present</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Express Services</td>
<td>Conveyance all the way by messenger. Special delivery by messenger from delivery office. Railex packets Minor supplementary services</td>
<td>1s. 0d. a mile. 1s. 0d. a packet. 6s. 0d. and 7s. 0d. a packet. Charges to be appropriately adjusted.</td>
</tr>
<tr>
<td>7. Articles for the Blind</td>
<td>3'd. to 2'd.</td>
<td>Nil.</td>
</tr>
<tr>
<td>8. Surface Letters</td>
<td>Up to 1 oz. 3d., then per oz. 1'd.</td>
<td>Up to 1 oz. 4d., then per oz. 1'd.</td>
</tr>
<tr>
<td>9. Surface Postcards</td>
<td>2'd.</td>
<td>3d.</td>
</tr>
</tbody>
</table>
11th January, 1965

CABINET

ENQUIRY INTO TRADES UNIONS AND EMPLOYERS' ASSOCIATIONS

Memorandum by the Minister of Labour

I was invited by the Cabinet (C. C. (64) 16th Conclusions, Minute 3) to consider, in consultation with the Lord Chancellor, whether the terms of reference for the proposed enquiry into trades unions and employers' associations (as annexed to C. (64) 29) required amendment in order to make it clear that the enquiry would not be restricted to relations between the unions and associations but would extend to the wider field of industrial relations in general. I now suggest, with the agreement of the Lord Chancellor, the following -

"To consider relations between managements and employees and the role of trades unions and employers' associations in promoting the interests of their members and in advancing the social and economic wellbeing of the nation, with particular reference to the law affecting the activities of these bodies; and to report."

2. I have dropped the reference to "productivity and efficiency", which was in the first draft, to meet the wishes of the Trades Union Congress. It is important to carry them with us. This new version has been discussed informally with the General Secretary who is content and will be putting it to members of the General Council on 18th January.

3. I understand that, subject to The Queen's approval of the setting up of the Royal Commission, the Prime Minister hopes to refer to it in the statement on measures to encourage exports which he will be making in the House of Commons on Tuesday, 19th January.

R. J. C.

Ministry of Labour, S.W.1.

11th January, 1965
11th January, 1965

CABINET

CHILDREN'S SERVICE IN GREATER LONDON

Memorandum by the Secretary of State for the Home Department

In accordance with the decision of the Cabinet on 1st December (C. C. (64) 12th Conclusions, Minute 3) I have consulted the local authorities concerned, and the Associations of Municipal Corporations and County Councils, about proposals to confer on the Greater London Council certain functions relating to children in the Greater London Area. The proposals are that the day-to-day responsibility for children's services should go to the boroughs as provided in the London Government Act 1963; but that the Greater London Council should be given responsibility for approved schools and remand homes now run by the London and Middlesex County Councils; for large children's homes and establishments which will have to be shared among a number of boroughs; for keeping under review the amount of accommodation available in the children's service in London as a whole, with concurrent power to provide accommodation for use by more than one borough; and for staff training, statistics and research, and the prescription of parental contributions and boarding-out allowances.

2. The Greater London Council agree with the proposed changes. In their view they would enrich rather than detract from the duties of the boroughs, and would not create any bar to the localisation of the children's service. The central management of certain establishments would leave the boroughs free to concentrate on essential local provision of the kind that should in the long run replace the larger homes and reception centres, and would ensure that specialised establishments are available for categories of children who might never be numerous enough to justify separate provision in each borough. The Council consider that in staff training it would be an advantage to develop for the whole area the schemes already initiated by the London County Council, with the boroughs taking the initiative in in-service training, and that the maintenance of records and statistics centrally would facilitate investigation into changing trends and needs in the London area, and be a valuable background for local research.

3. The minority party of the Greater London Council consider that the proposals would be gravely detrimental to the children's service. They say that the boroughs are fully competent to carry out the services (as county boroughs of varying size do elsewhere); that it would be wrong to have a two-tier service in addition to the supervision of the Home Office; and that the children's services are an integral part of the personal health services, which are being transferred to the boroughs.
4. The London boroughs were consulted collectively, and the General Purposes Sub-Committee of their Standing Committee accepted the proposals in principle by 13 votes to 11. The representatives of seven Labour-controlled boroughs and one Conservative-controlled borough were not present when voting took place (Barking, Brent, Croydon, Ealing, Greenwich, Haringey, Lambeth and Tower Hamlets). The Sub-Committee emphasise the sincerely held difference of opinion which exists between members on principles underlying the changes proposed, and their general concern as to the effect on the staff of the children's service if the uncertainty is prolonged by delay before any amending legislation comes into force. In informing me of their decision in principle, they reserved the right of each borough to make representations on detail during the passage of any Bill.

5. Representations strongly opposing the proposals have been received from the boroughs of Barnet, Bromley, Croydon, Harrow, Merton, Redbridge and Westminster; and Mr. Prentice and Mr. Oram have written to me as the result of similar representations from the Newham Labour Party Co-ordinating Committee and the Labour group of the Newham Council. Wandsworth concede that there may be some justification for transferring remand homes and approved schools but they strongly oppose the rest of the proposals.

6. The Association of Municipal Corporations say that, having carefully considered the proposals in the light of the existing responsibilities of county borough councils throughout the country, they would strongly oppose them.

7. The County Councils of Kent and Surrey have not yet decided but are likely to dissent from the proposals. Essex appear to accept that there are grounds for treating London exceptionally. The County Councils Association believe strongly that the child care service should be a unified service, and that London's problem should be capable of being met by joint action among the boroughs. They are not, however, likely to offer strong opposition to the Bill, except perhaps as regards the approved schools.

8. Thus we must expect that any legislation would be opposed by the minority party of the Greater London Council, the Association of Municipal Corporations and a number of London boroughs, and possibly by the County Councils Association. The opposition is likely to be on the grounds that:

(a) a two-tier system is undesirable and contrary to the principles of the Children Act 1948, which, in setting up the children's service, vested responsibility for all work relating to deprived children in a single committee in each local government area;

(b) residential provision ought to be an integral part of the children's service, and should be managed by the authority which has the care of the children;
the present borough plan to have a joint training organisation serving the health and welfare services, as well as the children's service, is preferable to having training done by the Greater London Council, which would not itself employ many of the grades of staff involved;

most of the headquarters staff required for the Greater London Council's functions in respect of children could be found only by retaining staff at present due to go to the boroughs; the boroughs would be hampered not only by the loss of staff but also by the uncertainty which would exist almost until the appointed day.

9. There is substance in these objections, particularly, perhaps, in those mentioned at (a) and (b) above, which are based on advice given by a group of the senior professional advisers to the London boroughs. They would attract support from professional and other organisations who would no doubt provide opponents of a Bill with cogent arguments. Our case for legislation rests on the special circumstances of London; but our opponents would point out that joint arrangements have been made by the boroughs to meet these circumstances. The situation will offer good opportunities for delaying tactics.

10. We must also remember that individual boroughs who do not oppose the Bill as a whole may raise troublesome points of detail where their own interests are affected. This applies particularly to the allocation of London County Council and Middlesex County Council children's service property. After some 18 months' negotiations, schemes have been prepared to allocate this property among the boroughs on an equitable basis. The diversion of a substantial proportion of the accommodation to the Greater London Council as proposed would upset the balance of those schemes, and since there would not be enough time to re-negotiate the allocation of the remaining properties it might be necessary to allocate by Ministerial order, without the agreement of the authorities affected.

11. A draft Bill - which runs to 8 clauses and one schedule - is ready for consideration by the Legislation Committee immediately if we decide to adopt these proposals. It would have to reach the statute book by the end of February or the beginning of March in order to leave time for the making of the necessary statutory instruments and other final steps by 31st March 1965. Even so, staffing and other practical arrangements would be exceedingly difficult to make in the time available.

F. S.

Home Office, S. W. 1.
11th January, 1965
CABINET

COMPREHENSIVE SECONDARY EDUCATION

MEMORANDUM BY THE SECRETARY OF STATE FOR
EDUCATION AND SCIENCE

General policy

The Government's Election Manifesto stated "Labour will get rid of the segregation of children caused by 11-plus selection; secondary education will be reorganised on comprehensive lines". The reasons for this policy, and for beginning to carry it out without delay, can be summarised as follows:

(i) The fallibility of all the methods used in the attempt to assess the potential capacities of children when they are 10½ years old.

(ii) The wide local variations in the standard of attainment required of children of this age as a condition of entry to a grammar school.

(iii) Though some secondary modern schools have developed well, others cannot offer the longer and more academic courses of study for which many of their pupils are suited.

(iv) The present separatist system tends to divide society by preventing mutual understanding between those with greater and less academic attainment.

(v) Primary schools in many areas are tempted to concentrate on getting pupils through the 11-plus tests where these still exist.

(vi) In the last two or three years many local education authorities — 68 out of 148 is the most recent figure — have been introducing or devising schemes of reorganisation which aim at getting rid of the 11-plus. Most of these schemes relate to part only of an area and/or only to county (as opposed to voluntary—Church) schools. Some of these schemes are admirable, some ill-advised. It is now time to give a national lead, indicating the principles to be observed and the kind of problems likely to arise in different areas when reorganisation is planned.
2. Possible methods

Comprehensive education may be achieved by a variety of methods. Some of these have been tried, others are yet to be introduced. To some extent different methods reflect genuine differences in objectives, but in the main they reflect the inescapable fact that any new organisation has got to fit into the existing stock of school buildings. This has been designed very largely for the separatist system. The total number of secondary schools is 5,891. Since the war 3,383 new schools have been built or are in announced programmes—for two-thirds of the secondary population new places have been or are in process of being provided. The rate at which the stock of schools can be replaced is very slow and there is no prospect for many years to come of establishing large numbers of comprehensive schools in purpose designed buildings.

The main possible patterns of comprehensive organisation are:

(i) Comprehensive schools which children enter at the age of 11, and in which they stay throughout their school life. It was previously argued that if such a school were to produce a Sixth Form of adequate size, its total size must be excessive. This argument has been weakened because of the growing proportion of children in all schools who stay on into the Sixth Form. In many areas a good school of this type need not contain more than about 1,000 pupils. Some comprehensive schools contain 1,500 or 2,000 pupils, and there are some who take the view that there are positive advantages in such a size. But, however this may be, there is no need to make the school as large as this in order to enable it to be a good comprehensive school.

(ii) The division of a school, such as that described in (i), into junior and senior departments, in different buildings.

(iii) An arrangement whereby children, on leaving primary school, enter a “junior high school” which is comprehensive in its range of studies. At the age of 13 or 14 they either continue in that school or, if their parents wish, and are prepared to keep them at school till they are at least 16, they go on to a “grammar school” for the rest of their school life. This “grammar school” will provide a wider range of studies than that name usually implies, since it must meet the needs of all pupils whose parents wish them to go. If, in time, a very large proportion of parents do so wish, this system will become very like that described in (ii). This pattern and (iv) below must be regarded as temporary second best arrangements since they involve some measure of segregation. While they exist it is essential that transfer to the “grammar” school should be on parents’ choice alone.

(iv) Other two-tier systems. In these all the pupils, on leaving primary school, transfer to a junior comprehensive school. At the age of 13 or 14 all the pupils have a choice
of senior school: one catering for those who expect to stay at school substantially beyond the compulsory age and the other catering for those who do not.

(y) Comprehensive schools for the age-range 11–16, followed by "junior colleges" for pupils over 16.

The common feature of all these methods is that they make it unnecessary to separate children into different schools on the basis of an "11 plus" judgment. The main difference is that (i) can usually only be adopted where new schools, planned as comprehensives from the start, are to be built; (ii), (iii), (iv) and (v) make reorganisation possible in existing buildings. To rely on (i) alone would be to postpone reorganisation for a very long time.

3. Objections of principle

Four major objections will be raised by opponents of our policy:

(i) That it means "destroying the grammar schools". In my view, the essence of a grammar school is that it provides that kind of academic education which we now call "grammar" education. It does not cease to do this when it widens its range of studies to meet the needs of pupils now excluded by the "11 plus": indeed, since many of those pupils will in fact prove capable of following "grammar" courses of study, it will do its present job for a larger number of pupils. Our opponents appear to take the view that a grammar school cannot be a grammar school unless it provides grammar education only, and provides it only for pupils selected by the 11 plus: they are, in fact, defining a school, not by virtue of what it does do, but by virtue of what it does not do.

(ii) That, whatever the merits of comprehensive secondary education, each local authority should be left to choose for itself between comprehensive and separatist systems. The 1944 Education Act does not prescribe either system. Most of the country, after the war, developed on separatist lines without much consideration of merits, partly because it was administratively easiest, partly because it involved the least change from the past and partly because much educational opinion at the time favoured separatism. In theory, local authorities were legally free to "go comprehensive"; in practice, this often involved steps (closure or enlargement of particular schools) which required Ministerial consent. There were also various administrative obstacles which the Ministry could erect in the path of a local authority which desired a comprehensive system. The Labour Government of 1945–51 was not friendly to comprehensive reorganisation. Since then, the hostility of Conservative Governments, at first emphatic, has later been mitigated but not removed: the Conservative Party cannot claim, on its record, to have been champions of local autonomy in this field. Nevertheless, a positive decision that local
authorities ought to "go comprehensive" is a new departure. I believe it to be justified by the general arguments in the first section of this paper. Further, people tend to move from one part of the country to another more than they did in the past, and this tendency will increase: it is a duty of the central Government, in the interests of the children, to see that local divergences in education are not too great. It would be neither possible nor desirable to impose one method or one time-table on all authorities; but I believe it to be right to require them to commence the reorganisation, giving as much local flexibility as is consistent with carrying out the policy in our Manifesto. While many authorities will go comprehensive willingly, others will not, and there will be controversy about the principle of imposition of a central Government policy on local authorities. This may be a contentious issue.

(iii) The establishment of comprehensive schools can mean the establishment of neighbourhood schools. It is inevitable that schools serving different kinds of areas will vary in quality and public esteem. Those in neighbourhoods where a higher proportion of homes give children encouragement and a cultural background will normally be better schools than those in neighbourhoods where social conditions are poor. In theory it would be possible to compel parents living in Hampstead to send their children to school in, say, Hackney and vice versa. In practice this would involve so drastic an attack on the rights of parents to choose the best and most accessible school which has room for their children that it is not practical politics. The best answers that we can give to the neighbourhood school argument are that the present system enables only the grammar school child to escape from a poor background and that the fundamental job is to eliminate the poor social conditions altogether.

(iv) Some educational opinion and some local education authorities continue to believe that separate grammar and modern schools give a better education to all children. The academic child benefits by being in a school which concentrates on intellectual achievement, which sets high standards of work and attainment and in which the efforts of highly specialist academic teachers are devoted entirely to the kind of pupils they are best suited to deal with. In the modern schools the children of middling ability are not discouraged by the presence of those of first class ability. They have a chance to gain a sense of achievement and often blossom into success in various directions which they might never do in a school which included the most able. Similarly in modern schools which can be much smaller than comprehensive schools the least able and the most difficult children—those with very poor home backgrounds—can have the benefit of direct personal supervision by teachers in a community which does not overwhelm them by its size. These are genuinely held
beliefs, but they cannot be proved right. Our answer must be that the advantages of separate schools need not be lost in comprehensive schools provided these are properly staffed and organised.

There is a point about going comprehensive which is likely to be raised by some teachers rather than our opponents. The elimination of separate schools must mean a loss of headships and may seem to affect adversely the career prospects of non-graduate teachers who will have to compete with graduates for posts of special responsibility. We shall have to watch this point in the context of the system of teachers' pay.

4. Particular difficulties

To judge from the tenor of the debate on 27th November and from Questions subsequently placed on the Order Paper, opposition is now shifting from general principle to the particular difficulties and problems that will beset reorganisation, e.g.:

(i) Consultation with teachers and explanation to parents are essential to the preparation of any sound scheme of reorganisation.

(ii) A comprehensive school can sometimes be located in a group of buildings which were previously separate schools: but the soundness of this must depend on local geography, transport, mobility of staff, etc.

(iii) Local authority building programmes up to the middle of 1967–68 have already been authorised. Local authorities could not be required to go back on commitments they have already entered into for the building of particular schools in these programmes. This limits the extent to which these programmes could be altered to make them more suitable to a policy of reorganisation.

(iv) A number of local authorities provide for grammar education, partly by paying for places in the 179 Direct Grant Schools. Some 100,000 pupils (forming 3 per cent of the total secondary school population) attend these schools, of whom 60 per cent have their fees paid by local education authorities. Some of these schools might be willing to broaden their basis of entry and no longer restrict themselves to pupils competitively selected at the age of 10½; others, perhaps notably the Roman Catholics, might be willing to give up Direct Grant status and enter the local authority system. The majority, however, would not pursue either of these courses. In so far, therefore, as local authorities continued to take up Direct Grant places, some element of 11-plus selection would remain, at any rate for some time to come. In so far as they cease to do so, many schools would need to seek my approval to an increase in fees, and this would be a question I would then need to consider. For the present, I should pursue a policy of not permitting any increase in the number of Direct Grant Schools: in longer term I believe these schools should either come within the local
authorities ought to "go comprehensive" is a new departure. I believe it to be justified by the general arguments in the first section of this paper. Further, people tend to move from one part of the country to another more than they did in the past, and this tendency will increase: it is a duty of the central Government, in the interests of the children, to see that local divergences in education are not too great. It would be neither possible nor desirable to impose one method or one time-table on all authorities; but I believe it to be right to require them to commence the reorganisation, giving as much local flexibility as is consistent with carrying out the policy in our Manifesto. While many authorities will go comprehensive willingly, others will not, and there will be controversy about the principle of imposition of a central Government policy on local authorities. This may be a contentious issue.

(iii) The establishment of comprehensive schools can mean the establishment of neighbourhood schools. It is inevitable that schools serving different kinds of areas will vary in quality and public esteem. Those in neighbourhoods where a higher proportion of homes give children encouragement and a cultural background will normally be better schools than those in neighbourhoods where social conditions are poor. In theory it would be possible to compel parents living in Hampstead to send their children to school in, say, Hackney and vice versa. In practice this would involve so drastic an attack on the rights of parents to choose the best and most accessible school which has room for their children that it is not practical politics. The best answers that we can give to the neighbourhood school argument are that the present system enables only the grammar school child to escape from a poor background and that the fundamental job is to eliminate the poor social conditions altogether.

(iv) Some educational opinion and some local education authorities continue to believe that separate grammar and modern schools give a better education to all children. The academic child benefits by being in a school which concentrates on intellectual achievement, which sets high standards of work and attainment and in which the efforts of highly specialist academic teachers are devoted entirely to the kind of pupils they are best suited to deal with. In the modern schools the children of middling ability are not discouraged by the presence of those of first class ability. They have a chance to gain a sense of achievement and often blossom into success in various directions which they might never do in a school which included the most able. Similarly in modern schools which can be much smaller than comprehensive schools the least able and the most difficult children—those with very poor home backgrounds—can have the benefit of direct personal supervision by teachers in a community which does not overwhelm them by its size. These are genuinely held
beliefs, but they cannot be proved right. Our answer must be that the advantages of separate schools need not be lost in comprehensive schools provided these are properly staffed and organised.

There is a point about going comprehensive which is likely to be raised by some teachers rather than our opponents. The elimination of separate schools must mean a loss of headships and may seem to affect adversely the career prospects of non-graduate teachers who will have to compete with graduates for posts of special responsibility. We shall have to watch this point in the context of the system of teachers’ pay.

4. Particular difficulties

To judge from the tenor of the debate on 27th November and from Questions subsequently placed on the Order Paper, opposition is now shifting from general principle to the particular difficulties and problems that will beset reorganisation, e.g.:

(i) Consultation with teachers and explanation to parents are essential to the preparation of any sound scheme of reorganisation.

(ii) A comprehensive school can sometimes be located in a group of buildings which were previously separate schools: but the soundness of this must depend on local geography, transport, mobility of staff, etc.

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authority system or be included in the proposals which I shall later be making for dealing with independent schools.

(v) Voluntary schools—denominational. Some 245,000 pupils, representing about 9 per cent of the secondary school population in maintained schools, attend Church of England and Roman Catholic schools: the numbers are not evenly distributed over the country and in some areas the proportion of children in denominational schools is very high. When a local authority, in addition to the other problems of reorganisation, has to ensure that the existing rights of the Churches, and of parents, are not disregarded, the problem is correspondingly more complicated. From recent conversation with leading figures in the Anglican, Non-conformist and Roman Catholic Churches, I learn that they have certainly no hostility to comprehensive reorganisation as such, but that they would expect their claims to be given at least as much consideration as any of the other problems besetting reorganisation.

(vi) Voluntary schools—non-denominational. There are about 250 voluntary secondary schools which are not of religious foundation. This category includes many of the best known and most highly esteemed grammar schools—for example, in London there are among others:

- Camden School for Girls—Frances Mary Buss Foundation
- Colfe's Grammar School for Boys—Leathersellers Company
- Mary Datchelor Girls—Clothworkers Company
- Dame Alice Owen's Girls and Boys—Brewers Company
- Central Foundation Girls and Boys—Central Foundation
- William Ellis Boys

It may prove impossible to persuade the Governors of schools of this kind to agree to absorption in a comprehensive system and there will be public protests whenever we attempt to force the issue.

These difficulties are considerable and it will be the tactic of the Opposition to magnify them in the hope of permanently obstructing comprehensive reorganisation without committing themselves to an out-and-out defence of separatism and the 11 plus—an attitude which is becoming increasingly unpopular. I cannot accept the view that these difficulties are insuperable: to do so would be to say that we are saddled for ever with the 11 plus, whatever its demerits.

It is of the nature of these difficulties that there is no one general answer to them. They have to be dealt with by scrutiny of each local authority's plan for reorganisation. In some areas these difficulties are absent, or slight; in others we must accept that reorganisation
can only proceed slowly. The complete establishment of comprehensive secondary organisation will take a considerable time. I believe, however, that in five years such progress could be made that the comprehensive system would be accepted as the normal pattern, towards which all local authorities were working, though necessarily at different speeds. To take an analogy from the past: it has been the law for 20 years past to conduct primary and secondary education in different schools, but the last of the "all-age" schools have not yet quite disappeared.

5. How to proceed

In the light of all these considerations I believe that my next step should be to issue as soon as possible a circular to local education authorities; and that this should be followed by legislation in the next Session. The circular would call on local authorities to submit plans for the reorganisation of their secondary schools on comprehensive lines. It would draw their attention to the matters mentioned in Sections 2 and 4 of this paper. It would lay equal emphasis on the Government's desire for genuine reorganisation and on the Government's recognition of the need for considerable variation both in method and timing, and it would include guidance on general principles. Later on it may be possible to say that financial help will be given to help authorities surmount some of the particular difficulties: but I recognise that this cannot be said at present.

I expect that the replies of local authorities would vary: there will be enthusiasm; moderate enthusiasm; cautious acceptance; reluctant acceptance; delaying tactics; and, perhaps, in a few cases, outright refusal.

In my view, legislation is needed both to prevent absolute refusal by some local authorities and to satisfy all authorities that this is firmly and permanently national policy. I think that absolute refusal would be rare; but if there were no mention of legislation many authorities would delay action in the hope of a change of policy and a few awkward authorities might be encouraged not only to refuse themselves, but to try to recruit supporters among authorities who would otherwise be willing to co-operate.

The legislation should (1) make clear that the "national policy" referred to in the 1944 Act includes (as far as the secondary stage is concerned) the comprehensive principle, (2) make such detailed alterations in that Act—e.g., Section 13—as follow from (1). It would not need to be a long Bill but it would—unavoidably—be controversial.

Meanwhile, the Opposition have selected this subject for a Supply debate on 21st January. I ask my colleagues to agree:

(i) That, when speaking in this debate, I should present the argument set out in this paper.

(ii) That I should issue a circular as described in paragraph 5.

M. S.

Department of Education and Science,
14th January, 1965.
EDUCATIONAL BUILDING—MINOR WORKS

MEMORANDUM BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

For purposes of administration the educational building projects of local education authorities are classified as major projects (exceeding £20,000) or minor works (under £20,000). Major building programmes for 1965-66 and 1966-67 had been fixed by the previous Government, and while I consider that a strong case can be made for adding to them I have accepted the view of the Chancellor of the Exchequer that the economic situation does not permit us to do so at the present time. The problem of minor works for 1965-66, however, presents more serious difficulty.

2. Within the category of minor works there is a sub-category of "mini-minor works" which are not subject to control by my Department. The upper limit of size for these jobs has been £2,000, but the previous Government had announced before the election that it would be raised to £2,500 for 1965-66. Since these jobs are not controlled only an estimate of what authorities are likely to spend on them can be made in advance; by agreement with the Treasury the Department holds back from the total amount allotted by Ministers for minor works a sum sufficient to cover this estimated expenditure. A further deduction is made for minor works carried out by voluntary bodies which are controlled by the Department and the remainder is distributed to local education authorities in England and Wales to devote to minor works of their own choosing.

3. The previous Government fixed a total of £18 million for minor works for 1964-65. This was divided up before the beginning of the year as follows:

<table>
<thead>
<tr>
<th>&quot;Mini-minor&quot; Reserve</th>
<th>Voluntary Projects</th>
<th>Others</th>
<th>L.E.A.* Allocations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£2.9 million</td>
<td>£2.9 million</td>
<td>£0.25 million</td>
<td>£11.95 million</td>
<td>£18 million</td>
</tr>
</tbody>
</table>

* Including voluntary schools in Wales.

But authorities displayed greater energy than had been foreseen, and in the first two quarters of the financial year had carried out "mini-minor" works to a value of £3.2 million; it is safe to assume that the figure for the whole year, when it is available, will exceed
£6 million. This means that over £21 million will have been spent on minor works in 1964–65.

4. An announcement to authorities of their allocations for 1965–66 is already overdue, but there are two difficulties to be faced. Our experience has shown that the concession under which "mini-minor" works are uncontrolled, welcome as it is to local education authorities is difficult to administer, and the figure of £19 million fixed by the previous Government for minor works in 1965–66, which appears on paper to constitute an increase over 1964–65, is in fact a reduction compared with what has actually been spent. I therefore submitted proposals to the Chief Secretary that if the total available for minor works for 1965–66 could be increased to £23 million so that we could allow authorities to do just a little more than in 1964–65 I would withdraw the "mini-minor" concession and establish fully effective control over the whole minor works sector. The Chief Secretary considered, however, that despite the attractions of this course he could not, in the difficult economic conditions, agree to even this modest increase.

5. If no increase can be made in the £19 million programme for 1965–66 I shall have to continue the existing arrangements for "mini-minor" works and divide the total up as follows:

<table>
<thead>
<tr>
<th>&quot;Mini-minor&quot;</th>
<th>Voluntary</th>
<th>Others</th>
<th>L.E.A.*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve</td>
<td>Projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£6-5 million</td>
<td>£2-45 million</td>
<td>£0-23 million</td>
<td>£9-82 million</td>
<td>£19 million</td>
</tr>
</tbody>
</table>

* Including voluntary schools in Wales.

The amount available for allocation to individual authorities will thus be over £2 million smaller than in the previous year, and the sums available for voluntary schools will also be smaller by about £0-5 million.

6. Authorities are no doubt expecting more favourable treatment for the coming year than they received from the previous Government. They have always been particularly sensitive to the limitations on minor works and when the facts become known there will be an outcry, both in the country and in Parliament, and it will be said, with truth, that authorities will be appreciably worse off than under the previous Government. The adverse effect will be enhanced because the announcement of minor works allocations for 1965–66 will be the first important practical decision since we took office affecting the material development of the education service in the immediate future, and because it will appear against the background of the revelations as to the shortcomings of the schools contained in the School Building Survey. I consider that I should bring these facts to the notice of my colleagues and ask them to consider whether the saving of some £4 million of capital expenditure is worth the real and lasting damage to the reputation of the Government in the field of education.

M. S.

Department of Education and Science,
14th January, 1965.
CABINET

HOSPITAL CAPITAL EXPENDITURE: 1965-66

MEMORANDUM BY THE MINISTER OF HEALTH

Since taking office, my impressions of the inadequacy of the present Hospital Plan have been confirmed. The standard of our hospitals is abysmally low; we can only with difficulty claim to have any modern hospitals; and the present programme is making too little inroad into the problem. On the longer-term implications of this I may wish to consult my colleagues when I have completed my review of the Hospital Plan, which will take several months.

2. My immediate need, however, is to draw the Cabinet's attention to the extreme difficulty with which we shall be faced if expenditure on hospital building in 1965-66 is held at the figure fixed by our predecessors.

3. The background is that the financial programme to which Hospital Boards have been working was settled in 1960 and has not been adjusted since except to take account of increases in price indices. It was from the start seen as an expanding programme and an expansion of £6 million each year (at current prices) was thought to be about as much as was within the planning capacity of the Hospital Boards in the early years of the programme.

4. In order to achieve even this expansion it was necessary to plan more than was expected to start in order to avoid consistent underspending. But it has recently become clear that Hospital Boards have so improved their speed of planning that they are now overshooting the targets they were given. They are certainly going to overspend this year, and I estimate that they will need £68 million for 1965-66 against the £63 million of the programme.

5. Because of the difficult financial position which faces us, the Chancellor of the Exchequer has felt unable to accede to my request for this additional £5 million in 1965-66. I appreciate his reasons; but against them we have to weigh the political implications of not finding this additional money. Because of the way in which the original Hospital Plan was drawn up it has been seen by the public

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and, indeed, by the hospital authorities as a plan for the erection of specific named hospital projects. Moreover, the Hospital Boards have been urged to complete the planning of more schemes than could be undertaken within the £63 million. If the programme is limited to that £63 million, the result will be to halve expenditure on new work to be started in the year and to postpone several large schemes which may have to include the new Cardiff Teaching Hospital, the next phase of the Cambridge Teaching Hospital, the new hospital at Greenwich for which my Ministry is directly responsible and the new Northwick Park Hospital which is so important to the future of medical research in this country. It may be necessary to postpone some work which has gone to tender.

6. Decisions about the particular schemes to be postponed cannot be taken until I have consulted Hospital Boards, but I have had to let the Chairmen know in confidence that further postponements may have to be made and that no Region could be spared. They have expressed themselves forcefully and it is clear that they foresee an outcry all over the country if this happens. Indeed, the impression created both in hospitals and among the public will undoubtedly be one of deliberate cuts and “stop-go”, no matter how much we might try to justify the decision by reference to the expansion in real terms which is taking place, or to lack of realism in our predecessors’ planning.

7. This is a situation which has developed because we have reached the watershed between regular underspending and the ability of Boards to spend in full what is available. We must clearly keep planning and spending for the future as closely correlated as possible. But the immediate impact, in our first year of office, is that without the additional £5 million I shall be the first Minister of Health to order the postponement of schemes which Boards have been encouraged to plan and which, but for my act, could be started. At the time of the earlier revisions of the Plan, the planning of schemes was postponed, but never the start of those of which the planning was completed. This would be a sad blow to the reputation of a Government which in The Queen’s Speech promised action to modernise and develop the health services. To the professional staff engaged in planning it would be a blow to morale, and Hospital Boards who have already lost staff as a result of changes in the Plans are likely to lose more if the start of completely planned schemes is delayed; to the public, it would be a denial of hospitals promised and urgently required.

8. I invite my colleagues to agree that the avoidance of such difficulties justifies, even in the present financial situation, an increase in hospital capital expenditure for 1965-66 of £5 million over the level agreed for planning in 1960.

K. R.

Ministry of Health, Whitehall, S.W.1,

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CABINET

TRADE DISPUTES BILL: QUESTION OF RETROSPECTION

MEMORANDUM BY MINISTER OF LABOUR

I was invited by the Cabinet (C.C. (64) 16th Conclusions, Minute No. 3) to consider, in consultation with the Lord Chancellor and the Attorney-General, the degree of retrospection for which provision should be made in the proposed Trade Disputes Bill and the extent to which, as a result, the Bill might be a hybrid measure.

2. The problem is how the Bill should deal with causes of action arising before it becomes law. Unless the Bill is explicit on this point, all legal proceedings which depend upon such causes of action will be settled in accordance with the law as it is now. Such proceedings may be started up to six years after a cause of action accrues and the situation could therefore arise in which an action is settled under the present law many years after the Bill comes into operation. This would be unsatisfactory and I think that the Bill should have some measure of retrospective effect.

3. The maximum degree of retrospection would be to make the Bill apply to all proceedings which are in train when it comes into operation. This seems objectionable because it means that persons who had started litigation before the Bill was published and its contents known (though we have declared our general intention), might find their cause of action removed or drastically altered before the action was settled. This objection would not apply if the Bill were to cover proceedings started after it has been published because such proceedings will be started in the knowledge, at least, that the law might be changed before they are completed. Nevertheless, it is not entirely satisfactory that it should be a matter of chance under which dispensation an action is finally settled.

4. My view is that the Bill should apply to proceedings started after it becomes law. It will then be clear at the time proceedings start whether they will be settled under the old law or the new law. I think that this degree of retrospection is unlikely to be strongly criticised and will not cause unnecessary difficulties in Parliament. As regards the practical effects the issue will be a marginal one. There may be two or three cases in the next few months but it is unlikely that there will be more.
5. The Bill will not be a hybrid measure whether it applies to proceedings started after publication or after it becomes law.

6. I recommend that it should apply to proceedings started after it becomes law. The Lord Chancellor and the Attorney-General agree with this.

R. J. G.

Ministry of Labour,
18th January, 1965.
CABINET

FARM PRICE REVIEW

MEMORANDUM BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT, THE SECRETARY OF STATE FOR SCOTLAND AND THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD

We must now consider our general approach to this year’s Farm Price Review which starts with the farmers on 10th February.

2. This is the background. Under the Agriculture Acts of 1947 and 1957, to which we are pledged, the value of the guarantees provided to farmers may not be reduced by more than 2½ per cent, i.e., approximately £38 million, less the net change in their costs. This year costs have increased by about £28 million. This means that the minimum determination we could make would be to reduce the value of the guarantees by £10 million.

3. In addition the industry was assured in the White Paper of December 1960 (Cmd 1249) that, taking one year with another, it would normally be left with a share of the annual gain from increasing efficiency, which is at present assessed at £25 million although the Government reserved the right, in exceptional circumstances, to make the minimum determination. On the basis that the industry was permitted to retain only half the gain from efficiency, i.e., £12½ million, we should need to increase the value of the guarantees by £15½ million.

4. In the circumstances of this year we think that these two figures set broadly the lower and upper limits of the Review determination that we should have in mind. We set out in the following paragraphs the main considerations which we should take into account in deciding our general approach.

5. As a Party we have always said that our policy was to maintain a stable and reasonably prosperous agricultural industry. We have stressed the contribution which agriculture makes to the national economy. Its record has been good. Over the last 10 years productivity has increased each year by 5 per cent. Output has gone up by 33 per cent while the labour force has gone down by 25 per cent. Annual expenditure on food imports has been reduced by...
£250 million. It is in our view vital that we should do nothing to disturb the confidence of the industry, and so put at risk agriculture's present and potential contribution to the national economy, more particularly in our present balance of payments difficulties.

6. But equally we must have in mind the cost to the Exchequer of the support we give to the industry. We cannot afford in present circumstances to see any significant increase in this. In recent years it has been running at an annual level of about £300 million. In the present year it was expected to rise to about £320 million. In fact owing to the limitations that have been placed upon the guarantees (e.g., standard quantities) and to fairly firm market prices, the cost is likely to be considerably lower—about £270 million. Next year it is expected that with somewhat lower market prices the cost will rise but it is still likely to be under £300 million.

7. The Agriculture Act of 1947, which was one of the landmarks of the postwar Labour Government, stated that a primary purpose of the guarantee system was to give the industry reasonable remuneration. The income of the industry is therefore a crucial question. Before this year the industry's income had for a period of three years remained at much the same level and farmers had been losing ground as compared with other industries. When we were in Opposition we argued that the Conservatives were then treating the industry unfairly. This year the net income of the industry has increased largely as a result of the generous award given a year ago by the Conservative Government. Although final figures are not yet available, it is likely that income, on the basis of normal weather conditions, has increased by about the same amount as last year's award, i.e., £31 million.

8. The farmers will regard this improvement as the first step in their declared policy of remedying past under-recoupment of costs and of redressing the unfavourable position of agriculture vis-à-vis the rest of the community. Their aim is to increase their income by 25 per cent—about £100 million—in the three years commencing in 1964-65. They will argue that this year we should give them a further boost towards their goal. They will also stress the contribution which agriculture is making to the balance of payments and which, they will say, could be increased still further. They will undoubtedly compare our determination this year with the £31 million given by the Conservative Government last year. We do not suggest that in this year's circumstances we could give anything like this amount. For this reason we cannot hope that the outcome of this year's Review will be agreed with the farmers. But nevertheless we must aim at an award which we can defend to the industry and to the nation as reasonable.

9. In the light of these general considerations we think that a minimum determination of minus £10 million would be politically indefensible. This would mean we would be making farmers not only absorb all their increased costs, but also take a further cut. But, equally, while in normal years we would not think it unreasonable to allow farmers to keep half of their increasing
efficiency, we consider that, in the circumstances of this year's
economic difficulties, an award of plus £154 million—though
substantially less than what the farmers would regard as adequate—
would appear to the country at large as being too generous and
would be difficult to justify. In our view, therefore, the aim should
be to make a determination which would permit farmers to keep a
small part of their increasing efficiency, so giving them a reasonable
incentive, while at the same time expecting them to bear a substantial
part of their increased costs. We think that the kind of criterion
which we have applied in other sectors, for example, the railways,
of an industry bearing two-thirds of its increased costs is not
unreasonable. This would lead to an award of about plus £10 million.
It would mean that we were expecting farmers to absorb about
£18 million in increased costs while allowing them to retain only
about £7 million of their increasing efficiency, which would represent
an increase of about 1½ per cent in their net income in the coming
year.

10. We think that an analysis of the position of the different
commodities reinforces this view. Cereals production is continuing to
increase rapidly. Although this year's record crop of 12½ million tons
will cut the bill for cereals imports substantially, our international
obligations now require us to take remedial action to restore a fair
and reasonable balance between domestic production and imports.
Our principal suppliers, the Americans, Canadians, Australians and
Argentina, have made it clear that they expect us to honour our
obligations if the agreements to support our minimum import prices
(on which the standard quantities depend) are to survive. We must
therefore make substantial cuts in the guaranteed prices for wheat
and barley. We must also cut substantially the guaranteed price for
eggs which are in over-supply and where the Exchequer bill is
increasing rapidly.

11. On the other hand, beef is in short supply. World supplies
are inadequate; prices are high; and this situation is likely to continue
over the next five years. Our domestic supplies have been falling off.
Although it will take several years to increase production, we must
start now. In the years to come more beef will help considerably
with our rising food import bill. We consider therefore that it is
necessary to increase profitability for beef production. In the
meantime we must not take any action to reduce sheep or pig
production as mutton, lamb, pork and bacon are to some extent
replacing beef on the consumers' table. Moreover on balance of
payment grounds we do not want to reduce our bacon production.

12. In addition, we think we must give some further
encouragement to milk production, particularly as a large part of
our beef supplies come from the milk herd. In spite of increases in
the guaranteed price in the past two years (the last one was
substantial) the milk industry does not seem to have regained full
confidence. Production has been falling off and as yet shows no
marked sign of recovering. Our butter production has fallen to very
low levels although world butter supplies are scarce and prices are
high. Because of our obligations to New Zealand and Australia, we
£250 million. It is in our view vital that we should do nothing to disturb the confidence of the industry, and so put at risk agriculture's present and potential contribution to the national economy, more particularly in our present balance of payments difficulties.

6. But equally we must have in mind the cost to the Exchequer of the support we give to the industry. We cannot afford in present circumstances to see any significant increase in this. In recent years it has been running at an annual level of about £300 million. In the present year it was expected to rise to about £320 million. In fact owing to the limitations that have been placed upon the guarantees (e.g., standard quantities) and to fairly firm market prices, the cost is likely to be considerably lower—about £270 million. Next year it is expected that with somewhat lower market prices the cost will rise but it is still likely to be under £300 million.

7. The Agriculture Act of 1947, which was one of the landmarks of the postwar Labour Government, stated that a primary purpose of the guarantee system was to give the industry reasonable remuneration. The income of the industry is therefore a crucial question. Before this year the industry's income had for a period of three years remained at much the same level and farmers had been losing ground as compared with other industries. When we were in Opposition we argued that the Conservatives were then treating the industry unfairly. This year the net income of the industry has increased largely as a result of the generous award given a year ago by the Conservative Government. Although final figures are not yet available, it is likely that income, on the basis of normal weather conditions, has increased by about the same amount as last year's award, i.e., £31 million.

8. The farmers will regard this improvement as the first step in their declared policy of remedying past under-recoupment of costs and of redressing the unfavourable position of agriculture vis-à-vis the rest of the community. Their aim is to increase their income by 25 per cent—about £100 million—in the three years commencing in 1964–65. They will argue that this year we should give them a further boost towards their goal. They will also stress the contribution which agriculture is making to the balance of payments and which, they will say, could be increased still further. They will undoubtedly compare our determination this year with the £31 million given by the Conservative Government last year. We do not suggest that in this year's circumstances we could give anything like this amount. For this reason we cannot hope that the outcome of this year's Review will be agreed with the farmers. But nevertheless we must aim at an award which we can defend to the industry and to the nation as reasonable.

9. In the light of these general considerations we think that a minimum determination of minus £10 million would be politically indefensible. This would mean we would be making farmers not only absorb all their increased costs, but also take a further cut. But, equally, while in normal years we would not think it unreasonable to allow farmers to keep half of their increasing
efficiency, we consider that, in the circumstances of this year’s economic difficulties, an award of plus £15 million—though substantially less than what the farmers would regard as adequate—would appear to the country at large as being too generous and would be difficult to justify. In our view, therefore, the aim should be to make a determination which would permit farmers to keep a small part of their increasing efficiency, so giving them a reasonable incentive, while at the same time expecting them to bear a substantial part of their increased costs. We think that the kind of criterion which we have applied in other sectors, for example, the railways, of an industry bearing two-thirds of its increased costs is not unreasonable. This would lead to an award of about plus £10 million. It would mean that we were expecting farmers to absorb about £18 million in increased costs while allowing them to retain only about £7 million of their increasing efficiency, which would represent an increase of about 1½ per cent in their net income in the coming year.

10. We think that an analysis of the position of the different commodities reinforces this view. Cereals production is continuing to increase rapidly. Although this year’s record crop of 12½ million tons will cut the bill for cereals imports substantially, our international obligations now require us to take remedial action to restore a fair and reasonable balance between domestic production and imports. Our principal suppliers, the Americans, Canadians, Australians and Argentina, have made it clear that they expect us to honour our obligations if the agreements to support our minimum import prices (on which the standard quantities depend) are to survive. We must therefore make substantial cuts in the guaranteed prices for wheat and barley. We must also cut substantially the guaranteed price for eggs which are in over-supply and where the Exchequer bill is increasing rapidly.

11. On the other hand, beef is in short supply. World supplies are inadequate; prices are high; and this situation is likely to continue over the next five years. Our domestic supplies have been falling off. Although it will take several years to increase production, we must start now. In the years to come more beef will help considerably with our rising food import bill. We consider therefore that it is necessary to increase profitability for beef production. In the meantime we must not take any action to reduce sheep or pig production as mutton, lamb, pork and bacon are to some extent replacing beef on the consumers’ table. Moreover on balance of payment grounds we do not want to reduce our bacon production.

12. In addition, we think we must give some further encouragement to milk production, particularly as a large part of our beef supplies come from the milk herd. In spite of increases in the guaranteed price in the past two years (the last one was substantial) the milk industry does not seem to have regained full confidence. Production has been falling off and as yet shows no marked sign of recovering. Our butter production has fallen to very low levels although world butter supplies are scarce and prices are high. Because of our obligations to New Zealand and Australia, we
must be careful to avoid over-stimulation, but we believe that a failure to increase the guaranteed price this year might well endanger our future milk supplies for manufacture. Moreover milk is one of the most important commodities for the smaller farmer. For these reasons we think that some increase in the guaranteed price is necessary even though under present arrangements the cost will fall on the consumer not the Exchequer. The rise in the retail milk price would however not exceed 3d. per pint for four months of the year and could be postponed till the summer.

13. Finally we think that it is important in this Review to make a start on reorientating support as far as possible to help those who are in special need, for example the farmers in the hills and uplands, and those smaller farmers who can improve their business efficiency if encouraged to do so. This would accord with our promises in election speeches to help the smaller farmer. We think therefore that we must make a modest start in encouraging agricultural co-operation and in providing better agricultural credit facilities, while we should also extend the small farmer scheme giving it at the same time a greater emphasis on more efficient farm management. In the hills we should give more help on the hill cow and hill sheep subsidies. This would help to maintain prosperity, and so assist the promotion of the balanced regional development at which we are aiming.

14. Taking into account these different aims on commodities and production grants, we think that if our help in those cases where we want to give encouragement is to be meaningful we need on balance to give more than we take away. This reinforces our general view that our aim should be to give a reasonable, but by no means a generous, “plus” award in the Review.

Conclusion

15. We hope that for the reasons given in this paper our colleagues will agree that this year we should aim to make a final award that would increase the value of the guarantees by about £10 million. This would allow us to carry through the programme we need to keep beef and milk production up to requirements, and to give more help to those sections of farming which are in greater need. Even so we shall be making farmers shoulder a substantial part of the increased costs, and we shall be doing very little to improve farm incomes. If we do this, we must expect great disappointment among farmers, and a disagreed Review. But nevertheless we think that in the present difficult circumstances we could defend and justify such a determination.

F. S.
W. R.
T. F. P.

Ministry of Agriculture, Fisheries and Food, S.W.1,
22nd January, 1965.

SECRET
CABINET

CIGARETTE ADVERTISING

MEMORANDUM BY THE MINISTER OF HEALTH

With the agreement of Home Affairs Committee, I seek the approval of my colleagues for the banning of cigarette advertising on television.

2. Cigarette advertising was raised with the Prime Minister during a television interview last January, when he referred to its vicious effect in causing young people to take up smoking. The Prime Minister said he thought there were certain things a Government should do right away: the advertisement of cigarettes should now be stopped, certainly on television; he did not see why all the newspaper proprietors should not be asked to cut out such advertising in newspapers, and said he believed they would agree to this and no control or law would be needed.

3. The health education campaign on the dangers to health of cigarette smoking is being intensified. Among other measures, posters are on display in public transport and railway stations, and short television films have been prepared for early showing.

4. The campaign would be immensely aided if an announcement could now be made that the advertisement of cigarettes on television is being brought to an end. The Postmaster-General has the power to do this by issuing a direction to the Independent Television Authority.

5. Consideration must also be given to other aspects such as advertising of other tobacco goods and advertising in other media, and I am arranging for further discussions with the appropriate Ministers with a view to making further recommendations. But it is the general view of the Home Affairs Committee that an announcement about television advertising of cigarettes should be made as soon as possible. This would greatly increase the impact of the intensified health education campaign, even though there would be a period of grace before the decision could become fully effective.

CONFIDENTIAL
CONFIDENTIAL

6. If this action is agreed by the Cabinet, the decision would be conveyed to the Independent Television Authority by the Postmaster-General before it is announced. But he would be content for me to make the main statement in the House announcing the Government's decision, and on the same day he would announce that he would be discussing with the Authority the operative date of the ban. Notice of the decision would be given to the Tobacco Advisory Board in confidence 24 hours before the announcement.

7. I propose that my statement should be made orally in the House, perhaps in reply to an arranged Question, for which 1st February would be a convenient day. A draft statement to be made by me and a draft Question and Answer by the Postmaster-General are attached for consideration.

K. R.

Ministry of Health, S.E.I.
Evidence of the risks to health from cigarette smoking continues to increase. On the basis of studies published last year it has been estimated that cigarette smoking may be killing every year over 6,500 men under the age of 55. My right hon. Friend the Secretary of State for Scotland and I are continuing and intensifying health education on these dangers. Among other measures, posters are being exhibited on public transport and other suitable sites, and short films have been accepted for showing on B.B.C. and Independent Television.

Television is a powerful advertising medium, and as part of our campaign the Government has decided that it would be right to end the advertising of cigarettes on television. This decision is being conveyed to the Independent Television Authority by my right hon. Friend the Postmaster-General, and it will come into operation as soon as practicable.

Question

To ask the Postmaster-General if he will now prohibit the advertising of cigarettes on television.

Answer

As my Right Hon. Friend the Minister of Health has said, the Government has decided that it would be right as part of its health campaign to end the advertising of cigarettes on television. I intend to give the Authority a direction to this effect after consulting with them about the date when it is to come into force.


DATA PERFORMANCE AND ASSESSMENT FOR POST-SECONDARY EDUCATION

Office of Postsecondary Education

To improve the performance of our institutions, we need to refine our metrics for assessing how well we are doing. A comprehensive system of performance measurement is crucial in helping us to determine the effectiveness of our programs and the impact on student outcomes. It is essential to have a clear understanding of the goals we aim to achieve and how we can measure progress towards them.

Equal opportunity to education is a core principle and foundational to our nation’s success. It is critical that we work together to ensure access and success for all students, regardless of their backgrounds or circumstances. The Office of Postsecondary Education is committed to supporting institutions in their efforts to foster an inclusive and equitable learning environment for all students.
CABINET

PUBLIC EXPENDITURE

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

At the Cabinet meeting on Thursday, 21st January, 1965, I indicated that I would be submitting a memorandum on the preparation of long-term programmes of public expenditure designed to fit in with our general long-term Economic Plan (reference C.C. (65) 3rd Conclusions, Minute 3).

Planning assumptions

2. The first task has been to settle the overall rate of growth of the economy which should be assumed for planning purposes. It has now been agreed between the Department of Economic Affairs and the Treasury that it is right to aim on the high side when planning the capacity of basic industries in the public sector and when guiding the plans of private industry. Only in this way can we hope to encourage faster growth and ensure that there is no risk of bottlenecks. On the other hand, it is right to be cautious when planning public expenditure outside the industrial sector, so that we do not commit ourselves to spend the fruits of faster growth before we have achieved them. We must ensure that we are not again landed with programmes which have run far ahead of the capacity of the economy. It has, therefore, been agreed that for industrial planning, and for public presentation, we should use as our starting assumption a growth of the gross domestic product of 2½ per cent between 1964 and 1970. This figure represents an average increase of about 3½ per cent a year. On the other hand, for the purposes of relating long-term programmes of public expenditure, other than for the basic industrial sector, to prospective resources, it has been agreed that we should assume a growth of the gross domestic product of 22½ per cent, representing approximately 3½ per cent a year.

3. By taking a reasonably cautious figure for public spending, we will not be running risks that demand will be inadequate and that employment will fall. The steady growth of public expenditure will all the time be sustaining demand. If we are successful in
achieving the 25 per cent growth target—and it implies a rapid acceleration in the rate of economic growth—we shall always be able to reconsider our programmes and add to them. It will, as always, be best to deal with the short run regulation of demand by adjusting taxation, transfer payments and monetary policy.

4. The task now is to take the assumed rate of growth of 22½ per cent and to build up public expenditure programmes consistent with it. For the present we can leave aside the programmes of the nationalised industries which, as I have indicated, will be based on the figure of 25 per cent; they will have to be closely geared in with the Economic Plan as it develops.

5. The programmes we have inherited for public expenditure, excluding nationalised industries, are set out in Table 1. The figures relate to central Government expenditure, the gross outgoings of the National Insurance Funds and all expenditure by local authorities. They cover the period 1964–65 to 1968–69; they are all at prices of spring 1964; they embrace our predecessors' programmes, modified to take account of the policy decisions we have taken since coming into office. They have not been published. (The last figures of this kind to be published were those prepared in 1963, covering the period 1963–64 to 1967–68.)

<table>
<thead>
<tr>
<th>TABLE 1</th>
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<tbody>
<tr>
<td><strong>EXISTING PROGRAMMES</strong></td>
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<td></td>
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<tr>
<td>Defence Budget</td>
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<tr>
<td>Other</td>
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<tr>
<td>Contingencies</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

6. The total for 1968–69 is £12,545 million to which the Treasury have added £300 million for contingencies, making £12,845 million in all. (The contingencies item is not intended to leave room for new policies, but to counter a tendency to under-estimate on the part of Departments.) The increase over 1964–65 is £2,400 million, representing a rate of increase of 5½ per cent a year. This is much faster than the rate of growth of the gross domestic product which we have agreed to assume for planning purposes (3½ per cent). Since we are facing a period when we must sharply improve the foreign balance and when we wish to raise the rate of investment in order to accelerate growth, there is in any event bound to be little room for the growth of private consumption. If, in addition, we were to permit public spending to go up at this rate, the curtailment of private consumption would have to be drastic.

7. I can illustrate this with some provisional figures based on the assumed rate of growth of 3½ per cent. If we achieved this rate of growth and if provision were made for the necessary increases in private investment and exports, then private consumption per head...
could not grow at more than $1\frac{1}{2}$ per cent per annum, in contrast to the $2\frac{1}{2}$ per cent by which it has been rising in recent years. This restriction of consumption would have to be brought about by taxation. The extent of the increase would depend upon the behaviour of private savings. The Treasury estimate that increases in rates of taxation would be required on a scale sufficient to yield at least an extra £500 million, and very possibly as much as £1,000 million, over and above the buoyancy of the revenue. This is after taking into account the increases in income tax and oil duty announced in the November Budget and assuming that during the period £100 million would be transferred from rates to taxes.

8. In short, we must now reshape the programmes we have inherited from our predecessors. We need not be too anxious about this. The public will not be impressed by whose programme has been higher in a particular field. They will judge us by what we actually achieve.

Annual growth of $4\frac{1}{2}$ per cent of public expenditure

9. I have discussed the implications of this with the First Secretary and the proposition we wish to put to our colleagues is that the growth of public expenditure (excluding spending by nationalised industries) should in total be limited to $4\frac{1}{2}$ per cent a year, rather than $5\frac{1}{2}$ per cent. We would still be planning for a significantly faster growth of public expenditure than of the gross domestic product. There would be room for an increase in private consumption per head of nearly 2 per cent, but it is estimated that, apart from changes needed to stabilise demand, an increase in tax rates sufficient to raise about £250 million extra would still be needed.

10. The reduction of the yearly rate of growth of public expenditure from $5\frac{1}{2}$ per cent to $4\frac{1}{2}$ per cent would mean reducing the absolute level of public expenditure in 1968–69 by £500 million; or, to put it another way, it would mean delaying the attainment of the 1968–69 level by one year. (By then a $4\frac{1}{2}$ per cent rate of growth in public expenditure will mean an increase of £500 million a year.) Since 1969–70 is the year on which we now need to focus in our long-term planning, the latter is the more convenient way of looking at the position.

11. The main way I see of achieving this aim is by containing defence expenditure. A major review is being undertaken of our defence policies, to see what would be involved in keeping the Defence Budget at the 1964–65 level of £2,000 million, at 1964 prices, not only in 1965–66 but right through to 1969–70. I cannot see any way through our economic problems if defence expenditure is higher than this. A long-term defence policy within these limits will save £350 million of the £500 million which I need.

12. For the rest I am prepared to take some risk in the accuracy of the costing, and reduce the contingencies margin to £150 million. This means that the total sum available for civil expenditure can continue to rise at the rate envisaged in existing programmes. But this does not mean that the existing programmes, largely inherited
from our predecessors, should remain intact. We must apply our own social priorities and we must, by fitting in with the planning work of the Department of Economic Affairs, check the feasibility of the programmes in terms of scarce physical resources, e.g., construction, engineering expenditure, scientific and other highly educated manpower. The totals I propose are shown in Table 2.

**TABLE 2**

**FUTURE PROGRAMMES**

<table>
<thead>
<tr>
<th></th>
<th>£ million at spring 1964 prices</th>
<th>1968-69</th>
<th>1969-70</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Existing programme</td>
<td>Proposed programme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(£% p.a.* rate of increase)</td>
<td>(£% p.a.* rate of increase)</td>
<td></td>
</tr>
<tr>
<td>Defence Budget</td>
<td>2,350</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>10,195</td>
<td>10,695</td>
<td></td>
</tr>
<tr>
<td>Contingencies</td>
<td>300</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12,845</td>
<td>12,845</td>
<td></td>
</tr>
</tbody>
</table>

*Percentage rate of growth from base year 1964-65.*

**Preparation of programmes**

13. In order to achieve these aims we must, in the first place, intensify our search, throughout the field, for expenditures which can be cut out as no longer necessary. In particular, although the figures are expressed at constant 1964 prices, this does not mean that expenditures on individual programmes can be automatically allowed to rise by the full extent of whatever pay and price rises may occur. I shall look to my colleagues to do all they can, both by the adoption of improved techniques and where necessary by adjusting their programmes, to absorb cost increases.

14. A general search for economy, however, is not enough. We must also distinguish between items of greater and lesser priority in each programme, so that we have some freedom of choice when the programmes are weighed against one another and fitted into the Plan. Some agreed procedure for doing this is needed now. Departments must begin preparing their programmes for the period up to 1969-70 early in February, if we are to be able to take firm decisions in July.

15. The First Secretary and I propose that each Department (where appropriate, group of Departments) should prepare a “basic” programme within a limit now to be laid down. Each Department would also be entitled to submit an additional programme, representing the improvements which it would wish to see, over and above the basic programme. For example, if the Minister of Housing and Local Government had in mind to propose that the housing programme should be adjusted so as to provide for a higher proportion of public sector housing, the resulting prospective increase in public expenditure would represent an additional programme, over and above the basic programme for his Department. When these
basic and additional programmes had been prepared and analysed (and related to the Plan for National Economic Development) the Cabinet would decide how far it would be possible to accept the additional programmes, and determine the priorities between them.

16. To give the Cabinet the greatest possible area of choice and decision on priorities, the First Secretary and I propose that the “basic” programmes should be worked out on the minimum practicable level. If the programming were to be done otherwise, we should in effect be taking the priority decisions now, or landing ourselves in a situation in July in which the programmes presented by Departments were exceeding prospective resources by such a wide margin that a surgical operation would be necessary.

17. The proposed limits for the “basic” programmes, and the procedures for handling items which cannot be programmed five years ahead, are set out in an appendix. For defence, I am working on the assumption that the long-term policy review in the coming weeks will enable the Department to programme within the limits which I have proposed above. I recognise the difficulty of achieving this; but I must warn my colleagues that any failure to achieve this objective will have to be charged against the amount available for the “additional” civil programmes. For the civil programmes, the limits are designed to reflect very broadly the rates of expansion of expenditure which flow inescapably from the development of policies which have already been announced. If in any particular case my colleagues feel that a basic programme is too high, any reduction they can suggest will add to the general scope for additional programmes.

Conclusions

18. I ask my colleagues’ agreement to the following:

(a) That we decide to base our planning of public sector expenditure on an average annual rate of increase of 4½ per cent per annum at constant prices from 1964–65 to 1969–70, i.e., a rise of 23 per cent over the period. (Paragraph 9.)

(b) That Departments should prepare “basic” programmes for 1969–70 within the limits and procedures in the appendix; and “additional” programmes also; and that decisions will be taken in July to determine long-term programmes accordingly, fitted into the Plan for National Economic Development. (Paragraphs 15 to 17.)

J. C.

Treasury Chambers, S.W.1,
The first and most vital proposal is that defence expenditure should be held at £2,000 million, at 1964 prices.

2. For the sectors specified below, consideration of present programmes and of the orderly development of the services in question, appears to lead to the following per cent rates of increase for the basic programmes:

<table>
<thead>
<tr>
<th>Sector</th>
<th>1964-65 £ million</th>
<th>1964-65 to 1969-70 Percentage increase from at constant prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads (current and capital)</td>
<td>397</td>
<td>40</td>
</tr>
<tr>
<td>Public sector housing investment</td>
<td>506</td>
<td>10</td>
</tr>
<tr>
<td>Education (all levels, current and capital)</td>
<td>1,394</td>
<td>30</td>
</tr>
<tr>
<td>Health and welfare (current and capital)</td>
<td>1,126</td>
<td>22½</td>
</tr>
<tr>
<td>Police and prisons</td>
<td>215</td>
<td>15</td>
</tr>
</tbody>
</table>

3. For benefits and assistance (£1,871 million in 1964-65), the “basic” programme should allow increased benefits at the expected rate of increase of real earnings per head from April 1965 with wage-related unemployment benefit. The rate of family allowances would be unchanged.

4. It is impracticable to programme most forms of assistance to industry, transport and agriculture (£840 million in 1964-65) for five years ahead. The cost of agricultural support, for example, will depend upon the level of world prices in 1969-70; disbursement under the Local Employment Act depending upon what will happen to regional balance in the next five years; the British Railways Board subsidy upon a variety of circumstances. There may also be new kinds of industrial subsidy, to help advanced technology or industrial modernisation. At this stage, Departments should include either a considered estimate or, if this is impracticable, the current figure. It is at present assumed that the total of all this assistance will not be higher in 1969-70 than in 1964-65, i.e., that certain forms of subsidy will be reduced while others increase.

5. As regards overseas economic aid, the Government have accepted the objective of increasing the proportion of national income devoted to essential aid programmes, and intend to move towards it. It is suggested that for the purpose of preparing the “basic” programme for 1969-70 a figure of £230 million should be used (the outturn for 1964-65 may be around £200 million), which would be equivalent to a continuing increase at about the same proportion of G.D.P.; and an “additional” programme could be submitted to provide for progress towards the higher objective. But this expenditure bears directly and heavily on the balance of
payments, and the rate at which it will be possible in practice to increase aid expenditure over its present level during the next five years will be dependent on the position of the balance of payments; the forward programme must be subject to this limitation. For this reason firm decisions about the future level of aid expenditure cannot be taken at the present time by reference to what would be tolerable for the Budget. Discussions will be continued through the established machinery which exists for settling the aid programme.

6. Services for which no specific indication is given should be included at the minimum practicable level.

7. "Additional" programmes should be submitted to include departmental proposals which cannot be accommodated within the "basic" programmes.
CABINET

THE DEVELOPMENT OF HIGHER EDUCATION

MEMORANDUM BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

At their meetings on 7th December and 14th January my predecessor put before the Ministerial Committee on Social Services proposals that he should be authorised to announce:

(i) that, bearing in mind that the 10 colleges of advanced technology are on the threshold of university status, it would not be necessary, with one possible exception, to create additional universities or to promote any further institutions to university status in the next 10 years;

(ii) that the expansion and development of technological education at a high level will best be furthered by continuing the build-up of the three* specialised institutions named by the Robbins Committee by giving them priority in the provision of finance, both capital and current, and by encouraging the many promising developments in the technological departments of other universities;

(iii) that we should therefore not follow the recommendation of the Robbins Committee that one of the colleges of advanced technology should be selected for designation as a special institution but that we would consider further the question of creating one completely new technological institution;

(iv) that we should confirm that, like the previous Government, we accepted the objective of providing 390,000 places in higher education by 1973–74, of which 218,000 should be in universities;

(v) that we now proposed to adopt the Robbins Committee's objective of making up the total of 390,000 places in England, Wales and Scotland by providing 122,000 in colleges of education and 50,000 in technical colleges.

* Imperial College, the Manchester College of Science and Technology, Strathclyde University.
2. He said “with one possible exception” at (i) above because, while there does not appear to be a case purely on grounds of educational need for the creation of a new university institution, there may well be strong arguments for it in the interests of regional development. I should like to come back with further proposals on this after I have had time to study it further and discuss it with the First Secretary. My colleagues will of course recognise that if we were to decide to provide a major technological institution, say, on Tees-side, it would involve substantial investment over and above our present programme.

3. My predecessor emphasised the importance of a statement on the lines of (i), (ii) and (iii) as a means of putting an end to the great state of uncertainty in the higher education world, and the Committee approved these three proposals. He also urged that we should make an announcement on the lines of (iv) and (v), partly with the object of offsetting what might otherwise be regarded as a negative statement, and partly to allay the fears that (despite our announcement in The Queen’s Speech that we were determined to give particular priority to increasing the supply of teachers) we have in fact no intention of increasing the target for the number of teachers in training. This was set, for England and Wales, at 80,000 by 1970 by the previous Government as long ago as January 1963, nearly a year before the Robbins Committee reported.

4. While my colleagues accepted that our statement must contain something positive, some of them demurred over our committing ourselves to anything beyond the general objective of 390,000 higher education places by 1973–74 accepted by the previous Government, and proposed that we should defer any statement on the expansion of the colleges of education until we had completed our study of public expenditure over the next five years.

5. It is known that we have long had the advice of the University Grants Committee and the Advisory Council on Scientific Policy on the points covered at (i), (ii) and (iii) above. Great uncertainty prevails about the Government’s intentions. I do not feel that I can wait three or four months before making a statement on these points. But to make one in isolation would be unduly negative.

6. I do not see how we can avoid confirming the previous Government’s undertaking to provide by 1973–74 390,000 higher education places, with 218,000 in universities, in Great Britain as a whole. Once we have done this we have committed ourselves to additional investment and the only question is how it should be distributed between teacher training and further education. University places cost most, training college places rather less, and technical college places less still. I am not asking to put up the university figure, but to allocate the 172,000 non-university places as Robbins proposed, with 122,000 to teacher training and 50,000 to further education. This will involve comparatively little fresh
investment before 1970 on the expansion of the training colleges in terms of work done, viz., at most:

<table>
<thead>
<tr>
<th>Year</th>
<th>£ million</th>
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<tbody>
<tr>
<td>1967-68</td>
<td>2.0</td>
</tr>
<tr>
<td>1968-69</td>
<td>7.0</td>
</tr>
<tr>
<td>1969-70</td>
<td>10.5</td>
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</tbody>
</table>

Additional recurrent expenditure is estimated at £2.6 million in 1969-70.

7. We shall be challenged to say what we are doing to reduce the size of classes and the Opposition know well that even the increase I am proposing will not enable us to get classes down to a reasonable size by 1970 let alone eliminate primary classes over 30. Moreover, the National Advisory Council for the Training and Supply of Teachers are about to advise me publicly that the Robbins target of 111,000 training college places in England and Wales by 1973-74 is quite inadequate, that it should be reached much earlier, and replaced by a new target of 120,000 in England and Wales alone by that date. I can hold the position only if I can show that we are not going to do worse than our predecessors and I repeat that I am suggesting we do no more than fill out the outlines of the policy to which, together with the investment involved, they had committed themselves. I therefore ask for authority to make a Statement after Questions in terms of the draft annexed.

8. There are problems also in Scotland, but I understand from the Secretary of State for Scotland that he would be content to see matters rest for the time being on the basis indicated in the Statement.

A. C.

*Department of Education and Science, W.1,*  
*28th January, 1965.*
DRAFT STATEMENT ON HIGHER EDUCATION

Q. To ask the Secretary of State for Education and Science whether he has any statement to make about the development of higher education.

A. Yes, Sir.

The Government have now considered the recommendations of the Robbins Committee for the expansion of teacher training places, the creation of additional universities, and the designation of Special Institutions for Scientific and Technological Education and Research.

The Robbins Committee recommended a 10-year programme designed to provide by 1973-74 390,000 full-time higher education places in universities, colleges of education and technical colleges in Great Britain.

The last Government accepted this objective and promised to provide the necessary resources.

The Government confirm that they accept the objective of 390,000 places in higher education by 1973-74, and that of this total 218,000 places should be in universities.

The Government now propose to adopt the Robbins Committee's further objective that 122,000 of the remaining places should be in colleges of education.

This will double the number of students now in the colleges. It will also leave room for a large increase in the number of students in further education institutions.

These measures will not only contribute significantly to the widening of educational opportunity which was promised in the Gracious Speech; they will also secure a further large increase in the output of teachers for our schools.

I shall keep the whole subject of teacher-supply under close review and I look forward to receiving shortly the next report of my National Advisory Council on the Training and Supply of Teachers.

On the question of new universities, the Government have considered the advice given by the University Grants Committee, and it is now clear that the target of 218,000 university places in 1973-74 is well within the capacity of existing universities and other institutions of university status.

As the House knows, the Colleges of Advanced Technology and the Central Institutions in Scotland are all being given university status and will be brought fully within the ambit of the University Grants Committee on 1st April next.

The Government have, therefore, decided that no additional universities or accessions to university status will be needed for about 10 years, with one exception. They are actively considering the possibility of creating within that period a completely new technological university institution in the North-East.
The Government will of course examine well before the 10 years are up the possibility that more universities may be needed thereafter.

The Government have also considered, with the advice of the University Grants Committee and the Advisory Council on Scientific Policy, the important recommendation of the Robbins Committee that five institutions should be developed and designated as a category of superior institutions to be known as Special Institutions for Scientific and Technological Education and Research.

They wholly accept the principle of selective development and expansion of technological education at a high level. They consider, however, that this will be best achieved not by creating a separate category within institutions of university status, but by continuing the build-up of the three specialised institutions named by the Robbins Committee (Imperial College, London, the Manchester College of Science and Technology, and Strathclyde University). These will be given priority in the provision of finance, both capital and current; and, as I have said, the creation of a new technological university in the North-East is being urgently examined.

But the Government do not accept the recommendation to select one out of the 10 Colleges of Advanced Technology for special treatment; and they have decided, on balance, against giving any institutions a special designation as "S.I.S.T.E.Rs."

The House will see that the Government accept the substance of the Robbins Committee's proposals on this matter. But, as to method, they prefer to encourage and expand the many promising developments in the technological departments of other universities, including colleges of advanced technology and they wish to prevent the false impression arising that a first-class technological education is only available in a small handful of institutions.

The Government will keep the whole development of higher education under review.
29th January, 1965

CABINET

COMMONWEALTH IMMIGRATION

Memorandum by the Secretary of State for the Home Department

Certain categories of Commonwealth citizen have a legal right under the Commonwealth Immigrants Act 1962 to be admitted to the United Kingdom.

(a) Dependants. The wife of a Commonwealth citizen or a child of his under 16 years of age who comes here with or to join him may not be refused admission. We do not know how many people overseas already have this right, but they cannot number less than half a million.

(b) Students. A Commonwealth citizen is entitled to admission if he satisfies the immigration officer that he wishes to enter the United Kingdom for the purpose of attending a course of study at a college, school, etc.

(c) Visitors. A Commonwealth citizen is entitled to admission if he satisfies the immigration officer that he can support himself without taking work. This category includes tourists and other visitors as well as a few people of independent means who come to settle here.

(d) Voucher-holders. Commonwealth citizens who come here for employment should first get a voucher under a scheme administered by the Minister of Labour. The vouchers are issued at discretion, but the holder of a valid voucher is legally entitled to admission.

2. Other Commonwealth citizens are admitted at discretion. For example, at present we readily admit a child under 16 coming with or to join a close relative other than a parent, or a person between 16 and 18 years of age coming with or to join a parent.

Evasion of the control

3. The demand for vouchers has greatly exceeded the supply, especially since the end of 1963 when the rate of issue began to be reduced, so there is increasing pressure to get round the control. Evasion takes different forms. One is for the evader to pass himself off as a person with a legal right of entry. He may pretend to be under 16 when he is older, or the son of a Commonwealth citizen already here. Many of these claims are made more difficult to counter because they are supported by officially issued passports giving false particulars, which can be arranged in some countries without much
difficulty. Immigration officers detect a number of such attempts and refuse admission; but some must succeed. There is therefore an unknown number of imposters among those officially classified as dependants. Another device is to pose as a student or a visitor; because of the terms of the statute, a well-prepared claim to admission as a student or a visitor is not easy to resist. In addition, there are genuine students who stay on, whether or not they complete their studies, and genuine visitors who change their minds. (There is nothing in law to prevent a Commonwealth citizen who has been unconditionally admitted as a student or a visitor from staying on, and this is happening on a considerable scale.) Thus the net intake of coloured Commonwealth citizens in 1964 exceeded by 9,000 the number deliberately admitted for settlement (i.e. as dependants, voucher-holders etc.)

4. The main defence against this type of evasion is for the immigration officer to admit the student or visitor about whom he is suspicious on condition that he leaves the country within a specified time. There is power under the Act to do this; but the power has been little used because the means of enforcement are defective. First, there is no good way to keep track of individuals admitted under conditions; the Asians in particular melt into their respective communities and the police have been able to find few of those whom they have been asked to look for. Second, there is no simple power to enforce the condition, i.e. to require the defaulter, if traced, to leave the country. It is a criminal offence not to observe such a condition but the defaulter must be convicted of the offence and the court must recommend deportation before the Secretary of State can, by deportation, require him to leave the country.

The scale of immigration

5. We now have figures for the first two full calendar years of control under the Act and I give the main statistics in Annex I. The net intake of coloured Commonwealth immigrants during 1964 was 62,000, nearly 9 per cent higher than in 1963 and about the same degree higher than in 1960 when there was no immigration control. I think coloured Commonwealth citizens are coming faster than they can be absorbed into the community and I believe that, despite the economic argument that favours more immigrant workers for essential industries and services, we ought to do what we can to reduce the rate of flow.

6. Apart from marginal adjustments to the categories of people whom we admit at discretion, we can reduce the flow only by –

(a) issuing fewer vouchers; and
(b) reducing the scale of evasion of the control.

The first we have still to consider in the Commonwealth Immigration Committee; the second is the subject of this memorandum.

*This expression is used as a term of art to mean those Commonwealth citizens who are not citizens of Canada, Australia or New Zealand. All the statistics in this memorandum relate to coloured Commonwealth citizens.
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*This expression is used as a term of art to mean those Commonwealth citizens who are not citizens of Canada, Australia or New Zealand. All the statistics in this memorandum relate to coloured Commonwealth citizens.
7. It is my view that we shall not be able to deal effectively with the main body of those who evade the control - those admitted as visitors and students who stay on - under the Act as it stands. I think we should have a wider use of the power to impose time limits on them, and better means of enforcing the limits imposed. We need power to require Commonwealth citizens to leave identifying particulars with immigration authorities and to register with the police; and the Home Secretary should have power to repatriate, without criminal proceedings, a Commonwealth citizen who has outstayed the period for which he has been admitted. But the Commonwealth Immigration Committee are of opinion that, for the present at least, we ought not to propose legislation, but should try to cope with evasion by making full use of the existing powers. I am proposing therefore to proceed on that basis.

8. Any change of policy ought to be announced in Parliament and in any case we are now being pressed to state what we propose to do in this matter. A Question by an ex-Minister for 4th February (when I shall be top of the list for oral answers) provides an occasion for an announcement. The Commonwealth Immigration Committee invited me to settle the terms of the statement in consultation with the Lord President, the Commonwealth Secretary and the Colonial Secretary, and the draft attached as Annex II has been prepared in consultation with those Ministers, the Minister of Labour and the Minister of Overseas Development. I seek authority to make it.

F.S.

Home Office, S.W.1.

29th January, 1965
### Annex I

#### Statistics of coloured Commonwealth immigration

(i.e. from all Commonwealth territories except Australia, Canada and New Zealand)

<table>
<thead>
<tr>
<th></th>
<th>1963</th>
<th>1964</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total number of arrivals</td>
<td>178,170</td>
</tr>
<tr>
<td>2</td>
<td>Net inflow (i.e. excess of arrivals over departures)</td>
<td>57,049</td>
</tr>
<tr>
<td>3</td>
<td>Number of voucher-holders admitted</td>
<td>28,678</td>
</tr>
<tr>
<td>4</td>
<td>Number of dependants admitted</td>
<td>24,459</td>
</tr>
<tr>
<td>5</td>
<td>Number of others admitted for settlement</td>
<td>2,934</td>
</tr>
<tr>
<td>6</td>
<td>Total number admitted for settlement (i.e. total of (3), (4) and (5))</td>
<td>56,071</td>
</tr>
<tr>
<td>7</td>
<td>&quot;Crude evasion figure&quot; (i.e. difference between (2) and (6))</td>
<td>978</td>
</tr>
</tbody>
</table>
Mr. FLETCHER-COCKE (Darwen): To ask the Secretary of State for the Home Department, whether he will seek powers to repatriate Commonwealth immigrants who have entered the United Kingdom illegally.

For oral answer, Thursday, 4th February, 1965

DRAFT REPLY

The Government has taken steps to initiate Commonwealth discussions to review the whole question of Commonwealth immigration. In the meantime, there is evidence that under the existing control some evasion is taking place, and it is therefore necessary to make a stricter use of the existing powers of control. For this purpose fresh instructions are being issued to immigration officers.

The fresh instructions will require immigration officers, before allowing entry, to subject to the fullest scrutiny, in whatever cases they judge to be necessary, the intention and bona fides of Commonwealth citizens seeking entry as visitors or students, as well as the authenticity of their travel documents; and to make a fuller use of their power to impose conditions specifying the period for which a Commonwealth citizen is admitted as a student or visitor.

Secondly, there is evidence that evasion is taking place by those who claim to be entitled to enter as dependants under section 2 of the Commonwealth Immigrants Act 1962 and immigration officers will examine with greater thoroughness than hitherto has been thought necessary the identity and the validity of the claims of persons who seek entry under section 2. Except where very special grounds exist, I am also reviewing the present practice of admitting as a matter of discretion children under 16 coming here to join close relatives resident in this country who are not their parents.

Thirdly, we shall, where practicable, be reinforcing the staffs in posts overseas by assigning to them experienced immigration officers to assist in dealing with applications for entry certificates.

When persons charged with having evaded the control, or having failed to comply with conditions of entry imposed upon them are prosecuted and convicted and the court in consequence makes a deportation recommendation, effect will of course be given to such recommendations unless there are very strong reasons for making a special exception.
We shall have to wait to see how effective these measures are when in operation before deciding whether any further steps are necessary, and we shall also be in touch with other Commonwealth governments.
CABINET

A NEW TOWN FOR MANCHESTER

MEMORANDUM BY THE FIRST SECRETARY OF STATE AND SECRETARY OF STATE FOR ECONOMIC AFFAIRS

I have to ask my colleagues to reach a decision on a matter which the Economic Development Committee has been unable to resolve.

2. Manchester badly needs a new town to deal with its slum clearance problems. Our predecessors proposed a site at Risley near Warrington for a commuter town of about 50,000 people, but it was later found to be physically unsuitable for a town of this size.

3. Two alternatives have since been suggested:
   (i) a commuter new town of about 50,000 people at Lymm;
   (ii) a new town, which would provide opportunities of employment as well as of residence, at Leyland/Chorley.

4. A commuter new town at Lymm would not be fully satisfactory: it has twice been rejected as a development site because it would use up a good deal of first class agricultural land, and the additional commuting traffic (it is 13 miles from Manchester) would create substantial transport problems.

5. A new town at Leyland/Chorley, 25 miles north-west of Manchester, would be well placed to become an important regional growth point. The site is well clear of the congested parts of Lancashire, and a new town here would help to reverse the general drift of population towards the southern part of the region. The amount of industry that could be diverted from Manchester however would be insufficient to provide a base for the new town and it would be necessary to steer industry towards it from other parts of the country. This would mean providing positive financial incentives of the kind now given only in development districts (including Merseyside and the new towns of Skelmersdale and Runcorn). This, in turn, would require a change in the legislation relating to the distribution of industry.

6. A new town at Leyland/Chorley would take several years to develop and would not provide a complete answer to Manchester's...
short-term overspill problems. But it has been suggested that these could be dealt with by a smaller commuter new town at Risley. This, it is thought, would tide Manchester over until the Leyland/Chorley development got under way, and would not conflict with the concept of creating a regional growth point at Leyland/Chorley, provided that the size of the Risley development was not too large.

7. The proposition before the Economic Development Committee, therefore, was that the Government should announce its approval of a limited commuter development at Risley, and its decision to establish a larger new town at Leyland/Chorley at which, subject to the necessary change in legislation, financial incentives similar to those given to industry in a development district would be available.

8. The President of the Board of Trade finds this unacceptable. His views are explained in a separate memorandum (C. (65) 14). In addition the Secretaries of State for Scotland and Wales are fearful of the effects these developments would have on the drift of population from Scotland and on the Government’s ability to deal satisfactorily with prospective unemployment amongst miners and steel workers in South Wales.

9. The majority of Ministers in the Economic Development Committee feel that we cannot postpone all decisions about growth in the rest of the country until the task of rehabilitating development districts is complete. These areas already have priority: the programmes for their rehabilitation are well under way and the opportunities for development already exist. A new town at Leyland/Chorley could hardly be bringing in industry for a number of years ahead. But if we want to get this and similar growth points in other parts of the country going, decisions about siting must be taken well in advance and in the less prosperous regions we must be prepared to put behind our proposals the same sort of financial support that we give to development districts. This means a new look at incentives for industry.

10. We cannot delay a decision. Manchester needs an early announcement so that it can plan accordingly to deal with its pressing housing problems, and would not regard a limited commuter development on its own as an acceptable substitute for a firm and early decision on a full-scale new town. I invite my colleagues, therefore, to decide whether we should authorise:

(a) the creation of a large new town at Leyland/Chorley, which would act as a regional growth point, with an indication that financial incentives similar to those granted in development districts will be available, subject to the amendment of present legislation; and

(b) the development of a small commuter new town at Risley to help to meet Manchester’s immediate housing needs.

G. B.

Department of Economic Affairs, S.W.1, 2nd February, 1965.

CONFIDENTIAL
MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE

In view of the importance of the implications for distribution of industry policy of a decision in favour of Leyland/Chorley, I am setting out separately my views on the First Secretary's memorandum (C. (65) 13).

2. Under present distribution of industry policy, our efforts are concentrated on getting industry to the areas of high unemployment, in order to make the fullest use of the country's labour resources. The Local Employment Acts limit financial assistance and inducements to these areas—the "development districts". Before changing this policy we ought to consider the implications.

3. The basic issue is one of priorities. Any change in the direction of providing financial inducements to other areas would worsen the position of the development districts. There is still not enough "movable" industry to meet the needs of all areas that need it. With the first priority that the development districts now have, they secured in 1964 (a record year) projects estimated to provide 48,000 jobs. But there are still on average 140,000 unemployed in the development districts, over one-third of the country's total. If we provide inducements to industry elsewhere—especially in places which might otherwise be more naturally attractive to industry—it will inevitably be at the expense of the areas of high unemployment. I do not say that so important a change should never be made. But before making it, we ought to consider the effects and, more particularly, how to avoid imperilling the economic recovery of the under-employed areas.

4. Then there are the financial implications. Assistance under the Local Employment Acts in all forms (factories, loans and grants) to industry in the development districts is at present running at about £30 million a year. We ought to assess the likely cost before embarking on an extension of this assistance outside development districts. Leyland/Chorley will presumably not be the only new town or "growth centre" which the regional plans will put forward as places for which new industry is needed. There may also be
arguments for providing industry in places suffering from severe depopulation. If, therefore, we extended the areas under which the inducements are available, we should need to consider the cost and how it might be met. Without such a study, I should be very reluctant to modify the scale of assistance provided or revise the conditions on which it is available.

5. I certainly do not want at this stage to exclude the possibility of giving financial inducements to industry on grounds other than high unemployment. But we should not make a major change of policy on the facts of one particular case. For these reasons, and bearing in mind that we shall need shortly to formulate new legislation to replace the Local Employment Acts which expire in March 1967, I think we should now examine carefully the alternatives for distribution of industry policy as a whole. I have already instructed my officials to put in hand a complete review of this policy in consultation with other interested Departments.

6. In the meantime, and until the results of this review are available, I would strongly advise that we make no commitment to change our policy in respect of Leyland/Chorley. Such a commitment would be premature, it would prejudice consideration of future policy; and it would also cause immediate concern in the present underemployed areas, in Scotland, Wales, the North-East and Merseyside, and call into question the Government's intentions towards these areas. Any public hint of such a major change in policy could indeed cause a hold-up in firms' present plans to build in development districts.

7. Leyland/Chorley is a long-term scheme; it could not come into effect until the 1970s. We ought not to rush into a premature decision on it. I suggest, therefore, that the best immediate solution of the problem would be to announce a limited commuter development for Manchester's overspill. I had previously suggested Bury, but if the Minister of Housing and Local Government feels that a commuter development could after all be provided at Risley, I would see no objection, either instead of Bury (if houses for 40,000 people can be provided at Risley), or in addition to it (if houses for only 15,000 can be provided). On either basis, this should go a long way towards solving the problem for some years ahead. I should have thought some office dispersal from Manchester to Bury and Risley would also be possible. In view of this, a decision on Leyland/Chorley should, in my view, be deferred until we have been able to consider, in the light of distribution of industry policy as a whole, the implications of providing financial inducements to industry to establish itself in this kind of place.

D. J.

Board of Trade, S.W.1.
CABINET

FARM PRICE REVIEW

MEMORANDUM BY THE CHANCELLOR OF THE DUCHY OF LANCASTER

At their meeting on 28th January, 1965, the Cabinet invited me to arrange for the Farm Price Review Committee to consider the issues involved in this year's Farm Price Review and circulate a paper making recommendations to the Cabinet on what total offer should initially be made in the Review and what was the maximum determination that would be acceptable (C.C. (65) 5th Conclusions, Minute 4, Conclusion (1)).

2. The Committee have been unable to reach agreement upon recommendations to the Cabinet and my paper has therefore to outline the main issues for decision and the differing points of view.

The area of dispute

3. The Cabinet know from the Agricultural Ministers' earlier memorandum (C. (65) 8) that the maximum reduction in the value of price guarantees which the Government can propose this year is £10 million. This is where the Treasury and Economic Ministers contend that the negotiations should begin. The Treasury Ministers are firmly of the opinion that the maximum reduction of £10 million should be insisted upon. The Department of Economic Affairs does not so firmly insist on the maximum reduction but is "adamant" that there should be no increase in the price of milk to consumers.

4. The Agricultural Ministers will have none of this. They believe that such a proposal would be politically indefensible: they believe that, if the Government opened negotiations with such a proposal, the negotiations would break down forthwith and the Farmers' Unions would walk out and start a rumpus. They fear not only the immediate political consequences but also the longer term effect upon the willingness of the Farmers' Unions to co-operate in the long-term planning of Government agricultural support.

The Agricultural Ministers' main case

5. The Agricultural Ministers consider that the Government's opening proposal should be for an increase of £3 million in the value
of the guarantees. This would be regarded by the farmers as a “break even” offer, since an increase of £3 million in the value of guarantees plus the estimated value of increased efficiency (£25 million) would just cover the increases in costs. This would require the farmers to absorb virtually the whole of cost increases in greater efficiency and would provide no improvement in farmers’ incomes. The industry were assured by our predecessors that, taking one year with another, they would normally be left with a share of the gain from increasing efficiency. Nevertheless the Government reserved the right, in exceptional circumstances, to make the maximum cut of 2\% per cent, less net increase in costs (this year the maximum cut would be £10 million). The Agricultural Ministers think that the farmers would quote our predecessors’ assurances against us, and reject an increase of £3 million out of hand, since it would mean that they would make no progress at all this year toward their aim of increasing their income by 25 per cent in the three years beginning 1964-65. The Agricultural Ministers would therefore wish to be able to offer increases totalling up to about £10 million in the value of guarantees. They doubt if even this would achieve an agreed Review, but they think that they could defend and justify imposing it.

Milk—a question of price increase

6. The Agricultural Ministers would wish, either at the opening or during the course of negotiations, to be able to offer an increase of 1d. a gallon in the guaranteed price of milk. The value of this would be £8·8 million. It would mean increasing the price of milk to the consumer by 3d. a pint for four months during the next financial year. Since milk prices may in any case have to rise by 3d. a pint for four months next year to cover increases in distribution costs, this would be likely to mean that the price of milk would go up by 3d. a pint for eight months next year. An increase of 4d. a pint in the retail price of milk would mean an increase of 0·13 in the index of retail prices (all items) and 0·43 in the index of food prices. It would also mean additional Exchequer expenditure of £11·5 million on welfare milk.

7. The Agricultural Ministers fear that without such an increase in the guaranteed price milk production may decline to a point where seasonal local shortages develop. They point out that, though the size of the average herd has been increasing as small producers go out of business, the total number of dairy cows is now lower than it was in 1963-64 and the number of heifers in calf has recently been declining. The high price and the world shortage of beef increases the temptation to kill dairy cows for beef and to move out of milk production into beef production. The Agricultural Ministers expect the Farmers’ Unions to seek an increase of 6d. a gallon in the guaranteed price; they fear that without an increase of 1d. a gallon there is a danger of an irreversible decline in production. If the choice is between an increase in price and a shortage of supplies of milk for liquid consumption, they think an increase in price the smaller of two evils.
The rejoinder of the Treasury and Economic Ministers

8. Economic Ministers—Ministers from the Department of Economic Affairs, the Treasury and the Board of Trade—consider that the Government should start by proposing the maximum permissible reduction in the value of guarantees—£10 million. This cannot be achieved unless there is no increase in the guaranteed price of milk. These Ministers (especially the Treasury) also consider that a reduction of £10 million should be the ultimate determination (though the Department of Economic Affairs might be prepared to contemplate going up to an increase of £3 million (the “break even” point), provided that there was no increase in the consumer price of milk).

9. The Treasury and Economic Ministers point out that last year’s determination was exceptionally generous: it increased farming incomes by 15 per cent and the average farmer’s income by a little more, since the population of farmers has been falling at the rate of two-thirds of 1 per cent a year. They consider that an increase in farmers’ incomes of this order, even taken over two years, is inconsistent with Government policies. If it were permissible to propose a reduction of more than £10 million in the total value of the guarantees, they would wish to do so; since it is not permissible, they consider that the Government should propose the maximum permissible reduction and not budge from it.

Milk—from the economic point of view

10. The Treasury and Economic Ministers accept that what they propose in total would mean no increase in the guaranteed price of milk; but they believe such an increase to be unnecessary. They point out that the guaranteed price of milk was increased by 1d. the year before last and 2½d. last year, and they consider that the effect of these increases on production has not yet been by any means fully felt. They therefore consider the risk of a fall in output to be small. They also point out that liquid consumption accounts for about 70 per cent of farm sales of milk, the rest going into manufacture of milk products, including butter. Some margin between liquid consumption and farm sales is necessary to ensure adequate supplies of liquid milk all the year round in all parts of the country; but the present margin is historically fairly high, and the Economic Ministers suggest that the risk of some erosion (which they believe would at worst be very slight) of the present margin can be accepted. They would be prepared to agree that negotiations should open on the basis of no increase in the guaranteed price of milk, on the understanding that if it became clear beyond peradventure that to make no increase would imperil supplies of liquid milk, the possibility of increasing the guaranteed price by 1d. per gallon could be reconsidered. The Agricultural Ministers think that it would be “ridiculous” even to start on this basis.

A minor disagreement on beef

11. Of the other unresolved disagreements the main is the guaranteed price of fat cattle. Agricultural Ministers wish to increase
the guaranteed price so as to stimulate production in view of the world beef shortage. Their best assessment of future prospects is a continuing strong demand on the world market, with no sign of any unexpected increase in supplies, and they see this state of affairs continuing for up to five years. The Economic Ministers are sceptical of these forecasts: they point out that experience shows that when supply and demand in this field get out of line they tend to come back into line again, usually in ways which cannot be foreseen and often much more quickly than had originally been thought possible. They see no need to stimulate beef production this year, and therefore no need to increase the guaranteed price. An increase in the guaranteed price of fat cattle without an increase in the guaranteed price of milk would accentuate the risk of switches from milk to beef production.

Conclusion

12. These and other less important issues can be pursued further by the Farm Price Review Committee. But the main issues, upon which the Committee have been unable to reach agreement, remain those of the overall figures at which the Government should begin and end in negotiations, and the price of milk, which is the biggest single factor in deciding what the overall figures shall be and is really the clue to the major dispute between Ministers. These issues are closely inter-connected and there is a large political element in whatever decisions the Cabinet may make.

13. To sum up, the issues which need to be settled before any further progress can be made are:

(1) Should the Government’s opening proposal be for:
   (a) the maximum permissible reduction of £10 million in the value of the guarantees;
   (b) a smaller reduction than this; or
   (c) an increase of £3 million (“break even”)?

(2) Should the Government’s sticking point be:
   (a) the maximum reduction of £10 million in the value of the guarantees;
   (b) an increase of £3 million (“break even”); or
   (c) an increase of about £10 million?

(3) Should the guaranteed price of milk be raised by 1d. a gallon, bearing in mind that it would be virtually impossible to achieve a reduction in the total value of guarantees if the guaranteed price of milk were to be raised?

D. H.

Whitehall, S.W.1,
CABINET

PRICES AND INCOMES

MEMORANDUM BY THE FIRST SECRETARY OF STATE AND SECRETARY OF STATE FOR ECONOMIC AFFAIRS

Machinery of Prices and Incomes Policy

The Cabinet will wish to review the progress that has been made towards establishing an effective policy for prices and incomes since the Joint Statement of Intent on Productivity, Prices and Incomes was signed on 16th December. That statement recorded the agreement of the Government, trade unions and management on the need to set up machinery:

(i) to keep under review the general movement of prices and of money incomes of all kinds;

(ii) to examine particular cases in order to advise whether or not the behaviour of prices or of wages, salaries or other money incomes is in the national interest as defined by the Government after consultation with management and unions.

2. Subsequent discussions have resulted in agreement that the review of general movements in prices and incomes (i.e., (i) above) could best be undertaken by the National Economic Development Council (N.E.D.C.) with the assistance of the N.E.D. Office. The examination of particular cases (i.e., (ii) above) will require the setting up of new machinery and it is agreed that this could best take the form of a Prices and Incomes Board, sub-divided for most purposes into separate Panels dealing with price and income cases respectively. The proposed arrangements are set out in the document annexed which I have been discussing with the Trade Union Congress (T.U.C.) and the four employers' organisations and which I shall be reporting to the N.E.D.C. on 3rd February.

3. The principal points to which I should draw attention in these proposals are:

(i) Subject to Her Majesty's approval, the Board will be appointed by Royal Warrant as a Royal Commission. It will thus depend for its effectiveness on voluntary
co-operation rather than on statutory sanctions. But paragraphs 6 and 18 record that the Government would have to reconsider this if voluntary co-operation prove ineffective.

(ii) The Board will be primarily independent in its composition. But its membership will include representatives of management and unions.

(iii) All references to the Board will be made by the Government.

(iv) The Prices Review panel will be capable of reviewing not only cases in which prices have risen but also those in which there is no reason to suppose that prices ought to have fallen but have not in fact done so.

(v) The Incomes Review panel will be able to review claims as well as settlements. In practice it will probably be desirable as a rule to consult both sides at least informally before a current claim is referred for review.

4. The General Council of the T.U.C. have already expressed their readiness to agree to the proposals in the annex, provided that the employers' organisations do likewise. There is, I think, little doubt that the employers' organisations will agree, but a formal decision to this effect cannot be taken before the meetings of the governing bodies of the Federation of British Industries (F.B.I.), British Employers Confederation (B.E.C.) and National Association of British Manufacturers (N.A.B.M.) on the morning of 10th February. Barring only some unforeseen hitch, we should therefore be in a position to announce on the afternoon of 10th February the successful completion of the second stage of our discussions. I would propose, if the Cabinet agree, to make a brief oral statement after Questions and to arrange for the annexed document to be published later in the day as a White Paper. Thereafter we would proceed with the necessary steps to set up the Prices and Incomes Board and arrange simultaneously to wind up the National Incomes Commission.

Criteria of prices and incomes policy

5. While the Prices and Incomes Board is being constituted and the necessary staff brought together we shall be discussing first with trade union and employer representatives and later in N.E.D.C. the setting of a "norm" for incomes and the criteria according to which individual movements in prices and incomes can most appropriately be assessed. This is a potentially difficult stage. It is a field in which views differ. We could easily get bogged down in long and unprofitable arguments. My aim will be to concentrate on securing agreement fairly rapidly on at least the main principles by which the Prices and Incomes Board should be guided, so that it can start its work without delay. These principles can be elaborated later on, if necessary, either by further discussion in N.E.D.C. or in the light of the experience gained by the Board itself.
Organisations not represented by the T.U.C. or employer bodies

6. The application of policy and of the proposed machinery to the varying circumstances of individual sectors, industries or services will need a great deal of thought and will doubtless call for more detailed consultation with particular interests than would have been appropriate in the main negotiations with which we have been concerned hitherto. We have in particular to remember that there are some very important employers (e.g., the local authorities and nationalised industries) which are not represented on the employers' organisations and large groups of workers (e.g., in the Civil Service and National Health Service, teachers, policy, etc.) who are not members of bodies affiliated to the T.U.C. I have discussed with the Ministers most concerned how we can best ensure that we do not forfeit the co-operation of these groups by appearing to be unmindful of their interests. Their existence makes it all the more important that our policy for prices and incomes should be seen to be a policy which is being fairly applied, in whatever manner may be most appropriate, in all sectors and which has the full support of the Government as a whole.

The outlook for 1965

Wages and salaries

7. I must stress that we can only expect limited results from the new policy in the short term. The Minister of Labour has told us that over half of all manual workers are due under agreements which had already been negotiated before the end of 1964 to receive improvements representing an average increase in hourly rates of pay of over 5 per cent per annum in 1965. Over one-third of these workers are due to get both straight increases in pay and reductions in hours, and it is possible that at least some of the other two-thirds will have secured both increases in pay and reductions in hours before the end of the year. Bearing in mind existing commitments and expected new claims, and the rapid rise in the retail price index over the past year, it is likely that the average rate of increase in hourly rates in 1965 as a whole will be well over 5 per cent per annum. This compares with an average rate of 4½ per cent per annum in both 1963 and 1964. The rise in average hourly earnings, as opposed to negotiated wage rates, can be expected to be even greater. In 1963 average hourly earnings rose by 4½ per cent and in 1964 by just over 8 per cent, compared with an average rise in negotiated hourly rates of 4½ per cent.

8. We have had a preliminary discussion in the Economic Development Sub-Committee on Prices and Incomes of the attitude which the Government should take to wage and salary claims to be presented in 1965, and of the relationship of the proposed new machinery for reviewing prices and incomes with the existing machinery of negotiation, arbitration and conciliation. We are clear that any changes in the existing machinery can only be introduced very gradually and by consent, if confidence in the new policy and consequently its ultimate chances of success are not to be undermined.
A great deal will be dependent on the influence which the T.U.C. and the employers' organisations are able to exercise behind the scenes.

9. I propose that in the first few months after the proposed new machinery for prices and incomes has been set up we should try to select for reference to the body those cases of price increases which appear to conflict most flagrantly with the national interest and, in the wages and salaries field, certain cases which are widely thought to merit exceptional treatment. This will help to build up trust in the new body in its early stages. This in turn will help to get the body's findings accepted when later on we refer more controversial cases in the wage and salary field. If the new policy works as I hope it will, the criteria of the national interest laid down and the findings of the review body on individual cases should have a substantial influence on arbitrators, Wages Councils, and review bodies in the public services as well as on negotiators in the private and public sectors. We may in due course consider referring an arbitration or Wages Council award to the new body for advice on the bearing of the national interest but such action would clearly be unwise in the earliest stages.

Profits and dividends

10. The trend in aggregate profits has been consistently upwards since 1962 following two years of stagnant experience. Over the past five years (up to the third quarter 1959) aggregate profits in fact rose by 34% per cent and gross trading profits by 33 per cent compared with an increase in aggregate wages and salaries over the same period of 38½ per cent. It is desirable to consider the trend of profits over a period of at least five years in order to put fluctuations due to the trade cycle in perspective. The Government have undertaken, in the Joint Statement of Intent on Productivity, Prices and Incomes, to use their fiscal powers or other appropriate means to correct any excessive growth in aggregate profits as compared with the growth of total wages and salaries, after allowing for short-term fluctuations.

11. Over the same period aggregate dividends paid on ordinary and preference shares rose by 77 per cent. Dividends as a percentage of gross trading profits of companies rose rapidly in 1959 and 1960 following the replacement of the differential rate of tax on distributed profits by a flat rate profits tax in April 1958. Some companies may also have seen a more generous distribution policy as a defence against take-over bids which have become more frequent in recent years. However, since 1960 dividends have risen slightly less rapidly than company profits.

12. According to the most recent forecasts, gross trading profits of companies are expected to maintain their share of total money incomes in 1965. This implies an increase of 7 per cent over 1964. Since the stock of capital will be greater than in 1964, income/asset ratios (or the return on capital employed) are likely to be about the same as in 1964, and rather higher than the low point reached in 1962. The prospect of a corporation tax may encourage a
somewhat more conservative dividend distribution policy than in recent years, so that the rise in dividend payments may prove to be less than the rise in profits.

Prices

13. The retail price index rose by just under 5 per cent in 1964, compared with a rise of just under 2 per cent in 1963. This is the highest increase in a year since 1955. It can be accounted for partly by the increases in indirect taxation and in food prices during the course of the year and partly by earlier increases in import prices and in wage and salary costs feeding through to selling prices.

14. The rise in prices is expected to continue in 1965. In December it was forecast that retail prices will rise at an annual rate of about 3½ per cent in the coming year. A new forecast is now being prepared which allows for a rather faster growth of earnings and this may raise the forecast increase in retail prices above the figure of 3¼ per cent.

15. It is a misfortune that our attempts to secure an effective incomes policy should have been preceded by one of the most rapid increases in the cost of living that we have seen in recent years. The fact that the recent rise in prices is expected to continue as a result of further rises in import prices of raw materials and in wage and salary costs will put the prices and incomes policy under severe strain in its first year. However this is the more reason for striving to establish an effective policy as soon as we can.

16. The machinery and the criteria for observing a prices and incomes policy to which I have already referred should help to establish a climate in which firms examine contemplated price increases more critically and in which it is less easy to pass increases in cost automatically on to the consumer. Our action in asking a number of firms and trade associations to justify recent price increases will also help to establish such a climate. We must continue to take every opportunity of stressing in public that we simply cannot afford price increases on the recent scale and that every effort must be made to absorb increased costs through increased efficiency.

Conclusion

17. We must press ahead with setting up the machinery of prices and incomes policy and establishing the "norm" and the criteria of the national interest as quickly as possible. But changes in our traditional attitudes to questions of pay and prices can only be achieved gradually if they are to be lasting. We cannot hope to stop the wage-price spiral at a single attempt. But we can aim progressively to slow it down, so that the outlook for 1966 should be distinctly better than that for 1965.

G. B.

Department of Economic Affairs, S.W.1,
Machinery of Prices and Incomes Policy

Joint Statement of Intent

1. In the Joint Statement of Intent on Productivity, Prices and Incomes signed on 16th December, 1961, the representatives of the employers' organisations and the Trades Union Congress undertook on behalf of their members to co-operate with the Government in endeavouring, in the face of practical problems, to give effective shape to the machinery that the Government intend to establish for the following purposes:
   
   (i) to keep under review the general movement of prices and of money incomes of all kinds;
   
   (ii) to examine particular cases in order to advise whether or not the behaviour of prices or of wages, salaries or other money incomes is in the national interest as defined by the Government after consultation with management and unions.

Machinery for review

2. The first function involves ascertainment, interpretation and assessment of the relevant facts about general price and income behaviour. An agreed policy for prices and incomes requires that representatives of the Government, Management and Unions should be closely associated with the general review. It will be appropriate, therefore, to invite the National Economic Development Council to carry out the review.

3. The ascertainment and interpretation of the relevant facts will require considerable statistical and economic expertise as well as complete impartiality. This work will be done by the National Economic Development Office and Government Departments (since most of the factual and statistical material will be provided from Government sources) and the results embodied in reports submitted by the National Economic Development Office to the National Economic Development Council.

4. The National Economic Development Council will review the reports submitted to it and consider their implications for the national interest. In the light of this review, Government, Management and Unions will be expected to take any action that may be required in their respective spheres of responsibility.

Machinery to examine particular cases

5. The Government have discussed with Management and Unions
the practical problems involved in establishing machinery to investigate particular cases of price and income behaviour and with their agreement now propose the setting up under Royal Warrant of a National Board for Prices and Incomes working in two separate panels, to be known as The Prices Review Panel and The Incomes Review Panel respectively.

6. The Government have been encouraged by the Statement of Intent and in subsequent discussions to believe that all the parties concerned will give the Board their voluntary co-operation in its investigations of particular cases. The Government would have to consider giving the Board statutory authority, however, if experience showed this was necessary.

Composition

7. The Board will consist of an independent Chairman, a number of independent members, a businessman and a trade unionist. Some of the members may be part-time. Collectively, the independent members will need to have expertise in law, accountancy, economics, industrial relations and other relevant fields. In addition to those permanent appointments to the Board, panels of businessmen and trade unionists will be appointed to assist the Prices Review Panel and the Incomes Review Panel with the investigation of particular cases.

8. Two of the full-time independent members will share with the Chairman of the Board the chairmanship of the Prices Review Panel and the Incomes Review Panel. Each Panel will be enabled to sit in two or more divisions under an independent chairman. The Chairman of the Board will be responsible for allocating work to the Panels and between divisions of each Panel, as well as for co-ordinating the work of the two Panels.

Staff

9. The Board will have its own staff, which will include accountants, experts in industrial relations, economists and statisticians.

The Prices Review Panel

Cases to be investigated

10. The success of the prices policy will depend on the extent to which individual firms apply it in practice. There will also have to be a willingness to accept investigation of individual cases referred to the Prices Review Panel. The national employers' organisations and the T.U.C. will have a vital part to play in securing the support of their members for...
the policy. It will also be helpful if the national employers' organisations can advise their members on the application of the policy.

11. In principle, the Prices Review Panel will be able to investigate any price or group of prices (manufacturing, wholesale or retail) of goods and services in private industry and in nationalised industry. Both particular cases of price changes and cases in which there has been no change, although prima facie some reduction appears to be warranted will be covered.

Procedure for making references

12. The Government will retain direct responsibility for all references to the Prices Review Panel. Some of these may result from complaints made to the Government by individuals, interested parties or independent bodies; others will be directly selected by the Government as meriting detailed investigation.

Procedure and speed of investigation

13. The Panel will decide its own procedure, and in particular how far, if at all, it will sit in public. The Panel will no doubt take evidence from the industry or firms whose prices are under examination, and from any other interested party (e.g. representatives of purchasers or consumers). Any evidence of a confidential nature, the publication of which would damage the legitimate business interests of the firm concerned, will be taken in private and will not be published. Two to three months should be the maximum for the length of an inquiry.

Incomes Review Panel

Cases to be investigated

14. The success of the policy will depend on the extent to which unions and employers and others concerned with fixing incomes apply it in practice. There will also have to be a willingness on the part of those directly concerned to accept investigation of claims, settlements and other questions relating to incomes referred to the Incomes Review Panel. The T.U.C. and B.M.C. (or N.I.C.) will have a vital part to play in securing the support of their members for the policy. It will also be helpful if they can advise their members on the application of the policy.

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15. In principle it will be desirable for the Panel to be able
to investigate claims and settlements relating to wage and salary increases, reductions in hours and other improvements in conditions of service, whether in the private sector, the nationalised industries or the public services; cases in which a revaluation of pay levels or an overhaul of the pay structure seems to be indicated for economic or social reasons; the level of earnings in an industry or sector; and, where appropriate, cases of increases in money incomes other than wages and salaries.

Procedure for making references

16. As in the case of prices, the Government will retain direct responsibility for all references of claims, settlements and other questions to the Incomes Review Panel. Some of these may be at the request of one or both parties, others may be directly selected by the Government as meriting investigation. It is hoped that in all cases the parties directly concerned will be willing to have claims brought before the Panel where the Government consider this is desirable in the national interest.

Procedure and speed of investigation

17. The Incomes Review Panel, like the Prices Review Panel, will decide its own procedure, including the extent to which it will sit in public. It will no doubt take evidence from the parties immediately concerned and from other interested parties. Reports should be available within two or three months of references being made, and if possible even more quickly in the case of claims.

Acceptance of Board's findings and recommendations

18. The Government intend to give the voluntary method every chance of proving that it can be made to work. Accordingly, in the case of both prices and incomes, persuasion and the pressure of public opinion will be relied upon to ensure that the findings and recommendations of the Board are accepted by the parties concerned. The Government would resort to other methods only if they were convinced that the voluntary method had failed.
CABINET

HOUSING PROGRAMME—ENGLAND AND WALES

MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT

An increased public programme

The purpose of this Paper is to ask for agreement to an increase in the public housing programme (local authorities and new towns) in England and Wales during the current year. The Secretary of State for Wales supports this.

2. In the Cabinet’s discussion on 28th January of long-term programmes of public expenditure (C.C. (64) 5th Meeting, Item 3) it was accepted that a separate submission should be made to the Cabinet on the size of the housing programme.

3. The housing programme is worked on approvals given during the calendar year. During 1964, 144,000 approvals were given. The Secretary of State for Wales and I want to increase this for 1965 to 156,000. The Chancellor of the Exchequer has so far felt unable to agree to more than 135,000, with the possibility of some addition when decisions are taken about long-term programmes of public expenditure in July. But that would mean that, at any rate during the first six months of the year, we should have to cut public authorities back, below last year’s rate. In our opinion we must, on the contrary, do better than was done last year.

The case for increase

4. Need. Our pledge was to increase the building of new houses, both for rent and for sale. Under the previous Government houses for rent lagged well behind houses for sale; and rented houses are now the great need. It is only the public authorities who can and will build rented houses on any scale; in addition to which most of the many hundreds of thousands of families at present in wretched housing conditions can only afford a subsidised rent.

5. Local authorities have been held down from building all that they wanted—and knew that they needed—to build. Last year's programme was their biggest for some years, but given encouragement they will do more; and I propose now to settle a four-year forward programme with them. For years they have been concentrated on slum clearance, old people, overspill and relieving the worst squalor and over-crowding. Though households have been increasing fast, they have been allowed to build very little to meet general needs. They must now be allowed to do more.
6. Use of industrialised building systems. A rising public programme is moreover necessary in order to promote greater use of industrialised building; we can only do this by organising big, forward orders. At the same time proper use of industrialised systems makes a rising public programme feasible.

7. I am advised by the National Building Agency that there is now productive capacity in certain well established systems of the order of 50,000 dwellings a year—four times the number built last year. Nothing could more effectively show our determination to promote efficiency in all sectors of the economy than a dramatic increase in the use of labour-saving methods in house-building. We cannot achieve this unless we can authorise bigger programmes where the authorities will use these methods.

Capacity of the industry

8. The Minister of Public Building and Works agrees that what the Secretary of State and I are proposing should be well within the capacity of the building industry, provided that we make it a condition that at least all the additional dwellings approved are built by industrialised methods. Provided the public programme is increased as proposed I am confident we can secure that at least the whole of the increase will be by way of industrialised systems. I shall be disappointed if we do not do a good deal better than this.

9. It is true that private builders were estimating earlier this year that they also would build more; but whether they will in fact do so we cannot yet tell. In any event we cannot accept that the people in the greatest need of houses are to be held down because people who can afford to buy are free to go ahead. If the private sector shows signs of getting out of hand we shall have to consider ways and means of ensuring a properly balanced housing programme.

Impact on the budget

10. The impact on the budget of an increased programme of this kind will depend on the outcome of the review I am undertaking of housing subsidies, on which I hope to introduce legislation in the 1965-66 session. Payment of subsidy begins on average about two years after approval. On present subsidies the cost of increasing the public housing programme by 12,000 a year would be nothing for the first two years, and thereafter an addition of £400,000 each year.

Conclusion

11. I ask my colleagues to agree to a programme of 156,000 approvals of local authority and new town housing in 1965, provided that the increase in industrialised house-building already expected for this year can be accelerated to cover at least the additional 12,000 dwellings as well.

R. H. S. C.

Ministry of Housing and Local Government, S.W.1, 5th February, 1965
NOTE

CABINET

The attached memorandum is for discussion by Cabinet this morning, MONDAY, 8th FEBRUARY, 1965.

Cabinet Office, S.W.1.
8th February, 1965
7th February, 1965

CABINET

GIBRALTAR

Memorandum by the Foreign Secretary

A. Background to the Dispute

Gibraltar was discussed for the second year running in the United Nations Committee of 24 between 23rd September and 16th October, 1964. These discussions concluded with the adoption on 16th October of a consensus inviting the United Kingdom and Spain "to undertake ... conversations in order to find ... a negotiated solution ..." On the following day the Spanish authorities imposed restrictions on transit of the La Linea frontier.

2. These restrictions were lifted on 22nd October. Her Majesty's Government's decision not to participate in the SPANEX exercise was conveyed to the Spanish Ministry for Foreign Affairs that same evening. The restrictions were reimposed on 31st October.

3. When first imposed the restrictions took the form of rigorous customs examination of and consequent delays to vehicles crossing the frontier and the levying of new duties on goods. More recently the export from Spain to Gibraltar of all goods except foodstuffs has been restricted. The Spanish authorities have refused to recognise the validity of driving licences issued in Gibraltar and a ban has been placed on foreign nationals living in the Campo area from using their passports to cross the frontier to work in Gibraltar.

B. Action Taken to Date

4. During November and December H, M, Ambassador at Madrid made a number of oral representations to the Spanish Ministry of Foreign Affairs with a view to persuading the Spanish Government to remove the restrictions. These representations proved unavailing and on 11th January, 1965, H. M, Ambassador handed the Spanish Minister of Foreign Affairs a formal Note protesting against the restrictions. This Note also made the point, with reference to the consensus of the Committee of 24, that Her Majesty's Government could not regard the question of sovereignty as a matter for negotiation and that they could not in any case entertain any proposals for conversations so long as the abnormal situation on the frontier continued. The Spanish Government replied to this communication on 16th January with a reiteration of the demand they had already made in an earlier Note of 18th November for "negotiations" about Gibraltar.

5. On 21st January the Spanish representative at the United Nations quoted the full texts of these three Notes. Her Majesty's Government's position was re-affirmed in a further Note of 22nd January and the
FARMER

CHARACTERS

(Persons not for the Production of)

Farmer and his wife.

(Actor and Script)

Farmer: (To wife) Look at that corn! It's going to be a bumper crop this year.

Wife: (Skeptically) Oh, I don't know. It looks a little dry.

Farmer: (Smiling) Nonsense! I've been taking good care of it. We'll be selling for a fortune.

Wife: (Hopeful) I'll believe it when I see it.

Farmer: (Confident) I'm sure it'll work out.

END OF SCENE
texts of our two Notes have been circulated through the Secretary General of the United Nations to all members. During the last fortnight H.M. Embassy have made further representations about the most recently imposed restrictions, but with the same lack of success.

C. Possible Spanish Objectives

6. There is general support in Spain for the view that Gibraltar should be returned to her and that the maintenance by one European country of a colony on what is claimed to be the territory of another is an anachronism in the twentieth century. The ultimate aim of the Spanish Government is undoubtedly to recover Gibraltar and General Franco would certainly regard this as the crowning achievement of his career. He has, however, hitherto maintained that Gibraltar is not worth a war and although the possibility of an attempted coup de main cannot be excluded, there is little likelihood that Spain would attempt to seize Gibraltar by force.

7. In these circumstances the Spanish Government have evidently regarded the discussions in the United Nations Committee of 24 as providing a convenient means for pressing their claims, and their decision to impose restrictions may result from their belief that the present is a good moment for attempting to force us to negotiate.

8. At the same time there seems little doubt that the Spanish Government were genuinely disturbed by the grant to Gibraltar in April, 1964, of a further measure of self-government. Article X of the Treaty of Utrecht (1713) provided that, if the Crown of Great Britain should alienate therefrom the propriety of Gibraltar, "the preference of having the same shall always be given to the Crown of Spain before any others." The Spanish Government argues that the grant of self-government to Gibraltar would be tantamount to alienation of our propriety and that the withdrawal of direct British control over the territory in any case constitutes a threat to Spain's national interests.

D. Likely Future Action by Spain

9. The Spanish Ambassador intimated, on 29th January, that he thought that the present difficulties with regard to Gibraltar would be satisfactorily sorted out in due course and it has since been intimated to H.M. Embassy at Madrid that the Spanish Government might call off the restrictions if we were to signify our readiness to have discussions about Gibraltar without pre-conditions. H.M. Embassy have been instructed to reply that while we cannot regard the question of sovereignty over Gibraltar as a matter for negotiation we have at no time wished to insist on pre-conditions in a way which would prevent conversations from starting. It is too soon to say how the Spanish Government may react. But, for the reasons in paragraph 7 above, it seems most likely that the Spanish Government will continue the present restrictions and may even seek to impose others.

E. Courses Open to H.M.G.

10. It has been stated in Parliament that H.M.G. will protect the welfare of Gibraltar and the legitimate interests of its people and will take all necessary measures to that end. There seems to be no further diplomatic action which we could usefully take. Further representations to the Spanish Government will clearly be useless and the Americans
have already indicated that they would be unwilling to intervene with the Spanish Government on our behalf. Any attempt to refer the present situation to the United Nations would seem unprofitable. If the General Assembly was functioning normally, it would probably endorse the consensus already adopted by the Committee of 24. It is questionable whether reference to the Security Council could be justified. But such reference would in any case be likely to produce no better result than that obtained in the Committee of 24. In short any reference to the United Nations will almost certainly result in a call for negotiations between ourselves and Spain.

11. An examination has been made of counter-measures which H.M.G. might take against Spain in retaliation for the restrictions and a paper setting out the various possibilities in this field is attached. But the conclusions to be drawn from it seem to be that apart perhaps from mounting a propaganda campaign against Spain, which would have some effect in deterring British tourists from going there, any reprisals we might take against Spanish interests would be likely to cause equal, if not greater, damage to our own. Moreover any economic or other reprisals which we might initiate would certainly result in further measures of retaliation against Gibraltar which might lead to the complete sealing of the frontier and the denial of all Spanish labour to the Rock.

12. Other objections to a policy of reprisals are that:

(a) our exports to Spain have expanded from £23.7 million in 1959 to about £74.2 million in 1964 and it is clearly to the interest of our economy as a whole to maintain our stake in the rapidly expanding Spanish market;

(b) there are defence and service interests which would suffer from any further deterioration of our relations.

F. Conclusion

13. In these circumstances our policy should be to try as far as possible to treat the question of Gibraltar in isolation. It would seem best to avoid reprisals which may well damage British interests and increase the difficulties for Gibraltar and that any measures we may take to protect the welfare of Gibraltar should be of a positive nature, designed to support its economy. Such measures should serve to demonstrate to Spain that we have no intention of yielding to duress. At the same time the publicity now being given to the restrictions seems likely to result in some loss of revenue from tourists in southern Spain. Faced with these facts the Spaniards may sooner or later conclude that it is in their own interest to lift the restrictions.

M.S.

Foreign Office, S.W.1.

6th February, 1965
ANNEX

MEASURES WHICH MIGHT BE TAKEN AGAINST SPAIN IN RETALIATION FOR HER RESTRICTIONS AGAINST GIBRALTAR AND THEIR LIKELY CONSEQUENCES

I. MEASURES WHICH COULD BE TAKEN

A. Non-Attributable Measures

There would seem to be three principal possibilities in this field.

(a) An intensified press campaign against the restrictions and against Spain generally

(i) Our information services are already making normal use of the information available about the hardships caused by the Spanish restrictions, the lack of justification for them, etc and there has already been some publicity in the British press on these lines. It should be possible to increase the amount of such publicity both here and abroad and to disseminate other material which would show Spain in a bad light. Spain has taken considerable pains in recent years to improve her "public image" in the United Kingdom and elsewhere, and the Spanish Government would certainly dislike such adverse publicity.

(ii) The effect of the restrictions on Gibraltar has not so far been very newsworthy and publicity about it may not make much of an impact unless the Spaniards increase the difficulties on the frontier still further. But additional interest in this question could be stimulated by contriving questions and statements in Parliament. Care would have to be taken, in any such publicity campaign, to avoid spreading the impression that there is little Her Majesty's Government can do about this situation.

(b) Action by the Trades Unions

(i) A high proportion of Gibraltarian workers belong to the Gibraltar branch of the Transport and General Workers Union. It has been suggested that this branch, which is an active one, might stimulate the parent union, with discreet encouragement from Her Majesty's Government, to take measures such as refusing to handle Spain's produce in British ports. This would cause inconvenience to Spanish shippers.

(ii) But the net effect might damage us more than Spain. And action of this kind by the Trades Unions could not be fully controlled by Her Majesty's Government. There are various obvious dangers in encouraging the Trades Unions to play this sort of role which if adopted in other situations might seriously hamper the conduct of foreign affairs. And the fact referred to at D(c) below, on possible administrative measures to hamper Spanish exports to the United Kingdom, that most Spanish produce already belongs to British importers when it arrives here is also relevant.

(c) A possible "Front" against Spain

(i) A committee of eminent private persons might be formed to voice British indignation at Spain's behaviour. If such a committee were to be provided with fairly substantial funds, it could wage an uninhibited press campaign (including the use of large advertisements in the national press). This might worry the Spanish Government much more than the sort of campaign described in (a) above and might well cause a reduction
in the number of British tourists going to Spain. Moreover such a "Front" could be active in writing letters of protest to international and national organisations as well as to the press.

(ii) It might not be too difficult to find suitable people prepared to take part in a manoeuvre of this sort. But it would not be easy to make the necessary arrangements quickly, there would be a serious risk of Her Majesty's Government's part becoming known and the operations of such a "Front" might prove difficult to control.

2. In general non-attributable measures of these kinds would have the advantages of making it easier for the Spanish Government to climb down should they decide that it was in their interests to do so. Although it would probably be obvious to them that such measures had to some extent been officially inspired, it would be easier from the point of view of prestige to take a decision to lift the restrictions in the face of non-attributable reaction than in that of direct governmental reprisals.

B. Action to curtail British Tourist Traffic to Spain

More British tourists go to Spain than to any other foreign country. The number last year was almost one million, about one-eighth of the total number of foreign tourists received by Spain and one-quarter of all British holiday-makers abroad. Spain benefited from their presence to the extent of about £30 million in terms of revenue. There would seem to be four main measures which might be taken to reduce the flow of British tourists to Spain.

(a) Public exhortation

(i) A campaign of the kind envisaged in A(a) and possibly A(c) above and statements by Ministers indicating that, while the Spanish restrictions on Gibraltar continued, it was against the national interest for tourists to spend money in Spain should have some effect on the numbers of tourists going there. This would be more pronounced if there were simultaneously other signs of growing tension between ourselves and Spain, since tourists tend to avoid potential trouble spots.

(ii) A deliberate campaign to discourage tourists might however be challenged in the I.M.F. or the O.E.C.D. on the grounds that it was discriminatory.

(b) Denunciation of the Anglo-Spanish Visa Abolition Agreement

(i) This Agreement may be denounced in whole or in part by either Government at one month's notice. Its denunciation would certainly have some deterrent effect on would-be visitors to Spain.

(ii) But denunciation of the Agreement would not in itself result in British subjects visiting Spain having to obtain visas and the Spaniards might well decide not to reimpose such a requirement. Moreover such action on our part would run counter to our established and publicised policy of seeking to extend the abolition of visas and the easing of travel restrictions. This last point applies also to the next two proposals.
1. **Material and Design**

Tight, non-woven fabric and closely packed fibers are highly desirable materials for building filters. These materials provide the necessary durability and flexibility to withstand the rigors of filtration processes.

2. **Filter Media Selection**

Care in selecting the right filter media is crucial. Filters are designed for specific applications, and choosing the wrong media can lead to ineffective filtration or damage to the filter media itself.

3. **Filter Design and Configuration**

The design and configuration of filter components significantly impact their efficiency. Proper design ensures optimal flow rates and pressure drops, minimizing energy consumption and maximizing performance.

4. **Filter Performance Testing**

Regular testing is essential to ensure filter systems meet their performance targets. This includes testing for particle capture efficiency, pressure drop, and overall durability under various operating conditions.

5. **Aerodynamic Efficiency**

A key consideration in filter design is aerodynamic efficiency, which is the ratio of filter material to the total filter area. Higher efficiency helps in capturing particles effectively while minimizing energy consumption.

6. **Energy Consumption**

Reducing energy consumption is critical in maintaining a cost-effective and sustainable filtration system. Innovations in filter design and the use of energy-efficient technologies can help in lowering operational costs.

7. **Cost Considerations**

Cost-effectiveness is another critical aspect to consider when selecting filters. Factors such as initial investment, maintenance costs, and operational efficiency all contribute to the overall cost of filter systems.

8. **Environmental Impact**

A filter system's environmental impact is an important consideration. Modern filters are designed to meet stringent environmental regulations while also promoting sustainability in operations.

9. **Maintenance and Replacement**

Regular maintenance and timely replacement of filters are necessary to ensure high performance and longevity. This involves monitoring filter conditions and replacing filters before they reach their capacity to avoid system failures.

10. **Regulatory Compliance**

Compliance with local and national regulations is crucial for filter systems, especially in industries where environmental and safety standards are highly regulated, such as pharmaceuticals, food processing, and clean room applications.
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(ii) It might not be too difficult to find suitable people prepared to take part in a manoeuvre of this sort. But it would not be easy to make the necessary arrangements quickly, there would be a serious risk of Her Majesty's Government's part becoming known and the operations of such a "Front" might prove difficult to control.

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(c) **Restriction of Passports**

(i) United Kingdom passports carry a printed endorsement "valid in all parts of the Commonwealth and for all foreign countries". In theory, an administrative decision could be taken to endorse all new or renewed passports as valid for all countries except Spain.

(ii) But such a decision could not be applied to existing passports until they required renewal and it would in any case be open to the Spanish authorities to continue to admit British tourists even if their passports were endorsed in the manner suggested. Furthermore, our agreement with Spain on the use of British Visitors passports for travel to Spain can only be terminated after six months' notice.

(d) **Cutting off the Foreign Currency Allowances for Spain**

(i) British subjects travelling abroad are at present allowed foreign currency without restriction. Her Majesty's Government could decide that this arrangement should no longer be applied for Spain and the Treasury could instruct the Bank of England to implement such a decision. This would probably be possible without attendant legislation, although there is some doubt about the legality of using the present Exchange Control Act for political purposes. Exactly how the decision could be implemented would need to be worked out. Such a measure could be expected to deter large numbers of tourists from going to Spain - broadly speaking the half million who would have otherwise planned to travel there direct by air or sea. The half million tourists going to Spain via France could of course obtain Spanish currency there on route.

(ii) But such a measure would be in direct conflict with Article 8 of the International Monetary Fund (which stipulates freedom for current payments) and would also offend in two respects against the O.E.C.D. Code of Liberalisation of Current Invisible Operations, to which both we and the Spanish Government have subscribed. We would thus expose ourselves to justifiable criticism in both the I.M.F. and O.E.C.D.

2. In general a substantial reduction in the number of British tourists visiting Spain would clearly deal a blow to the Spanish economy. But apart from the disadvantages set out above any such action would damage the interests of British tourist agents and carriers and might well be seriously resented by a large section of the public. In particular most of those intending to visit Spain this year have probably already made their bookings.

C. **Action to prevent British Property Investment in Spain**

Under present regulations, exchange control permission is normally given to a British subject to use investment currency for the purchase of real estate in Spain (on the basis of one property per person). Far more British subjects buy villas in Spain than in any other country. The Treasury do not have exact figures but believe that expenditure of this kind amounts to about £5 million per year. It would probably be possible, within the terms of the Exchange Control Act, to put a stop to this by an instruction from the Treasury to the Bank of England which would result in the Bank refusing permission to applicants.
2. However, as mentioned at B(d) above, there is some doubt about the legality of such an application of the Act. Such action would in any case offend against the non-discrimination clause of the O.E.C.D. Capital Payments Code, and thus expose us to criticism in the O.E.C.D.

D. Action in the Commercial Field

(a) An all-out Trade War

(i) Although trade between Spain and the United Kingdom is roughly in balance at a level of just over £70 million per annum, we are Spain’s most important customer. We take some 16 per cent of Spain’s total exports, whereas she takes only 1.7 per cent of ours. Thus in an all-out economic war we could, in the short-term, damage the Spanish economy more than the Spaniards could damage ours.

(ii) If we wished to start such a war the President of the Board of Trade could issue an Administrative Instrument amending the Open General Licence, so that import licences would be needed for all goods consigned from or originating in Spain. Import licences would then be withheld. This action would not require legislation. It would take about one week to put into effect and perhaps three weeks to become fully operative, as concessions would have to be made for goods shipped before the issue of the Instrument. It could quickly result in the cutting off of virtually all Spanish imports into the United Kingdom.

(iii) Such action would be in contravention of the GATT but it is unlikely that any Spanish complaint on this score would damage us materially. Since however British exports to Spain are rapidly expanding (1959 = £23.7 million, 1961 = £37.9 million, 1964 = £74.2 million), we would probably stand to lose more in the long run than Spain from action of this sort. In any case, such action would have the following results -

(a) Spain would lose trade worth about £70 million per annum. But she would be able to sell elsewhere a proportion of the goods diverted from the United Kingdom and this proportion would increase annually. Spain would nonetheless face the permanent loss, even after a return to normal relations between the two countries, of a proportion of her present trade with the United Kingdom.

(b) Great Britain would lose, as a result of Spanish retaliation, trade now worth about £75 million per annum. Alternative markets could probably not be found. Moreover the United Kingdom would lose her position in the rapidly expanding and highly competitive Spanish market, and would forfeit the proportion of orders which she is now likely to win under the first Spanish Development Plan.

(c) There might be some increase in food prices, particularly of fruit, in the United Kingdom.

(d) There would be heavy losses to a number of individual Spanish and British firms in the import-export business.
(b) Denial to Spain of Licenced United Kingdom Exports

(i) Short of an all-out economic war it would be possible, under the Export of Goods Control Order to deny to Spain a wide range of British goods by the refusal of export licences.

(ii) Group 1 of the schedule of the Order covers arms and military equipment. In 1964 licences under this group were issued for goods worth some £160,000. Of this total goods worth about £135,000 were supplied by the aircraft and electronics industries. For example, replacement engines were supplied for Dakota aircraft in service with civilian operators in Spain and for transport aircraft of the Spanish Air Force. Groups 2 to 9 of the schedule of the Order cover such goods as atomic energy materials, electronic and scientific appliances, minerals and metals, engineering products, chemicals, transport equipment and valuables.

(iii) It is however unlikely that any of the goods licenced under Group 1 were of much importance to Spain or that she would be unable to obtain them from sources outside the United Kingdom. She could probably also find alternative suppliers of the items licenced under Groups 2 to 9 whereas the denial of licences for export under these groups would severely damage our own export trade to Spain. Action to deny to Spain licenced United Kingdom exports would therefore be likely to damage British interests and would probably have little or no effect on Spain.

(c) Action in the GATT

(i) Spain and the United Kingdom are both full contracting parties to the GATT and Spain's action in imposing a special licencing system on the export of goods from Spain to Gibraltar, and refusing licences for almost all goods except fresh food-stuffs, appears to be in breach of the GATT. The refusal of licences for goods for which licences are issued for other destinations is almost certainly contrary to Article XIII on non-discrimination. The imposition of the new licencing system itself may also be contrary to the obligations of contracting parties under Article XI.

(ii) This matter has already been taken up with the Spanish Authorities by Her Majesty's Embassy at Madrid. This action could be followed up by a formal request for consultations as provided for under Article XXII of the GATT in view of the threat to Gibraltar trade. If these consultations were to be refused by Spain, or were to be held and were to come to nothing, we could, under Article XXIII of the GATT, call on the contracting parties to investigate and make recommendations on the grounds that Spanish actions nullified the general objectives of the GATT.

(iii) But the contracting parties would have no powers to force Spain to accept any recommendations they might make and the results of pursuing this matter in the GATT would probably be as follows -

(a) The GATT might authorise Gibraltar (but not the United Kingdom) to withdraw any trade concession which she affords Spain.

(b) The Spanish action would receive unfavourable publicity and might be censured by the contracting parties.

(c) Spain might in retaliation draw particular attention in any GATT discussion to alleged British contraventions of our obligations under the GATT, and in particular to the 15 per cent import charge and the recently introduced export rebate scheme.

(d) The propaganda advantage would probably rest with Britain and Gibraltar. But the material results would probably be nil.
(d) Administrative Interference with the Imports of Spanish fruits, vegetables and Wines to the United Kingdom

(i) The approximate value of this trade, which is important to Spain, is as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citrus Fruits</td>
<td>£6½ million</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>£3½ million</td>
</tr>
<tr>
<td>Potatoes and Onions</td>
<td>£5½ million</td>
</tr>
<tr>
<td>Grapes, Nuts, Melons and Preserved Fruit</td>
<td>£6½ million</td>
</tr>
<tr>
<td>Wine</td>
<td>£8½ million</td>
</tr>
</tbody>
</table>

These imports are not subject to quotas, so that there is no scope for reducing them under the guise of adjusting quotas. But it would in theory be possible to interfere with this trade by imposing administrative delays, e.g., by intensifying the application to Spanish produce of the Plant Health Control inspections.

(ii) To discriminate in this way against a particular country would however be contrary to the practice of the Ministry of Agriculture and Fisheries and would contravene the International Plant Protection Convention of 1951. Any action of this kind would also be difficult to apply administratively. Interference with imports would, moreover, be likely to cause loss to British importers, since the majority of consignments of Spanish fruit, vegetables and wine are owned by British importers from the time of their arrival at a British port. The general effect of such action would therefore be to produce immediate and serious disadvantages for British importers and consumers.

E. Action in the Field of Civil Aviation

Departments already have under consideration two points affecting B.E.A.'s operations to Spain. The first is a possibility that B.E.A. will wish to divert some of their Gibraltar services to Malaga. It arises as a result of the Spanish restrictions at the Gibraltar frontier, which make the Gibraltar route into Spain less attractive, even though the fare is cheaper. B.E.A.'s present plan for this summer is to operate fifteen scheduled flights weekly to Gibraltar and three to Malaga. B.E.A. have a high investment at Gibraltar and have a strong interest in maintaining their services to Gibraltar without any reduction of scale. However, if the Spanish restrictions continue they may be compelled to consider changing the proportion of flights in Malaga's favour. They have agreed to warn the Ministry of Aviation if they want to do this.

2. The Minister of Aviation has no powers which would enable him to direct B.E.A. not to switch services from Gibraltar to Malaga. However, in this instance, in order to make the switch, B.E.A. would have to ask him to ask the Spanish Government to give them additional traffic rights and the Minister could decline to do this. This would ensure that scheduled traffic to Malaga does not benefit at the expense of such traffic to Gibraltar but B.E.A. would face an overall loss of revenue.

3. The second point involves a proposal which would result in London-Malaga fares remaining at their present level and London-Gibraltar fares being increased by 2½ per cent. By coincidence this proposal is being discussed in current International Air Transport Association negotiations. B.E.A. have proposed raising all fares to Spain (except for the service to
Malaga) by 2\(\frac{1}{2}\) per cent. In return they would be prepared to raise their fares to Gibraltar by 2\(\frac{1}{2}\) per cent as a concession to the Spanish airline, Iberia. At this juncture it would be discouraging for the Gibraltarians if the new arrangement came into force, since it would have the effect of making the Malaga route more competitive with the Gibraltar one, and the Minister of Aviation could decline to approve the proposed rise in the Gibraltar fare.

4. The Spanish Government could, however, retaliate by refusing to approve the proposed new fares to Spain. This in turn could upset the whole IATA European fares agreement, a development which would not be in our interests.

5. Neither of the possible courses of action described in paragraphs 2 and 3 above can strictly speaking be regarded as constituting acts of retaliation and Civil Aviation does not indeed appear to offer a suitable field for action of this sort. In any case the Ministry of Aviation regard the Air Services Agreement at present in force between Spain and the United Kingdom as highly favourable to ourselves and would be reluctant to do anything which might upset it. A general conflict in the field of Civil Aviation would therefore be to our disadvantage as would any action which might lead to such a general conflict. For example, if we declined to allow Iberia Airlines to continue operating their share of the London-Malaga service, which they are doing on a temporary permit, the Spanish Government could respond by refusing to allow not only B.E.A. but also B.U.A. to fly to or through Malaga.

F. Harassment of Spaniards in the United Kingdom

(a) Action against Spanish workers in this country

(i) There are rather more than 26,000 adult Spanish nationals resident in the United Kingdom, of whom about 20,000 are believed to be in employment. The Ministry of Labour issues work permits to Spaniards at the rate of about 7,000 per annum. Spaniards are able to remit their earnings to Spain but the total amount remitted is regarded by the Bank of England as insignificant and they have no record of the precise amounts involved.

(ii) It has been suggested that one measure of retaliation against Spain would be to cease the issue of new work permits to Spanish nationals and thus prevent them from coming here to take up employment. Those already here would not be affected if the Ministry of Labour were to revoke their work permits, since these are regarded as immigration control documents rather than as residence and employment permits. But it would under existing legislation be possible to deport any or all Spaniards now living here.

(iii) Action to end the issue of work permits would prevent 6,000-7,000 Spaniards coming to the United Kingdom to work annually. It would deprive Spain of a minor source of foreign exchange. But it would also affect employers in the United Kingdom and in particular the hotel and catering trades, in which the bulk of Spanish workers are believed to be employed.
(iv) Action to deport Spaniards already working in the United Kingdom would deprive Spain of a further minor source of foreign exchange. But it would involve using the Aliens Order in a way never formerly employed in peace time. It would also be likely to provoke Spanish retaliation against British subjects resident in Spain.

(b) Action against Spanish travellers to Britain

(i) It has also been suggested that, by administrative action, Her Majesty's Government could subject Spanish travellers arriving in the United Kingdom to the same kind of delays and inconveniences as are suffered by travellers at the Gibraltar frontier.

(ii) It would, however, be very difficult to single out Spanish citizens for such treatment at United Kingdom airports and ports. And even if it proved possible to do so, such measures would invite retaliation against the far larger numbers of British travellers who visit Spain.

G. Action Against Spain's International Position

There may be opportunities of opposing Spain's interests in international organisations which she either belongs to or may wish to join. No obvious opportunities for such action are apparent at present and in deciding on our attitude in a particular case it would almost certainly be necessary to take other factors into account. It seems in any event unlikely that action in this field would cause the Spaniards any serious difficulties or embarrassment.

II. THE LIKELY GENERAL CONSEQUENCES OF EFFECTIVE RETALIATION

The specific results which might be expected to follow from any of the measures of retaliation set out above have already been described. But it is also necessary to consider the likely results as a whole of any decision to take effective measures of retaliation against Spain. It seems unlikely that a policy of retaliation on our part would cause the Spaniards to lift the existing restrictions. The probability is that they would fight back and if so we should be vulnerable in a number of ways.

(i) The Spanish Government could impose further restrictions on Gibraltar; e.g. by withdrawing the Spanish labour force and closing the frontier altogether.

(ii) They could embark on a trade war in which, for the reasons set out in I.D. above, we might find ourselves the losers in the long run.

(iii) They could withdraw or curtail facilities in the field of defence. Naval visits to Spain, with the opportunities they provide for recreation, are of great importance to the Navy and are a significant factor in recruitment. The withdrawal or curtailment of these facilities, which might follow on some anti-Spanish gesture by the British Government, would be a serious loss. We are also dependent on Spanish goodwill for the completion of Anglo/American and NATO projects of operational importance. This goodwill persists in spite of the cancellation of SPANEX, but could not be expected to survive any further political blows.
5th February, 1965

CABINET

DEFENCE WHITE PAPER

Note by the Secretary of State for Defence


D. W. H.

Ministry of Defence, S.W. 1.

9th February, 1965
STATEMENT ON THE DEFENCE ESTIMATES 1965

Presented to Parliament by the Secretary of State for Defence by Command of Her Majesty
February 1965

LONDON
HER MAJESTY'S STATIONERY OFFICE

PRICE NET

Cmnd.
STATEMENT
ON
THE DEFENCE ESTIMATES
1965

Presented to Parliament by the Secretary of State for Defence
by Command of Her Majesty
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Cmnd.

PRICE NET
STATEMENT ON THE DEFENCE ESTIMATES 1965

Presented to Parliament by the Secretary of State for Defence by Command of Her Majesty February 1965

LONDON
HER MAJESTY'S STATIONERY OFFICE

Cmdn.
For the financial year 1965–66 Parliament is being asked to grant for the Defence Services the net sum of £1,690,017,000 as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Defence Vote</td>
<td>£28,459,000</td>
</tr>
<tr>
<td>Naval Service</td>
<td>£544,188,000</td>
</tr>
<tr>
<td>Army Service</td>
<td>£555,600,000</td>
</tr>
<tr>
<td>Air Force Service</td>
<td>£561,770,000</td>
</tr>
</tbody>
</table>
# Statement on the Defence Estimates 1965

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DEFENCE POLICY

The Legacy

1. The present Government has inherited defence forces which are seriously over-stretched and in some respects dangerously under-equipped. The expenditure of over £20,000m. since 1952 has failed to provide the necessary incentive for voluntary recruitment in some vital fields or to produce all the weapons needed for current tasks. There has been no real attempt to match political commitments to military resources, still less to relate the resources made available for defence to the economic circumstances of the nation. The 1963-64 estimates provided for an expenditure of £1,838m. while those for 1964-65 provided for £1,998, an increase of 8-7 per cent. or more than 5-5 per cent. in real terms. The plans for 1965-66 which we inherited would have made necessary estimates of £2,176m., a further increase of 8-9 per cent. or 5-1 per cent. in real terms. Yet the previous Government's White Paper on Public Expenditure (published last February) envisaged an annual increase in defence expenditure of only 3½ per cent. on the assumption, not so far fulfilled, that the national wealth would rise 4 per cent. each year. To continue along these lines would mean imposing an increasing burden on the British people which none of their competitors in world trade are carrying. It would mean that Britain was steadily raising the percentage of her national income devoted to defence at a time when Russia and the United States were reducing theirs. Moreover, there is no guarantee in the plans of the previous Government that this expenditure would give value for money or provide our forces at the right time with the arms they need.

2. The present Government has therefore set in train a series of studies on defence policy; these will cover the effects on force levels and capabilities of a number of different possible courses of action. In the light of these studies it will be possible to review our strategy taking into account not only the economic position but also new or reaffirmed political objectives which our strategy must be designed to implement. The purpose of these studies will be to try to ascertain the means by which defence expenditure during the next few years may be reduced to roughly the present figure in real terms. Meanwhile steps have already been taken to ensure that the immediate needs of our forces will be met at a cost which the nation can afford.

The Problems

3. Britain's defence policy has two purposes: to guarantee the nation's security and to contribute towards peace and stability in the world as a whole. These purposes are inseparable. Neither can be achieved by armed force alone.

4. In the long run the security of Britain, like that of every other country, can be assured only by general and comprehensive disarmament.
under the United Nations; even in the short run it will be difficult to maintain unless countries of different political ideologies reach greater understanding on the limitation and control of armaments. Meanwhile Britain’s security will depend on alliances with her friends in many parts of the world. Interdependence is the only basis for national security in the nuclear age.

5. Similarly, world peace and stability can best be assured by strengthening the peace-keeping powers of the United Nations, and this must remain our principal objective. But until the United Nations is able to exercise the responsibility for maintaining world peace, Britain must, to meet her obligations to Commonwealth and allied countries, maintain a capacity for providing military assistance in many parts of the world.

6. One central problem is how to provide for the present needs of military defence through alliances without impeding our fundamental objectives of arms control and disarmament through the United Nations. The other central problem is how to meet those military responsibilities throughout the world from which we cannot honourably or prudently withdraw, without causing too great a drain on our resources and so frustrating our other national purposes at home and abroad. This latter problem is particularly formidable in an era when the cost of weapons tends to rise very much faster than the nation’s wealth. For example, between 1963 and 1968 the capital cost of equipping an Armoured regiment in B.A.O.R. will double (on 1964 prices); a Gunner regiment in the same theatre will cost three times as much; and an infantry battalion six times as much. There is a similar escalation to be found in the Royal Air Force. The cost of the latest Lightning (Mark 3) is about six times that of the latest Hunter (Mark 6). In the Fleet Air Arm a Sea Vixen costs approximately seven times as much as its predecessor the Sea Venom. Meanwhile, if our Armed Forces are to attract and hold voluntary recruits, their pay and allowances will have to rise with wages and salaries in civilian life. Thus, steadily increasing economic pressure on the Defence Budget will face Britain, like other countries in the world, with the choice between renouncing certain strategic options altogether and increasing still further her reliance on military co-operation with her allies.

7. Britain has hitherto sought to maintain three major roles: to support a strategic nuclear force, to make a major contribution towards the defence of Western Europe inside N.A.T.O., and to assist in keeping the peace elsewhere overseas. In order to reconcile defence expenditure with other claims on our resources we have to review the balance between these three main roles. We cannot expect to fix the balance permanently in any one pattern. Political change will continue throughout the world, requiring constant revision of our defence posture. But we must have a plan fitted to the needs of the foreseeable future and to our means of meeting them.

8. Such a plan requires us to clarify the political assumptions underlying our defence policy, both in respect of the threat to our survival and of the part which armed forces can play in supporting Britain’s international objectives. We must work out the implications of these assumptions for the forces we need, the weapons they must bear, and the organisation and control of our total defence effort.
The Threat

9. The only direct threat to our survival would be a major nuclear war arising from a direct conflict between East and West. This can be almost entirely excluded as a result of the present state of mutual deterrence, and, bearing in mind the high risk that any conflict in Europe would escalate, deliberate aggression, even on a limited scale, is unlikely in this theatre.

10. An evolution in both Soviet and Western thinking, brought about partly by increased understanding of the consequences of nuclear warfare, has therefore much reduced the likelihood of war between the Soviet and the Western alliances and gives grounds for hope of progress in the limitation and control of arms and of a still more stable relationship.

11. Nevertheless we must maintain our guard. There is always the risk of war arising out of misunderstanding or miscalculation. Moreover, outside Europe we must expect instability to continue and perhaps increase. The emergence of many newly independent countries, especially in Africa, has been accompanied by unrest and armed conflict. These countries are rightly determined not to accept foreign domination; but if our friends turn to us for help we must be ready to give it where we can, so that they may achieve security and the chance to flourish in peace. In the Far East the Chinese nuclear explosion casts a new shadow over the future, making it more difficult to forecast the trend of political development in an area where we have Commonwealth and treaty responsibilities to assist our friends.

12. The Chinese explosion must remind us that the stability so far achieved in relations between Soviet and Western alliances might rapidly be jeopardised by the spread of nuclear weapons to countries which do not now possess them. For this reason international agreements to prevent the dissemination or acquisition of nuclear weapons must be an urgent aim of our foreign policy. Our defence policy must encourage and not impede the achievement of such agreements. In the meantime our nuclear policy must help to provide some reassurance to non-nuclear powers.

The Atlantic Nuclear Force

13. The threat to Britain's survival can be met only by the strength and unity of the N.A.T.O. Alliance through which the United States, Canada, and the countries of Western Europe affirm their interdependence. Our aim in N.A.T.O. is to preserve peace by effectively deterring aggression, thus creating the conditions for a further easing of tension and measures of disarmament, including arms control and a reduction of defence expenditure by both sides. The success of N.A.T.O. in achieving collective defence has been a major cause of the growing stability in relations between East and West. The Alliance must maintain its strength and solidarity without undermining the opportunities for progress towards disarmament.

14. It is with this need in view that Her Majesty's Government has proposed the formation of an Atlantic Nuclear Force in which strategic nuclear weapons available or to be made available to the Alliance would be subject to collective authority. Thus the strategic nuclear power of N.A.T.O. would be concentrated and controlled under conditions which would both meet the legitimate requirements of the non-nuclear members to play their part and remove any incentive for the dissemination of nuclear weapons.
15. We have proposed that the Atlantic Nuclear Force should consist of the British V-bombers (except those required for commitments outside the N.A.T.O. area); a British squadron of four Polaris submarines now under construction; at least an equal number of United States Polaris submarines; some kind of mixed-manned and jointly armed element or elements in which the existing non-nuclear powers could take; and any force which France may decide to subscribe. The British forces would be wholly committed for as long as the Alliance continued. The United States, the United Kingdom, and any other participating country which so wished, would have a veto over the release of the weapons of the Force. Proposals for the political control and military command of the Force have been made to our allies.

16. Our proposals for the Atlantic Nuclear Force imply a massive British contribution to the Alliance, including a degree of interdependence hitherto unknown. We believe that their acceptance would bring a major increase in the strength and solidarity of the Alliance. They would supplement the existing arrangements by which we place under N.A.T.O. command or make available to N.A.T.O. in an emergency a large part of our Air Force in the United Kingdom and the greater part of our naval forces, as well as our land and air forces in Germany.

The Land and Air Defence of Western Europe

17. Our forces in Germany impose a heavy burden on our balance of payments. Within the framework of our Brussels Treaty commitments they must always be subject to review in the light not only of our obligations to our N.A.T.O. partners but of our total defence burden and of the nature of the military threats in Europe and in other parts of the world where we have responsibilities.

18. At present all N.A.T.O. forces in Germany, including our own, are deployed in accordance with a strategic concept which in our view now requires revision. In recent years the United States has developed an overwhelming nuclear strike force which is committed to the direct support of Western Europe in case of war. Its purpose is to deter aggression. In the unlikely event that it should fail, its use would cause such destruction that it is impossible to conceive of a land campaign in Europe lasting for many days. It is therefore pointless to tie up resources against the risk of a prolonged war in Europe following the nuclear exchange. The principal military purpose of allied forces in Europe should be to deter miscalculated incursions and to suppress any ambiguous and unpremeditated local conflicts first and foremost by conventional forces, before they can escalate into major war.

Peace-keeping outside Europe

19. Outside Europe we have treaty relations and commitments which we must honour. We maintain substantial forces for this reason and because we have a major interest in the stability of the world outside Europe, in its economic prosperity and in its peaceful development. These purposes we share with our allies and our forces serve their interests as well as ours. Experience has shown that it is neither wise nor economical to use military force to seek to protect national economic interests in the modern world.
Nor is it the purpose of our forces to hold overseas territory for Britain, as our record of decolonisation shows. In maintaining these interests in peace and stability, which our allies share with us the British contribution towards maintaining them is paramount in many areas East of Suez. Here, as elsewhere, we have obligations to our Commonwealth and other allies; and here we have facilities in our bases at Aden and Singapore. Our presence in these areas forms in effect a substantial reinforcement for the peace-keeping role of the United Nations.

20. It would be politically irresponsible and economically wasteful if our bases were abandoned while they were still needed to promote peace in the areas concerned, though we recognise that they can be maintained only in agreement with the local governments and peoples. Our presence in these bases, our Commonwealth ties, and the mobility of our forces, permit us to make a contribution towards peace-keeping in vast areas of the world where no other country is able to assume the same responsibility.

21. In meeting this worldwide role we have a claim upon our allies since we serve interests which are theirs as well as ours. If some of our burdens can be assumed or shared by our allies, we may not need the full range of military power we should require to carry them all alone. We aim at a wider recognition of our common interests and at closer co-operation with our allies in carrying out our tasks.

Manpower

22. At present our forces are severely stretched both in manpower and in equipment. We are confident that we can generally attain the present manpower target of 180,000 for the Army, announced by our predecessors in 1959, and the requirements of the Royal Air Force, though there may be difficulties in certain areas of officer recruitment and with some classes of tradesmen and specialists. In the Navy too few men, particularly in skilled trades, are re-engaging for further service and although the rate of recruitment is being maintained the numbers fall short of requirements, especially in the seaman category. Further steps to overcome these difficulties are under consideration.

23. The present review of commitments and roles, together with the continuing and intensive search for economy in the administrative and support fields may lead to manpower savings both within each Service and by the Services jointly. The need is for highly trained and versatile forces and for Reserves of the same high quality, organised for the requirements and priorities of the future. The current N.A.T.O. force planning exercise is directly related to this problem.

Equipment

24. The rate at which the technological arms race is accelerating, and the readiness of the advanced countries to pass on to less-developed countries weapons which are obsolescent in terms of great-power conflict, pose daunting problems in planning the equipment of British forces on a limited budget, particularly when many years may pass between the formulation of an operational requirement and the appearance of the equipment in the field.

25. The Government has multiple responsibilities here. If equipment costs are not to rise intolerably, it must forecast its military needs as
accurately as possible, ensuring that the sophistication of weapons is no greater than will be required, and that their numbers are related to prospective tasks. Having finally placed its order for a specific equipment, it must then ensure that costs are kept under control, that the equipment is delivered on time, and that it is reliable when in service.

26. Given the political and technological uncertainties, a degree of error is often inevitable. But the equipment programme inherited by the present Government fails to satisfy either our military or our economic needs, particularly in the field of aircraft.

Aircraft

27. It has been necessary to take the whole of the Valiant bomber force out of service several years before the planned date. British forces still suffer from a serious shortage of helicopters, and the reliability of some of those currently available has been unreasonably low. Some of the measures undertaken to remedy this situation are outlined in part II.

28. The programme undertaken by the last Administration for the replacement of the Hunter and for a new medium range transport aircraft were so costly as to impose an unacceptable burden on the Defence Budget, and the estimated delivery dates for these aircraft were such as to require an interim purchase of foreign aircraft if the Royal Air Force was not to become incapable of carrying out its tasks for a period of years. As already announced, the existing programmes have had to be cancelled and alternatives will be ordered both from the United Kingdom and from the U.S.A. This decision will secure savings of some £300m over the next ten years as well as providing the Royal Air Force with aircraft adequate to its needs at the right time.

29. Additional advantages of this decision are that the Government remains free to decide the total size of its order for the alternative American aircraft when its defence review is complete, without increasing the unit cost of the aircraft if the size of the order is reduced, and that the Phantom aircraft of the Royal Air Force will be capable of operating from carriers at sea thus increasing the flexibility of the force and perhaps making possible a reduction in its size.

30. A decision on the Canberra replacement is, as already announced, being deferred pending more precise establishment of requirements in the course of the current Defence Review and more accurate information on the costs of alternative aircraft. Meanwhile work on the TSR.2 is being continued.

31. The Government recognises the importance to its defence policy, as well as to its domestic economy, of retaining the capacity in Britain for the research, development and production of a military aircraft. Future research and development programmes must be prepared so as to guarantee a capacity in this field, but at a cost the nation can afford. Among other conditions, this will require that wherever possible the cost of research and development (this will apply to all weapons, and not only to aircraft) should be shared with other countries on terms which ensure Britain her fair share of the market for the weapons, or aircraft concerned, and that if possible operational requirements should be formulated with regard to the likely needs of potential customers abroad. Among the possibilities here
under discussion with France is a proposal that we might together develop
an advanced trainer/strike aircraft incorporating variable geometry to
meet the needs of both countries.

Cost Control

32. Similar problems to those encountered concerning aircraft arise
over the whole field of sophisticated defence equipment. There is need
for further improvement in the existing machinery for relating requirements
to costs and for the control of costs once orders are placed, if the nation
is to get value for the money it spends on defence.

33. Apart from other measures which are being taken to improve pro­
cedure in the equipment field, there remains the area of time and cost
control of major development projects. It is generally recognised that
the problems involved here are among the hardest which have to be faced.
Nevertheless, a determined attempt is being made, especially in the more
sophisticated fields of development such as aircraft and guided weapons,
to make improvements, for example, by the use of new techniques and
changed administrative arrangements. We have recently begun a pilot
scheme of applying techniques of value analysis to certain equipments.

Operational Requirements

34. As part of the recent re-organisation of the Ministry of Defence,
machinery has been set up for the closer examination of new requirements
and of the progress of research and development. Requirements for new
equipment are now considered by a unified Operational Requirements
Committee and must be justified against the strategic concepts envisaged
for the period when the equipment will be in service. The sponsor must
demonstrate that there is no duplication with other equipment and that
given the resources available the method proposed is the best means of
carrying out the task in question. The examination includes the cost­
effectiveness of the proposed equipment.

35. It has been decided to create an establishment at Byfleet for
defence operational analysis which, among other tasks, will participate
cost-effectiveness studies for all three Services. The Director has recently
been appointed, and is now forming a nucleus of scientists, military per­
sonnel and administrative staff for this work.

Functional Costings

36. These improvements in the machinery for judging the cost-effectiveness
of alternative weapons-systems will provide an essential tool for
producing a more economical defence programme over the period of years
required before decisions can take effect. Another essential tool is the
system of functional costings to which a high priority is now being given.

37. In the last year much has been done towards introducing a functional
costings (or programme element) system to assist in planning and co­
ordinating the Defence Budget. The present form of long-term defence
costing, based on the Vote headings which provide the traditional
structure for Estimates and Accounts, is of limited use for the planning
of defence expenditure five or ten years ahead because the expected
financial resources are divided into categories of "input" expenditure—
pay, production, works and so forth—rather than into categories of “output” in terms of the functions—general purpose forces, support, reserves, etc.—for which the resources are required. The fundamental problem here is how to reconcile strategic requirements with financial resources and the forces that can be provided from them; strategic requirements are defined in terms of the size of the forces and their capabilities.

83. Functional costings portray defence expenditure in terms of “output”. Instead of Vote headings there are broad areas of expenditure, called Major Programmes, made up of many small items of expenditure. Thus expenditure on the Army in B.A.O.R. and Berlin constitutes one of the Major Programmes. This is subdivided so that, at the lowest level (the programme element) there is shown the cost of individual types of unit in Germany, such as infantry battalions and R.A. Regiments. The cost of each programme element includes the cost of its service personnel, the civilians directly employed in connection with it, and any new works services in progress for it, and other running costs. It is also practicable to identify research and development expenditure relating to weapons and equipment and to show in broad terms how this expenditure contributes to the different parts of our forces. This makes far easier assembly and presentation of information which has hitherto only been provided with difficulty in ad hoc costings of specific proposals.

39. The first experiment in the functional costing system is now being studied, and the number of programme elements is likely to increase to more than 600. It should then be possible to identify readily all the component parts of the long-term costings for ten years ahead, although especially in the R. & D. field the coverage of the second five years of the costings is less accurate. It is planned to use a computer for marshalling and summarising complex sets of figures recorded for the individual programme elements. When the system is fully established those who plan the Defence Budget and have to decide on new projects for the defence programme will have much more information than in the past about the relative costs of planned forces and weapons systems. The diagrams at Annex D give information on the basis of the Major Programmes.

40. It is hoped that as far as security considerations allow it will become possible to supplement the information now given to Parliament about defence expenditure by information in functional form. Estimates and Accounts, however, will still be presented in Vote or “input” form because, apart from Parliamentary custom and the vast accounting changes required for any change from the Vote system, the Vote form is an essential requirement for the control of expenditure. Functional costings are essentially a tool for planning. For this purpose it is not necessary for the figures to have the accuracy of an accounting document. Attributions of base and support costs, for example, often have to be made in broad terms. The existence of a functional costing covering the whole Defence Budget will make it much easier to ensure that such problems are dealt with in a consistent manner.

Control and Organisation

41. The reorganisation of the Defence departments into a unified Ministry of Defence has been carried through successfully. Responsibility for the
main aspects of defence policy, namely plans and operations, the defence
programme and budget and the research and development programme, is
now concentrated within the new Department. The management of the
individual Services is delegated to the Admiralty, Army and Air Force
Boards, but there are very close links between policy and management.

42. Unified control of policy and management has made it possible to
consider new initiatives for the rationalisation of Services' administration
both in the Ministry of Defence and in the field. The aim is the most
efficient organisation for the support of the Services in peace and war in
the most economical way. The administrative and logistic systems of
the three Services are, for the most part, now separate and differently
organised. Each has been designed over the years for the particular tasks,
requirements and operational environments of a particular Service. Each
is large and highly complex. Any changes in the pattern of the support
organisation must take full account of the differences in the needs and
circumstances of the Services.

43. Considerable progress has been made as described in Part II, and
this will continue. But initially, at least, measures of reorganisation in these
complex administrative organisations are bound to be difficult and their
planning is expensive in staff and otherwise. Nor is centralised control
of particular functions, with removal of direct management responsibility
from at least two of the three Services and their reliance on an agency,
always the most efficient and economical arrangement. Each case must be
carefully examined on merit.

44. In order to lighten the burden which the new system imposes on the
Secretary of State, and to ensure political supervision of the main functions
of the Ministry on an inter-Service basis, each of the senior Ministers under
the Secretary of State has been given a sphere of interest and concern across
the board in addition to his single-service responsibilities. Thus the Deputy
Secretary of State as well as being Minister for the Army is specially con­
cerned with matters of international policy relating to defence; the Minister
for the Royal Navy is concerned also with personnel and logistics in all
three Services; and the Minister for the Royal Air Force is concerned with
coordination of research, development, and production for all three Services
and the defence budget as a whole. It is not possible, however, for them
to exercise executive responsibility in these fields as they do in the
management of their own Services. The present division of responsibilities
and interests among Ministers cannot therefore be more than an interim
measure. The next step must depend upon larger changes in the structure
of the Ministry as a whole.

45. The creation of unified headquarters overseas and the progress of
rationalisation must inevitably blur the line of single-Service management
and create an automatic impetus towards new organisational arrangements.
The question is not whether further changes take place, but what changes,
in what direction and at what pace.

46. If the future relationship between the Services and the Ministry of
Defence is not to develop hapazard, with the risk of dangerous confusion,
it is necessary to examine more closely the longer term implications of
measures which are already in train. The whole structure of defence organisation both in the Commands and in the Ministry of Defence itself is therefore being re-examined under the direction of the Deputy Secretary of State. Our paramount concern must be for the operational needs of the forces in the field, our aim to produce the most efficient fighting forces at the lowest cost. This study will start in the field and work backwards to Whitehall. It will be free to consider any form of organisation which seems appropriate to the achievement of the aim.

47. In order to maintain the necessary impetus towards a more efficient and economical administration of the existing organisation it is proposed to establish a special committee of the Defence Council under the chairmanship of the Deputy Secretary of State for Defence.

Defence Costs

48. The defence budget estimates for 1965–66 now presented total £2,120.5m. This represents an increase in real terms of 2.3 per cent. over last year’s estimates. The estimates do not include provision for cancellation payments in respect of aircraft projects which have been discontinued. Supplementary estimates for these will be presented in due course.
PART II

THE DEFENCE FORCES

DEPLOYMENT

General Pattern

49. The basic principle of our deployment is to retain in overseas theatres the minimum forces consistent with our commitments and to hold ready in the United Kingdom a Strategic Reserve, together with the air transport necessary to reinforce at maximum speed to any part of the world. In consequence the broad division between men (U.K. adult males) based on this country and men based overseas (including Germany) is as follows:

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<tr>
<td>East of Suez</td>
<td>58,000</td>
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<tr>
<td>Mediterranean</td>
<td>23,000</td>
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<tr>
<td>Germany</td>
<td>62,000</td>
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<tr>
<td>United Kingdom</td>
<td>240,000</td>
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<tr>
<td>Elsewhere</td>
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\[ \text{Total:} \quad 392,000 \quad \text{plus 14,000 Gurkhas} \]

Our total contribution in the Malaysian theatre including Gurkhas is now over 50,000.

United Kingdom

50. The Strategic Reserve is a highly mobile, airportable force capable of undertaking operations in any part of the world; it can be drawn upon for reinforcement world-wide. R.A.F. Transport Command in the U.K. is ready to provide airlift of men and equipment on behalf of all three Services and reinforce the tactical Transport forces overseas.

51. Other air forces in the United Kingdom include Bomber Command, Fighter Command and Coastal Command, which like our naval forces, have N.A.T.O. commitments but are also available for overseas reinforcement. Apart from its nuclear role Bomber Command provides a major strike capability with conventional weapons and with a capacity for rapid movement world-wide at short notice.

52. Naval forces based on the United Kingdom at present include an aircraft carrier, cruisers, guided missile destroyers, escorts, submarines and smaller craft.

53. In addition to these operational forces, we maintain in the United Kingdom the principal administrative, training, technical and support facilities for all three Services.
Germany

54. Under the amended Brussels Treaty, we have a commitment to keep on the continent of Europe 55,000 men in the Army and a Tactical Air Force. We also have a commitment to N.A.T.O. to maintain forces there. In the event of an acute overseas emergency we are able to withdraw forces from Germany temporarily. To this extent, the units there can be regarded, within limits, as part of our reserve.

55. At present, against our commitment of 55,000 soldiers, we have about 51,000. In addition there are in Germany Canberra strike and reconnaissance squadrons, Hunter fighter-reconnaissance aircraft, Javelin fighters (which will be replaced by Lightnings in the course of 1965) and Wessex 2 helicopters. The R.A.F. strength in Germany is 8,700 men.

Mediterranean

56. In the Mediterranean we have escort vessels, submarines and some minesweepers; small Army garrisons at Gibraltar and Malta; and two maritime and one photographic-reconnaissance squadron. The naval and air forces are principally deployed in support of N.A.T.O. In Libya, the future of our forces is under review with the Libyan Government under the terms of the Anglo-Libyan Treaty.

57. In Cyprus, we normally maintain an Army garrison with supporting troops in addition to the important R.A.F. base at Akrotiri and R.A.F. contingent at Nicosia. At present we have in addition 1,000 men serving with the U.N. Force. R.A.F. units in Cyprus include Canberra bomber squadrons for the support of C.E.N.T.O., these having a nuclear as well as a conventional capacity.

Middle East

58. Aden is the base for a Royal Marine Commando, Army units and R.A.F. ground attack and air defence, reconnaissance and transport squadrons. At Bahrain in the Persian Gulf there is an Army detachment. The R.A.F. maintain a presence in the Gulf. Naval units on the Middle East station, with base facilities at Bahrain and Aden, include escorts, the amphibious warfare squadron and minesweepers. Carrier and Commando ships cover the whole area East of Suez.

59. One infantry battalion is stationed in Swaziland for internal security duties in the three British Protectorates.

Far East

60. Our largest forces outside Europe are in the Far East, where we have a combined commitment to S.E.A.T.O. and to Malaysia. The deployment of aircraft carriers and Commando ships is flexible as between the Middle East and Far East and we expect to maintain a total of three in the area East of Suez. In the Far East in addition there are guided missile destroyers and a large number of escorts, submarines and coastal minesweepers. The Army has substantial forces engaged in the Borneo operations, and in addition contributes units and individuals to 28 Commonwealth Brigade Group which is permanently stationed in Western Malaysia: this Brigade has units from the United Kingdom, Australia and New Zealand and mainly integrated supporting arms and services including Scout helicopters. R.A.F.
units permanently deployed in the Far East include Canberra bombers and reconnaissance aircraft, Hunter ground attack aircraft, Shackleton maritime patrol aircraft, Hastings, Beverley and Argosy transport aircraft, Whirlwind and Belvedere helicopters, and Javelin fighters. In 1964 a Bloodhound II squadron was deployed to Singapore. Whirlwinds of the Far East Air Force and R.N. Wessex helicopters have been fitted with SS11 wire guided missiles. We also maintain a military force in Hong Kong.

Other Areas

61. There is a military force in British Guiana; escort vessels and small ground forces in the Caribbean; and small naval forces in the South Atlantic or on loan to Australia and Canada.

Command Organisation Oversea

62. Operational control of our forces deployed in the two major theatres East of Suez—the Middle East and Far East—is exercised through Unified Command Headquarters, and responsibility for the command of all British forces allocated to the area and the planning and conduct of all operations is vested in a single Commander, who may belong to any of the three Services. To enable him to discharge his responsibilities the Commander-in-Chief is supported by an inter-Service staff which is co-ordinated by a Chief of Staff. Thus staff work in the fields of operational and administrative planning, of intelligence and of signals is carried out on a unified basis. The Commander in Chief is also responsible for the oversight and co-ordination of administration and finance to the extent necessary to ensure the most effective functioning and efficiency of his command. These arrangements are one of the most important features of the increasing unity of the Services.

OPERATIONS AND TRAINING

Cyprus

63. British forces have shared the peace-keeping role in Cyprus since trouble broke out in December 1963. At first they took part in a joint peace-keeping force of the British permanent garrison from the Sovereign Base areas with Greek and Turkish contingents in Cyprus, and in January and February 1964 Headquarters 3 Division with its signal regiment, six major units, and three armoured car squadrons was flown to Cyprus by R.A.F. Transport Command with reinforcements of administrative personnel.

64. This peace-keeping force was superseded at the end of March 1964 by the United Nations Force in Cyprus. The British Army contributes about a thousand men, including one infantry battalion, one armoured car squadron and a large part of the force headquarters. Throughout the operation Headquarters Cyprus District and the administrative units within the Sovereign Base areas have provided all the logistic support for the United Nations Force. The R.A.F. contribution includes helicopters.

65. In November 1964 Her Majesty's Government agreed, at the request of the Secretary-General of the United Nations, to provide air lift, free of charge, for the rotation of the Danish contingent. Britannias of Transport Command carried 1,700 Danish troops, with equipment. It was made clear that, in view of our other contributions to the Force, this was a service that could not be repeated on the same terms.
South Arabian Federation

66. In 1964 there was an armed insurrection by tribesmen in the Radfan with active support from the Yemen. It became necessary at the request of the Radfan Government to mount an operation to restore law and order in the area, and to despatch reinforcements from the United Kingdom. In May Transport Command flew out to Aden the 1st Battalion the King’s Own Scottish Borderers, H.Q. 39 Brigade, 1st Battalion The Royal Scots and the 3rd Independent Field Squadron Royal Engineers. The Army, the Royal Marines and Federal Regular Army all provided strong detachments in the operational area, and despite the extremely rugged nature of the Radfan the British troops fighting with the Federal Regular Army soon showed that they could move freely throughout the area. The R.A.F. Regiment squadron in Aden also took part in the operations.

67. Throughout the operation ground troops were supported by aircraft of the Royal Air Force and Royal Navy. Canberras and Hunters carried out reconnaissance sorties, and Hunter ground attack aircraft provided close support for the forward troops, attacking rebel strongholds in the mountains. When H.M.S. Centaur returned to the Aden area in June, Sea Vixens joined the Royal Air Force in the air strikes.

68. Helicopters and light aircraft of the Royal Air Force, the Royal Navy, and the Army gave continuous support to the ground forces and moved troops as well as large quantities of food, water and ammunition. The main operations came to an end in October 1964, by which time most of the Radfan tribes had ceased hostilities. Activity by the dissidents still continues in various parts of the Federation and it is known that every effort is being made by those who are behind them to promote the spread of disaffection by stock-piling arms and recruiting more rebel forces.

Far East

69. The main task of the Services in the Far East during 1964 has been operations in support of Malaysia. Operations in Eastern Malaysia (Sabah and Sarawak) have consisted mainly of extensive patrolling of the 1,000-mile frontier with Indonesia. A number of British and Gurkha battalions and two Royal Marine Commandos have been engaged in operations there, and there have been numerous clashes, in which a number of British and Gurkha officers and men have been killed and wounded, and many casualties inflicted on the Indonesian raiders. The R.A.F. Regiment has also operated in Eastern Malaysia, both on the ground and in helicopters. Throughout the year Whirlwind Wessex I and Belvedere helicopters of the Royal Air Force and the Royal Navy have been based on Sabah and Sarawak and increased the mobility of the Army and the Royal Marines.

70. At sea H.M. ships and craft manned by officers and men of the Royal Navy have patrolled the coastal and inland waters of Eastern Malaysia and R.A.F. Shackletons have undertaken coastal patrols. These patrols have had success against infiltrators from Indonesia and are a deterrent to increased activity. H.M. ships and R.A.F. aircraft have carried very substantial numbers of passengers and amounts of freight, as well as vehicles and light aircraft, from Singapore to Eastern Malaysia. In addition to the helicopters, R.A.F. Twin Pioneers provided tactical and transport support for the ground forces operating in the forward areas.
71. These operations have successfully contained the threat to Eastern Malaysia. They have notably demonstrated the value of inter-Service co-operation, and the value of and the need for more helicopters.

72. On the Malayan mainland Gurkha and Commonwealth troops have taken part in mopping-up operations and H.M. ships have carried out anti-infiltration patrols in the Malacca straits. After the Indonesian landings in September the theatre forces were quickly reinforced by four escorts and by detachments of V-bombers, Canberras, Shackletons and Javelins. The main value of these reinforcements, particularly of aircraft, has been as a deterrent, but reconnaissance operations have also been undertaken to locate the invaders, and Hunters carried out air strikes in support of the ground forces. The role of the Javelins is the air defence of Malaya.

73. Air transport, reconnaissance, and casualty evacuation missions have been flown by Valettas, Canberras and Sycamores.

East Africa

74. Early in 1964 there were mutinies in local forces in East Africa and Commonwealth Governments sought the assistance of the British Government. There was an immediate response from British forces; two infantry battalions and one light regiment were already stationed in Kenya, 45 Commando was embarked in H.M.S. Centaur in East African waters and 41 Commando was despatched from the United Kingdom.

75. In Kenya the 3rd Light Regiment Royal Horse Artillery dealt with a Kenya Army mutiny, and the 2nd Battalion Scots Guards covered possible trouble in the Nairobi area. Shackletons and Canberra reconnaissance aircraft, as well as Hunters, were deployed to Kenya, and 38 R.A.F. Regiment field squadron from Aden also took part in the Kenya operations. Medium range transport aircraft of the Middle East Air Force took other Army units to Kenya and Uganda. The Uganda mutiny was contained by the 1st Battalion The Staffordshire Regiment with one company 2nd Battalion Scots Guards under command.

76. In Tanganyika H.M.S. Centaur, supported by H.M.S. Cambrian, landed 45 Commando with a large amount of stores and ammunition within a few hours of the President's call for assistance; order was quickly re-established. Subsequently 41 Commando with vehicles and freight was flown to Nairobi by Britannias of R.A.F. Transport Command and went to Tanganyika to relieve 45 Commando R.M. H.M.S. Centaur was relieved by H.M.S. Victorious and H.M.S. Bulwark arrived from the Far East in support. Throughout the operation Wessex helicopters from the squadrons on board the carriers acted in support and R.A.F. Belvedere helicopters assisted in the landings. Sea Vixen aircraft also supported the Royal Marines. Off the coast of Tanganyika H.M.S. Owen and the Royal Fleet Auxiliary Hebe evacuated British subjects from Zanzibar.

77. Since December 1963 British Army and R.A.F. units have provided logistic support for Kenya security forces in their emergency operations in the North East of Kenya. R.A.F. Beverley and Twin Pioneer aircraft, Army Air Corps Beavers and Alouettes, 34 Field Squadron Royal Engineers, and 16 Air Despatch Company, Royal Army Service Corps, have given most of this support.
British Guiana

78. In British Guiana law and order could not have been maintained without the presence of British troops, since the police were not strong enough to contain a highly explosive situation; British troops helped with patrols and searches. In May 1964 the garrison was reinforced by 1st Battalion Devon and Dorset Regiment which was flown out by Transport Command; later a battery of 20 Medium Regiment R.A. (in an infantry role) was flown out and a Royal Marines detachment from H.M.S. Whirlwind was landed. Once again helicopters of all three Services made possible the rapid deployment of patrols to troubled areas; a combined force of Army and R.A.F. helicopters has been established to help in operations.

Inter-Allied Exercises

79. In addition to taking part in active operations in theatres our forces have participated in a large number of inter-allied exercises under the auspices of the three regional alliances. All three Services have taken part in N.A.T.O. training exercises including one carried out by the Allied Command Europe Mobile Force in Norway in which Javelins of R.A.F. Germany also took part. In the N.A.T.O. exercise Teamwork, Saclant's major four yearly exercise, forces from all the N.A.T.O. countries took part including ships from the Royal Navy and aircraft from Bomber, Fighter and Coastal Commands. In the annual Aircent reconnaissance competition No. 80 Canberra Squadron, R.A.F. Germany, won the award for the premier squadron in 2nd Allied Tactical Air Force.

80. The annual C.E.N.T.O. exercise Midlink again took place in the Indian Ocean; 3 escorts, 1 submarine and 4 coastal minesweepers, and 4 Shackletons took part. Australian, Canadian, Indian, Malaysian, New Zealand and U.K. forces co-operated in the large scale maritime exercise Jet 64 in the Indian Ocean from 29th February to 21st March. In April Canberras, Hunters and transport aircraft took part in a tactical air exercise held in Thailand in which elements of Far East Land Forces were also concerned. In May and June ships of the Royal Navy, and Shackletons and Canberras took part in an amphibious and airborne exercise on the island of Mindoro in the Philippines.

Fishery protection

81. Closely akin to operations has been fishery protection work around the United Kingdom. Home fishery limits were extended in September 1964, and fishery protection work was carried out not only by the ships of the Fishery Protection Squadron but also, from time to time, by R.A.F. helicopters and Shackletons of Coastal Command.

Goodwill Visits

82. H.M. ships continued to visit ports all over the world to show the flag. A special squadron visited certain South American countries and there have been visits to Trade Fairs. In September 1964, H.M.S. Lion and four escorts with 3 Shackletons, 9 Canberras, 8 Javelins, 2 Hunters and 1 Vulcan took part in the Independence celebrations in Malta. R.A.F. aircraft including V aircraft have also flown to visit foreign countries.
Aero-medical Service

83. The R.A.F. has continued to provide regular aero-medical service from Germany, Cyprus, Aden and Singapore. During 1964 there were 342 flights.

Help to Civil Authorities

84. The Services have also provided emergency assistance to civil authorities in many parts of the world on many occasions. The British forces gave swift help after Typhoon Ruby struck Hong Kong; after the recent cyclone in Ceylon; and in the South Arabian Federation, where severe flooding in Lower Aulaqi caused a local economic and agricultural disaster, the Army carried out much urgent reconstruction work using plant flown in by the Royal Air Force.

85. In the United Kingdom the forces have helped in a variety of civil emergencies. There have been extensive search and rescue operations; during 1964 R.A.F. aircraft, helicopters, mountain rescue teams and marine craft were involved in 508 search and rescue operations in and around the U.K.; in all 276 people were rescued.

Joint-Service Training; Training with the Commonwealth and Allies

86. Throughout 1964 the emphasis on joint Service and inter-Allied training has continued. For example Transport Command took part in 155 exercises involving all three Services. New developments, such as the coming into service of the new Assault and Logistic ships, and the new generation of transport aircraft, will further this process.

87. Joint training has been carried out in Germany, Denmark, Norway, Canada, Libya, Cyprus, Aden, Kenya, Singapore, the West Indies and New Zealand. There have been a number of Army exercises in Italy, Holland and Denmark. Overseas camps have again been held for Royal Military Academy Sandhurst in Germany and Libya. The Reserve Army has taken part in overseas exercises, including one in which 3,000 members of the Territorial Army, Territorial Army Emergency Reserve and Army Emergency Reserve practised mobilisation procedures and trained in the British Army of the Rhine. The Territorial Army Emergency Reserve practised two smaller exercises in Aden. Tanker aircraft of Bomber Command have taken part in flight refuelling exercises in which fighters and tankers practised rapid deployment to the Near and Far East, and in 1964 the first Lightning refuelling exercise to the Persian Gulf took place. Individual V-bombers have made over 500 overseas training flights, and a number of V-bombers recently flew to Darwin to exercise with the Royal Australian Air Force.

88. Training facilities have been provided in the United Kingdom for German and Belgian forces, and a Danish battalion will be exercising in this country in March 1965 in exchange with a British unit. Ships from a number of countries including Canada and the U.S.A. have continued to visit Londonderry for joint anti-submarine exercises.

89. In 1965 some 530 Commonwealth officers and men will undergo training in the United Kingdom, and some 600 officers and 800 men of all three Services will be assisting in the training of Commonwealth forces overseas. There is also continued cooperation in flying training with the
Commonwealth and other countries as well as between the Services themselves. All Naval pilots receive their basic flying training at R.A.F. Linton-on-Ouse and Army personnel are given parachute training at R.A.F. Abingdon. From the Commonwealth and elsewhere abroad 780 officers and men from thirty countries undertook flying or technical training at R.A.F. establishments.

PERSONNEL

90. The strength of the Royal Navy increased from 89,146 adult males on 1st January, 1964 to 91,078 on 1st January, 1965 and is expected to have increased to 93,550 by April 1966.

91. The strength of the Army rose during 1964 from 170,678 adult males to 175,991 (including 1,429 Young Soldiers) and the deficiency against the planned target of 180,000 was reduced to 2.2 per cent.

92. Progressive reductions are taking place in the establishment of the Royal Air Force and the adult male strength fell from 127,276 to 123,051 during the year.

Officers

Entries to Dartmouth, Sandhurst, Cranwell and Henlow

93. 229 cadets entered the Britannia Royal Naval College, Dartmouth last September, compared with 171 in 1962 and 198 in 1963. 134 of the cadets had held R.N. scholarships or reserved cadetships, the balance of 95 entered through the 1964 direct entry cadetship competition. This is the first year since 1957 that the requirement has been fully met; the increase was partly attributable to a larger number of candidates under the Scholarship Scheme. However, there was a very slight drop in the number of candidates applying for direct entry, and although 78 R.N. and R.M. scholarships, and 142 R.N. reserved cadetships were awarded in 1964, considerably fewer candidates are now applying for awards under the next competition; 49 candidates who failed to qualify for the General List accepted appointments on the Supplementary Lists.

94. The number of United Kingdom cadets entering the Royal Military Academy, Sandhurst, in 1964 was 448 compared with 402 in 1963. Both the January and September entries were fully subscribed. Applications for Welbeck College increased considerably, more coming from Scotland and the North of England. Under the Army Scholarship Scheme, which has operated since 1959, 73 candidates have so far graduated from Sandhurst.

95. In 1964 recruiting for Cranwell the entry requirements were fully met. A total of 125 cadets entered compared with 116 in 1963 and 105 in 1962. Recruiting for Henlow has also been good in 1964 with 47 entrants against a target of 48. The Scholarship Scheme continued to attract applications from a large number of boys from all types of school, and there was no difficulty in selecting the full annual quota of 75 for these awards.

Royal Marines

96. The Royal Marines continue to obtain all the General List officers required through the direct entry competitions, the Scholarships scheme and Corps Commission promotions. There is also very keen competition for
the Short Service Commissions entry which was introduced this year. An additional number of Royal Marines officers is being enlisted next year for duty as helicopter pilots. The Civil Service Commissioners Entrance Examination is being discontinued and new entrants for the General List will have to qualify by obtaining five G.C.E. passes including two at Advanced Level.

Other Commissions

Royal Navy

97. **Supplementary List.** The number of Seaman Officer entries to the Supplementary List continues to be satisfactory, but there are still difficulties in obtaining officers for both fixed-wing aircraft and helicopter pilot duties. The shortage is increased by the number of Aircrew officers on the Supplementary List who are exercising their option to leave the Service at breakpoints during their commission. 210 applications were received for the R.N. Flying Scholarships introduced for the first time in 1964 and 68 awards made; next year it is hoped to award up to 100 scholarships. From next year also, a Supplementary List scheme of entry for professionally qualified Mechanical Engineers will be introduced, similar to the existing scheme for qualified Electrical Engineers.

98. **Instructor : Medical : Dental : Chaplains Branches.** In the Instructor Branch the requirement for 68 officers was met, including 50 graduates, mainly in the sciences. The Medical Branch still requires more qualified doctors, and it is hoped to increase the number of awards made under the medical scheme. Dental Branch entries were sufficient. The Chaplains Department is at present having some difficulty in obtaining sufficient recruits.

Army

99. Applications for Short Service Commissions for the Army continue to fall short of requirements: 200 were granted in 1964 compared with 207 in 1963. Under the Limited Service Regular Commission scheme introduced during 1964, 10 commissions have been granted, and 16 applicants are undergoing training at Mons Officer Cadet School.

100. Progress is being made with the reorganisation of the Royal Army Medical Corps by which three types of non-Medical Officer—Administrative, Technical and Quartermaster—are being established. Fourteen Technicians have been commissioned as Technical Officers. The administrative type of commission will be introduced on 1st April, 1965.

Royal Air Force

101. It is becoming more difficult to recruit Direct Entry Aircrew. Although the flying training schools are still working to capacity, the numbers of recruits have started to fall slightly below the requirement; advertising has therefore been increased. Recruiting for ground branches was generally satisfactory, but some branches still need qualified entrants, especially the Technical Branch, which faces constant competition with industry for professionally qualified men and women; the Medical Branch; and the Education Branch where W.R.A.F. officers are urgently needed.
University Graduate Entrants and University Training Schemes

102. The response to the new graduate entry in the Royal Navy for the Seaman specialisation and existing entry to the Engineering (Mechanical) Specialisation of the General List was a little disappointing, and a University Cadetship scheme is being introduced for entry into the Seaman and Engineering specialisations. In addition, a Reserved Place Scheme for graduate candidates for R.N. engineering commissions is being introduced. A scheme for entering electrical engineering graduates is being reintroduced.

103. There has been an increase in the interest shown by University students in the Army since the appointment of a University Liaison Officer in 1963. During 1964 29 (including 2 short service) University candidates were commissioned into the Regiments and Corps which receive officers from Sandhurst, compared with 18 in 1963. A scheme was introduced for up to 20 young men from civilian life to be granted regular commissions on probation and to study for science or engineering degrees, half of them at the Royal Military College of Science and the remainder at universities at which they have gained a place.

104. The R.A.F. University Cadetship Scheme for the General Duties and Technical Branches has proved successful both in the numbers and quality of applicants. In the first year, 1963, 23 awards were made, against a target of about 25, and in view of the increasing need for graduates in these branches, 44 awards were made in 1964. The R.A.F. Medical and Dental Cadetships, which have been running for some years, are now firmly established. In addition to officers entering the R.A.F. through the various university cadetship schemes, the recruitment of other graduates was good; 80 men and 12 women graduates were appointed to commissions, excluding doctors, dentists, and chaplains.

Officers' Training Corps and University Air Squadrons

105. The strength of the Officers Training Corps has remained at about 75 per cent. of establishment. One new University sub-unit affiliated to an existing contingent has been started. An improvement in recruiting is expected as a result of a new scheme for attaching officer cadets to regular units overseas.

106. University Air Squadron facilities were extended to five more universities during 1964—Sheffield, Leicester, Keele, York and Strathclyde. The 18 squadrons now serve 24 universities. Besides providing a most valuable association between Universities and the R.A.F., the Squadrons continue to provide recruits of high quality.

Officer Training and Degree Courses

107. In addition to comprehensive professional and academic training, there are opportunities for officers of all three Services to follow degree and post graduate courses at Service colleges and elsewhere. Officers of the Royal Navy can now take degree and diploma courses in engineering and post graduate scientific courses at the R.N. colleges at Manadon and Greenwich. Courses in atomic physics and nuclear propulsion are held at Greenwich for Naval and civilian personnel; and the College provides professional courses for Naval architects and electrical and mechanical engineers. There are also schemes for sending Naval officers to universities; the latest is for Seamen and Supply Officers and the first four officers under this scheme have
been accepted for Oxford this year. Army officers read for degrees at universities as well as at the Royal Military College of Science at Shrivenham and now go to a wider range of universities; a new scheme has been introduced for up to twenty short Service Commission Officers a year to study for science and engineering degrees at Shrivenham. There are now 168 Army officers reading for such degrees, and 29 reading for arts degrees. After the amalgamation at Cranwell later this year of the functions of the Royal Air Force College Cranwell and the Royal Air Force Technical College Henlow of cadet training, together with initial and post graduate training of R.A.F. Technical Officers, will be undertaken at Cranwell; and the present arrangements under which technical cadets study for a Diploma in Technology or a higher national diploma in either electrical or mechanical engineering will continue. R.A.F. officers undertake post graduate courses elsewhere, for example at Southampton University and the College of Aeronautics, Cranfield.

Staff Colleges

108. An important element of joint training has always been undertaken at the Imperial Defence College and the Joint Services Staff College. The Service Staff Colleges now devote over 20 per cent. of their syllabuses to joint staff training. Many places at the Staff Colleges are taken by Commonwealth and foreign students.

Ratings, Soldiers and Airmen

Royal Navy and Royal Marines

109. Recruitment. For several years the R.N. and R.M. have been recruiting rather less than 8,000 a year (except for a few months in the winter of 1962–63). But to achieve the expansion indicated above, it will be necessary (unless there is a marked improvement in the rate of re-engagement) to recruit in the next few years at a rate of over 9,000.

110. There are signs, however, that it will be difficult to improve beyond a rate of 8,000. Nearly three-quarters of rating recruits are young men under 17½ years of age. The numbers will decrease, now that the population bulge has moved into higher ages. In view of this, intensive efforts have been made to publicise the attractions of a naval career, and the careers organisation has been strengthened.

111. Re-engagement. The rate of re-engagement has been steadily falling. The proportion of R.N. ratings re-engaging on completion of 12-year engagements, for example, for the first nine months of 1964 was about 52 per cent. as against 54 per cent. in 1963 and 65 per cent. in 1959. The effect of the fall in re-engagements is particularly felt in certain skilled categories. The trend is largely attributable to the separation from home associated with naval service, which has been accentuated by the increase in the size of the Fleet serving in the Far East.

Army

112. The past year has shown a welcome improvement over 1963. Recruiting publicity has continued to rely strongly on the personal testimony of serving soldiers. The Army Youth Teams have proved successful, particularly in dispelling the false image of Army life among those who have no acquaintance with the modern Army.
113. Recruiting was also stimulated by the introduction with effect from 1st April, 1964 of the “Young Soldier” scheme, under which young men aged 17–17½ were allowed to enlist with their parents’ consent. This measure closed the gap between the maximum age for enlistment as a boy, and the minimum age for enlistment as an adult. 4,488 young soldiers aged 17–17½ were enlisted up to the end of 1964 representing 25 per cent. of all enlistments from 1st April 1964.

114. An encouraging feature of recruiting was the high proportion, 51·1 per cent., of men enlisting on an initial engagement of nine years. This should help to provide increased stability in the Army of the future.

115. Normal run-out at the end of the soldiers’ terms of service during 1964 amounted to 9,225 compared with 6,186 in 1963, and 5,635 in 1962. This higher number is mainly due to the large number of men who enlisted in 1958 on the minimum six-year initial engagement introduced in October 1957, and who completed their terms of service in 1964. Wastage was 13,735 compared with 13,342 in 1963, and 12,946 in 1962.

116. As the target strength of about 160,000 soldiers is approached the achievement of a proper balance between the various corps and trades becomes increasingly important. Efforts are being made to achieve this balance without imposing restrictions on the recruitment of any men of the right quality who wish to join the Army. The main proportionate shortfall against requirements arises in certain brigades of the infantry and in the R.A.M.C. and R.A.D.C. Even when the overall target is attained difficult problems will remain not only in maintaining the Army’s strength but in building up the required numbers in each Corps, trade and skill.

117. The recruitment of boys has continued successfully. At the end of 1964 including those serving on adult engagements there were 4,170 apprentices, 4,301 junior leaders, 1,615 junior tradesmen and 1,515 junior bandsmen under training, a total of 11,601. The Junior Army Association was introduced during the year with the aim of retaining the interests in the Army of the many boys for whom it is not possible to allot vacancies in one of the junior soldier units. These boys are given their own badge and are kept in touch with the Army in a variety of ways. It is hoped that many of them will join the Army when they reach the age of 17.

Royal Air Force

118. The number of adult vacancies in the R.A.F. Ground Trades continued to be very low until the beginning of July 1964 when normal recruiting was resumed. The new requirements are being generally met except in certain categories notably Trade Assistant General, Steward and Nursing Attendant. Young men aged between 17 and 17½ years may now be recruited with their parents’ consent for R.A.F. service. These “young airmen” are accommodated and trained in the same way as recruits over 17½ but are not posted from training until reaching that age.

119. The new Youth Entry Scheme was successfully launched in September 1964. The high quality of the Youth Entry has been maintained and the requirement for Craft and Administrative Apprentices has been substantially met. The first intake of Technician Apprentices came to within 80 per cent.
of the requirement; and, as this was the first entry of these well qualified boys (4 G.C.E.'s at "O" level including mathematics and a science subject) it was satisfactory.

Training of Ratings, Other Ranks and Airmen

120. In all three Services the technical training given to junior personnel though designed for Service purposes provides wherever possible for the attainment of nationally recognised qualifications and experience which will be valuable later in civilian life. Some courses for junior personnel lead to the Ordinary National Certificate, others to City and Guilds qualifications, and there are opportunities to read for G.C.E. (O) level. Completion of many Service technical courses followed by experience in the trade is recognised by Trade Unions as a qualification for membership on leaving the Services. Dockyard Technical Colleges provide courses for civilian dockyard apprentices leading to O.N.C. and H.N.C. and to City and Guilds qualifications.

Women's Services

121. The authorised number of 250 W.R.N.S. officers has been maintained with a satisfactory balance between promoted ratings and direct entries.

122. In order to maintain a strength of about 3,000 W.R.N.S. ratings some 1,000 enrolments are needed each year. The minimum age has been lowered from 17½ to 17, and the intake in 1964 was 963.

123. The W.R.A.C. serve with all major Arms and Services in 28 different trades and employments. 25 per cent. of the Q.A.R.A.N.C. and W.R.A.C. are stationed abroad. Both of these Corps require more officers, although the officer strength of the Q.A.R.A.N.C. increased during 1964 from 700 to 720, and the officer strength of the W.R.A.C. from 281 to 301. The other rank strength of the Q.A.R.A.N.C. fell from 909 to 899 and the other rank strength of the W.R.A.C. fell from 4,682 to 4,639.

124. As the size of the Royal Air Force has reduced, so have the numbers of W.R.A.F. personnel fallen during the year from 446 officers and 5,411 airwomen to 438 officers and 4,585 airwomen. Recruiting has been generally satisfactory. The W.R.A.F. serve in a wide variety of posts both at home and overseas. During the year the strength of the Princess Mary’s Royal Air Force Nursing Service rose from 390 officers to 410.

125. The three Services all need more women to serve longer than the normal initial engagement. As an inducement to longer service, schemes were introduced towards the end of 1964 for bonus payments to new entrants who undertake to serve for six years and who do so, and for smaller bonuses to women already serving who undertake and complete two years’ extra service.

Reserve and Auxiliary Forces

Royal Naval Reserve/Royal Fleet Reserve

126. Estimates provision has been made for a Royal Naval Reserve strength of about 4,000 officers and 4,200 ratings. For the Royal Marine Forces Volunteer Reserve, the figures are 150 officers and 920 other ranks; for the Women’s Royal Naval Reserve, 160 and 925. Numbers of officers
are also enrolled in the Royal Naval Volunteer Supplementary Reserve, but these have no training commitment. Apart from the latter, all the Reserves have carried out normal training in 1964–65, including periods in H.M. ships.

127. A scheme initiated in 1962 whereby medical and dental students and pre-registration doctors enter the R.N.R. with a view to accepting R.N. Short Service or Permanent commissions after registration has attracted 28 medical and 8 dental officers so far.

128. Although the number of men committed to service in the Royal Fleet Reserve following active service is reducing temporarily, the fall in strength is being countered by voluntary re-engagement and enrolment in the Reserve of ex-regular sailors with no Reserve liability.

Army Reserves

129. A preliminary examination of the availability of Reserve forces has indicated that a large part of the Reserves cannot be utilised except under restrictive and archaic conditions. Though there has been recent legislation on the Reserves the essential difficulty of matching the liabilities of Reservists against the operational requirement has been left unresolved. This failure to grapple with this problem leaves open the possibility of serious prejudice to our capacity to deploy the necessary forces at the right time. When the review of roles and commitments of the Forces as a whole is completed it is intended to bring forward legislative proposals aimed at securing the maximum availability of Reserves consistent with the operational need.

Territorial Army

130. The Territorial Army is now at about 90 per cent. of its peacetime ceiling and is maintaining itself at that level. During 1965 detachments of volunteers totalling about 7,000 men from a wide range of T.A. units will carry out their annual camp training with the regular army in North-West Europe. Steady progress is also being made in providing modern equipment for the Territorial Army.

131. There has been an increase in the number of men volunteering for the Territorial Army Emergency Reserve, which has now reached a strength of some 6,600 all ranks. The role of the force will be reconsidered as part of the Home Defence Review mentioned in Part III.

Army Emergency Reserve

132. Category I of the Army Emergency Reserve, intended to provide backing for the strategic reserve in a limited war, is now recruited to over 80 per cent. of establishment.

133. There is still a need to recruit more men for Category II. This category provides certain specialists required for general war; it involves no pre-proclamation liability for service overseas.

Royal Auxiliary Air Force

134. The Royal Auxiliary Air Force now consists of Maritime Headquarter Units which have the task of reinforcing the operational control organisation of Coastal Command in emergency.
The Navy, Army and Air Force Reserves Act 1964

135. The provisions of the Navy, Army and Air Force Reserves Act 1954 were extended by the 1964 Act to 30th June, 1969, but its main effect has been to release a million or so men who had completed their period of National Service in 1962 or earlier, from all Reserve obligations.

Cadet Forces

136. The Combined Cadet Force has been reorganised and reduced to a maximum of 56,500 cadets made up as follows:

- Royal Navy: 6,000
- Army: 40,000
- Royal Air Force: 10,500

There have also been improvements to the training syllabus, to make it more demanding, and in the officer to cadet ratio.

137. Total strength of the Sea Cadet Corps has dropped slightly, in phase with the post-war birthrate; seven new units were formed during the past year, however, bringing the total to 397. During the year, the Girls' Nautical Training Corps was affiliated to the Sea Cadet Corps.

138. A steady proportion of the recruits for the Royal Navy come from the C.C.F. and S.C.C., and the Navy will continue to provide realistic naval training for the cadets. In 1964 nearly 1,600 boys went to sea in H.M. Ships including 125 who took part in the R.N.R. exercise Rockhaul II to Gibraltar and Lisbon. Another 7,400 visited Naval establishments for a variety of courses.

139. The Army Cadet Force has continued to flourish in 1963-64, despite a slight decrease in numbers. This success is due to the untiring work of the volunteer officers and other adults. The training of the older boys has been improved and the Territorial Army has been able to assist, particularly by providing instructors for training sessions.

140. The total strength of the Air Training Corps is 2,700. Both the Combined Cadet Force and the Air Training Corps contribute much to the regular recruitment to the Royal Air Force, and in the twelve months up to 30th June, 1964, over a third of direct entry Aircrew and nearly half of all Officer Cadets were former members of the A.T.C. or C.C.F. In addition, nearly half the youth entry and nearly a quarter of the adult entry into the Royal Air Force consisted of former cadets. Flying Scholarships for private pilot training were awarded to 350 cadets and 2,250 cadets were trained to glider pilot proficiency standard. Over 7,000 cadets too young to pilot gliders were given passenger flights in gliders.

EQUIPMENT

Research and Development

141. Work is in hand on the revised Aircraft Research and Development Programme in view of decisions recently announced. Drawing up a revised programme consistent with our needs and resources will take time. It will be facilitated by the strengthening which has taken place on the central Defence scientific machinery under the Chief Scientific Adviser, who has now two Deputies, one dealing with Projects and the other Research.
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138. A steady proportion of the recruits for the Royal Navy come from the C.C.F. and S.C.C., and the Navy will continue to provide realistic naval training for the cadets. In 1964 nearly 1,600 boys went to sea in H.M. Ships including 125 who took part in the R.N.R. exercise Rockhaul II to Gibraltar and Lisbon. Another 7,400 visited Naval establishments for a variety of courses.

139. The Army Cadet Force has continued to flourish in 1963–64, despite a slight decrease in numbers. This success is due to the untiring work of the volunteer officers and other adults. The training of the older boys has been improved and the Territorial Army has been able to assist, particularly by providing instructors for training sessions.

140. The total strength of the Air Training Corps is 2,700. Both the Combined Cadet Force and the Air Training Corps contribute much to the regular recruitment to the Royal Air Force, and in the twelve months up to 30th June, 1964, over a third of direct entry Aircrew and nearly half of all Officer Cadets were former members of the A.T.C. or C.C.F. In addition, nearly half the youth entry and nearly a quarter of the adult entry into the Royal Air Force consisted of former cadets. Flying Scholarships for private pilot training were awarded to 350 cadets and 2,250 cadets were trained to glider pilot proficiency standard. Over 7,000 cadets too young to pilot gliders were given passenger flights in gliders.

EQUIPMENT

Research and Development

141. Work is in hand on the revised Aircraft Research and Development Programme in view of decisions recently announced. Drawing up a revised programme consistent with our needs and resources will take time. It will be facilitated by the strengthening which has taken place on the central Defence scientific machinery under the Chief Scientific Adviser, who has now two Deputies, one dealing with Projects and the other Research.
142. As stated in Part I, in planning an Equipment Programme for the three Services we must avoid both the dangers of, on the one hand, giving them inadequate and out-dated equipment, and on the other, of aiming at such a degree of sophistication that the equipment is far too late in time and far too expensive. Operational Requirements and technological advances must be examined critically in order to seek to strike the most effective balance possible. As stated in Part I, machinery is being developed (e.g. in the field of Operational Requirements and Operational Analysis) in order to tackle this problem. Careful attention must also be paid to questions of reliability and serviceability and ease of maintenance.

143. Where it has been decided to introduce very sophisticated equipment, Research and Development will take a long time. New weapons may run into teething problems before they can be brought into service. Moreover, when the new weapons are in service, their complex nature, which may be a product of new and little tried techniques, makes accurate forecasting of defects in operation, and the future need for spares, a most difficult tasks. Thus, problems may continue to arise and full reliability of new weapons may often be difficult to secure. The growing complexity of new equipment and shortcomings of the equipments already in service make heavy demands on those who may have to fight in the front line and on those whose duty it is to maintain in full serviceability the equipment which the fighting man uses. Each advance in the complexity of new weapons underlies the importance of reliability and ease of maintenance. While sophisticated equipment is under development we must always be ready to re-appraise it. This will require effective arrangements for time and cost control. When timely review, based on such arrangements, indicates that an equipment is no longer likely to be worth the effort, we must be prepared to scrap it and go for something simpler which will arrive in time.

144. Continued intensive staff effort on the Equipment Programme will be needed, from the earliest stage right through until the equipment is in service—or, indeed, until it has finally gone out of service. Lessons from experience must be studied for future application and every technique that can be evolved must be used as fully as possible.

Royal Navy

145. In the Royal Navy's equipment programme for 1965–66 provision for the construction of new ships and the purchase of new aircraft is £133m in 1965–66 compared with £105m in 1964–65. New naval construction includes the continuance of the Polaris programme, and the second nuclear-powered hunter-killer submarine H.M.S. Valiant, will be completed during 1965–66. H.M.S. Fearless and H.M.S. Interpid, the two new assault ships, are expected to enter service in the coming year and the escort fleet will be strengthened by the addition of four more Leander Class Frigates and of a fifth County Class guided missile destroyer equipped with the Sea Slug Mark 2 surface-to-air guided weapon system. Three more fast replenishment tankers and three survey vessels are also expected to enter service in 1965–66. The conversion of H.M.S. Blake to carry anti-submarine helicopters is due to start in April. Delivery of the Mark 2 versions of the Buccaneer and Sea Vixen will continue.
146. Typical examples of the difficulties encountered by the Army in the development of complex new equipment are to be found in the new range of armoured vehicles now coming into service. These are being overcome but have led to delays. The multi-fuel engines used for the Chieftain, Abbot and tracked armoured personnel carrier has been slow to develop because it is technically very advanced and therefore difficult to progress. New ground has been broken in the process.

147. Production of new equipment for the Army continues to increase. Provision in estimates for deliveries of fighting equipment in 1965–66 is about £14m compared with £97m in 1964–65. The new Chieftain main battle tank should enter service during the year, initially in training establishments. The tracked armoured personnel carrier, which entered service in 1964–65 will be produced in larger numbers and with a multi-fuel engine. The self-propelled 105 mm. Abbot close support gun and the American M.107 self-propelled gun will both be issued to units during the course of the year. Deliveries of the Vigilant anti-tank guided weapon started in 1964 and there will be continued deliveries of the Wombat and Carl Gustaf anti-tank weapons and the new 81 mm. mortar and general purpose machine gun. The Stalwart high mobility load carrier, which has now passed its acceptance trials, will start full production. The second and third logistic ships will be completed during the year and there will be further deliveries of new radio equipment.

148. As to the equipment of the fighting soldier, it is now recognised that in the jungle he should carry no more than a 55 lb. load, and it is hoped to provide him with lighter yet robust equipment. For example, a lighter ration pack is under trial in the Far East, where efforts are being made to improve the special pattern of boot issued to troops operating in the jungle. Trials of lighter personnel weapons are also taking place.

**Royal Air Force**

149. The problems posed by the development and maintenance of sophisticated equipment apply particularly to the Royal Air Force. The grounding of the entire Valiant force and its subsequent complete withdrawal from service because of fatigue problems have already been announced. These problems, the first evidence of which appeared last August, have presented the Royal Air Force with serious difficulties in respect of its in-flight refuelling and long range photo reconnaissance capabilities. Steps are in hand to accelerate the conversion of Victor aircraft for these roles. Meanwhile adjustments have been made in the deployment of our fighters so as to permit overseas reinforcement, and Canberra photo reconnaissance aircraft are being used to carry out as much as possible of the survey work which would have fallen to the Valiants. There is no evidence to suggest that the more recent types of V Bomber are likely to be affected by similar fatigue problems.

150. As stated in Part I, a decision on a replacement for the Canberra has been deferred. The Hunter is to be replaced by the United States Phantom which has a high capacity both as a fighter and as a ground strike aircraft (and which is also being bought for the Royal Navy), together with a developed version of the vertical take-off Kestrel (the
P.1127). To replace the Hastings, the Beverley, and eventually the Argosy aircraft it is proposed to order the United States C.130E, and to replace the Shackleton Mark II maritime reconnaissance aircraft an order is being placed for an adaptation of the Comet. All these new aircraft will come into service by the end of the decade. A Kestrel evaluation squadron has been formed as a joint British-American-German unit to investigate various concepts of V./S.T.O.L. operation, and their control and logistics.

151. In 1965–66 expenditure on aircraft and stores will amount to about £270m. compared with an estimate of £234m. in 1964–65. On the aircraft side about £26m. will be devoted to new transport aircraft. This will include payment for the majority of the ten Belfast aircraft which are being delivered in 1965–66 and the following year. A start will also be made on the delivery of the Andover short range military freighter. Delivery of the 20 Basset communications aircraft now on order, which begin in 1964–65 will be completed in 1965–66. (The Basset is the Service name for the Beagle B.206.) Most of the order for the Dominie advanced navigation trainer aircraft (a version of the H.S.125) will also be delivered during 1965–66. Among combat aircraft the re-equipment of the fighter force with the Lightning Mark 3 interceptor will continue.

152. Modern high performance aircraft demand better local control facilities and an extensive equipment replacement programme has been drawn up using modern British radar for airfield surveillance and precision approach. Work is going ahead on the integration of plans for the National Air Traffic Control Service and there will be substantial expenditure on military radars and centralised data handling facilities in 1965–66.

153. For flying training the Lightning 5, which enters service in 1965, will provide dual instruction in the Lightning weapons system. The new Dominie advanced navigation trainer will enter service at the R.A.F. Advanced Navigational School and the College of Air Warfare. Operational training units and squadrons are making increased use of flight simulators, which enable the number of flying hours to be kept to the minimum. Argosy flight simulators of an advanced design are now in operation in Benson and Thorney Island.

Helicopters

154. Although about 300 helicopters are already available to the three Services (excluding training aircraft and reserves), the capability of the force needs to be increased. Steps have already been taken to make maximum use of existing resources. For example, nearly the whole of the long-term reserve of the Royal Air Force helicopter force has been put into the front line, and effective capacity has been improved by an increase of 50 per cent. in flying hours of troop-lift helicopters operating in support of the Army in Malaysia. Troop-lift capability has also been improved in the Royal Navy. Other means of rationalising the use of helicopters are being studied by the three Services jointly.

155. The introduction of the Wessex Mark 2 twin-engined troop-lift helicopter into Royal Air Force service during 1964 has added considerably to the capability of the front line. More helicopters of this type are to follow. The Royal Navy is receiving further Wessex Mark 5 helicopters.
for troop-carrying and will also be acquiring Sioux helicopters (the name for the Bell light helicopter) for reconnaissance. The Army, too, is to have a substantial number of Sioux helicopters for support duties with combat units; and deliveries of the Scout helicopter will continue. New deliveries will continue to increase significantly the size and capability of our helicopter forces over the next few years.

Hovercraft

156. A Joint Service Hovercraft Unit with two SRN5s is now in the Far East. The Inter-Service Hovercraft Trials Unit has continued evaluation of the SRN3 at Lee-on-Solent.

ADMINISTRATION: OTHER ACTIVITIES

Services Works Programme

Works in the United Kingdom

157. Works services in the United Kingdom in 1965–66 will be maintained at a higher level than in 1964–65.

158. For the Royal Navy work on the Polaris operating base at Faslane will be continued in the coming year. Work necessary to enable Rosyth dockyard to refit nuclear submarines will be largely completed this year.

159. The programme for modernising and redeveloping the accommodation in Fleet Shore Establishments continues. In addition some 8,750 married quarters are now available or under construction and in 1965–66 the first of the estate of 1,000 maisonettes at Gosport will be completed, built on an industrialised system.

160. For the Army 28 large projects will have been completed in 1964–65, including Stanhope Lines, Aldershott, comprising four unit barracks. In all 12 major units, training establishments and other depots will be provided for and 32 large projects will have started, including accommodation for two major units and eight large training establishments. During 1965–66, 22 large projects are due to be completed including Chattenden Barracks, Chatham, part of the Royal School of Military Engineering. At the same time, 58 projects are due to start, including the re-building of Hyde Park Barracks, the School of Infantry, Warminster, and the Guards Depot at Pirbright. Completions of married quarters are expected to reach 1,700 in the current year and 2,400 in 1965–66. Included in the expected completions for 1965–66 and 1966–67 are about 1,200 married soldiers quarters to be built by an industrialised system in the Aldershot and Salisbury Plain areas.

161. For the R.A.F. work is in hand to enable full effect to be given to redeployments of R.A.F. units on a smaller number of stations. Work continues on the installation of the new air defence radar systems and work will shortly start on the extensive installation of the second Transport Command base for long range transport aircraft.

162. About 1,400 married quarters are expected to be completed in 1964–65 and in 1965–66 it is planned to start construction of a further 1,500.
Works Abroad

163. In the Middle East the bulk of the living accommodation in the Army township at Little Aden is now complete and the whole project will have been finished by mid-1965. Improvements to existing Army and R.A.F. single accommodation, including the installation of air conditioning, are in hand and construction is planned to start on additional air conditioned single accommodation, and on amenities. A new R.A.F. hospital is under construction at Bahrain, and most of the accommodation there for the British troops will be complete by March, 1966. The provision of improved and extended technical servicing facilities for aircraft continues.

164. In the Far East, there is a substantial building programme at Hong Kong, which is being financed by the Hong Kong Government. Additional accommodation is being built at the Singapore naval base to meet the build-up of the Far East Fleet, and will include quarters for a W.R.N.S. unit.

165. In Germany, the emphasis will continue to be on improving the general standard of barracks and on providing additional facilities such as new primary and secondary schools. The construction of blocks of flats by German contractors for hiring to the Army and R.A.F. as married quarters is going ahead well.

166. In Gibraltar, the rebuilding of the Fleet shore establishment H.M.S. Rooke will begin early in 1966 and the R.N. Armament depot is being redeveloped. Work will continue on the New Fortress Headquarters and on the barracks for re-housing the garrison. It is hoped to make a start on some 100 Army married quarters mostly for Other Ranks.

Royal Dockyards

167. The four Royal Dockyards in the United Kingdom at Portsmouth, Devonport, Chatham and Rosyth employ in their productive departments over 35,000 workpeople with a wages bill of nearly £30m. a year. Portsmouth and Devonport, each with 12,000 men, are among the largest industrial undertakings in the country. The Royal Dockyards at Singapore and Gibraltar have an annual wages total of about £2-5m. and the number of workpeople employed is approximately 6,700.

168. The Royal Dockyards are specially laid out equipped and manned for their main task of repairing, modernising and maintaining the ships of the Fleet. The special facilities enable them to refit the complex equipment, such as weapons and electronic equipment, which is installed in modern warships. Devonport Dockyard, for example, was capable of undertaking the extensive modernisation of H.M.S. Eagle which was completed in 1964. Portsmouth, Devonport and Chatham also build new warships. The total value of the productive work carried out in the Royal Dockyards is now upwards of £100m. a year.

169. The Royal Dockyards also provide base support for the Fleet. They contain stores, victualling and armament supply organisations which cater both for the ships and for the Naval establishments ashore in the areas covered by the Dockyard ports.

170. The new dockyard organisation is now in being at Chatham and Rosyth, and is proving its worth. A similar organisation is being introduced at Portsmouth.
Royal Ordnance Factories

171. The Royal Ordnance Factories are being kept up-to-date with technological advances and modern equipment. The number and strengths of the Factories have been reduced in recent years in view of the smaller total munitions needs of the smaller Armed Forces, but the Factories remain the major U.K. producers of the conventional weapons, ammunition and fighting vehicles that are coming into service. Every effort will be made to secure the optimum number of defence and other contracts for the Royal Ordnance Factories. Concurrently with their main production effort, the Factories will also continue to undertake experimental and design work in aid of the research and development programmes.

Maintenance Command

172. The main engineering and supply support of the Royal Air Force in the United Kingdom is provided by Maintenance Command. Its units undertake major overhauls, modifications and reconditioning of aircraft, the salvage and repair of aircraft, the servicing of complicated electronics equipment, mechanical components and systems instruments and armament and the manufacture of various items required by the Service. The Command also stores and distributes to the whole of the Royal Air Force, complete aircraft and MT vehicles, fuel, explosives, medical supplies and the whole range of technical and domestic equipment used by the Royal Air Force numbering nearly a million separate items. The Command has its own Gas Production Factory which produces oxygen, hydrogen, nitrogen and compressed air and supplies these to units of the Royal Navy and Royal Air Force at home and overseas. Maintenance Command employs some 15,000 civilians with a wages bill of £10,800,000 a year. Its units are spread over England, South Wales and Northern Ireland.

Other Activities

Surveying

173. Survey ships of the Royal Navy have continued to carry out undersea exploration at home and abroad. Of a total of 12 vessels, eight were last year charting sands and shoals in our own coastal waterways while the four larger ships concentrated on deep sea work from the North Atlantic to the China Sea.

174. Most of the present survey ships are dated and are being replaced by newly designed Ocean Survey Ships, H.M. Ships Hecla, Hecate and Hydra (specially designed for the dual role of oceanography and hydrography) of which the first has already been launched. The Government intends to build new Coastal Survey Craft for hydrographic work overseas. Two converted minesweepers entered this service during the year, and there will be further minesweeper conversions by 1967.

175. Other surveys over land included flights by Bomber Command photographic reconnaissance aircraft which undertook aerial surveys of large areas of Southern Rhodesia, Zambia and Bechuanaland, as well as of British Guiana and Trinidad and Tobago, and surveys were made of parts of Sarawak and Sabah. Among the aims of the 1964–65 joint-Service expedition (which is now in progress) are to carry out a traverse of the island of South Georgia, to climb Mounts Paget and Sugar Top and to make surveys of some unmapped areas.
Oceanography

176. The National Environment Research Council is to take over responsibility for the National Institute of Oceanography, but a close association between the Institute and the Ministry of Defence will continue. The Department will continue to rely on the Institute for the conduct of basic research and added emphasis is being given to military oceanography.

Royal Observatories

177. The Science Research Council is to take over responsibility for the Royal Observatories at Herstmonceux and Edinburgh. There has always been a close working arrangement between the Royal Greenwich Observatory and the Navy, which has relied on the Observatory for navigational, time and other information. There will continue to be a defence interest in the work of the Royal Greenwich Observatory, which is responsible for the compilation of the Nautical Almanac, and a close association between the Department and the Observatories.

Meteorology

178. Preparations for installing a faster computer in the Meteorological Office Headquarters at Bracknell are nearly complete. The machine should be in full operation by the summer of 1965 when still further improved methods of calculating the atmospheric pressure 24 and 48 hours ahead will be brought into regular use.

179. Pictures of cloud formations over the British Isles and adjacent areas of the Atlantic were received at Bracknell from the American experimental weather satellite Nimbus A, using equipment assembled in the Meteorological Office workshops. Results were also received from instruments supplied by the Meteorological Office for the Anglo-U.S. satellite Ariel II designed to measure the distribution of ozone in the high atmosphere. Measurements of wind and temperature between heights of 65,000 and 210,000 feet were made by instruments carried on the Skua meteorological rocket launched from the Ministry of Defence range on South Uist. An unmanned meteorological observing station which interrogated by G.P.O. telephone was successfully tested.

180. The twice-monthly forecasts of the weather for a month ahead have had some success and have proved their value for many purposes.

181. A contract has been placed for an automatic chart plotter. This will first be used to produce the hourly charts which show the weather at about 100 observing stations in the British Isles. The machine completes in about five minutes a chart which takes nearly an hour to plot by hand.

182. The Meteorological Office is extending its observational and research work on the measurement and distribution of rainfall. The Office will co-operate in the programme for the International Hydrological Decade which began on 1st January.

Fire Fighting

183. In 1964 a pilot scheme was introduced to train three units of the Territorial Army in fire fighting during their annual camp at the Army Home Defence Centre. In 1965 the scheme will be expanded to embrace thirteen Territorial Army units, which will be earmarked to mobilise during the following year with fire equipment in support of the civilian fire authorities.
REORGANISATION AND RATIONALISATION

Progress of Reorganisation at Ministry of Defence Headquarters

184. The unified Ministry, which came into existence on 1st April, 1964, brought together four major Departments of State under the control of the Secretary of State for Defence. Within the Department, by Act of Parliament, a Defence Council was set up to formulate major Defence policy and exercise the powers of command and administrative control previously exercised by the Board of Admiralty and by the Army and Air Councils, and new Boards were established under the Secretary of State to manage the three Services.

185. The Naval, General and Air Staffs have now been brought together in the Defence Staff; a Defence Operations Centre has been established, under the control of the Defence Operations Executive; a combined Defence Signals Centre has also been built and is in operation; the integration of Signals and Intelligence Staffs has made good progress. A Defence Operational Requirements Staff has been created, and is working successfully to co-ordinate and formulate requirements for weapons and equipment on a Defence, rather than on a single-Service basis. Scientific staffs are being strengthened, and a unified Operational Analysis Staff is being created. A Defence Secretariat has been set up within which a Deputy Secretary, specially appointed for the purpose, is now in full time charge of work on the defence programme and budget. Senior staff, military and civilian, have been appointed so that the rationalisation of the administration of the three Services can be given special attention. A Central Establishment organisation has been set up whose duties include, in conjunction with the Establishment staffs of the Navy, Army and Air Force Departments of the Ministry, the central co-ordination of departmental management including the control of overall numbers and the co-ordination of the deployment of civilian administrative and senior scientific staff.

186. The security organisation in the Department has also been improved. The Army and Air Force departments have, in the past year, each formed a centralised Directorate of Security; the Navy Department established a Directorate of Naval Security in 1962. This standard form of organisation, working in conjunction with the Security Adviser whose appointment was described in paragraph 88 of Cmd. 2097, will facilitate the co-ordination of security policy, the standardisation of security practices and generally the promotion of maximum efficiency in this vital area throughout the Department and the three Services.

187. The reorganisation of the Department entailed the move into what is now the Ministry of Defence Main Building of some 2,400 staff of the former Ministry of Defence, Admiralty and War Office. A further large-scale programme is now in hand in co-operation with the Ministry of Public Building and Works to reallocate accommodation in the Old Admiralty and Old War Office buildings, and the smaller buildings occupied by the former Defence Departments in the Whitehall area, so that increasingly staffs with similar responsibilities for the three Services will be housed alongside one another.

188. The initial increase in the Central Staffs of the unified Ministry required for new tasks and by this major reorganisation was largely offset by
economies elsewhere. Thus the net increase in total Headquarters staff as estimated on 1st April, 1964, was only 70. As already announced, steps have been taken to effect further economies, wherever possible, in Headquarters staff. By comparison with a total of about 24,200 on 1st April, 1964, the total on 1st April, 1965, will have decreased by about 640 to 23,560. It is estimated that there will be a further decrease at Headquarters of approximately 140 by 1st April, 1966. At out-stations, taking both industrial and non-industrial staffs together, there has been a reduction of about 20,500 between 1st April, 1964, and 1st April, 1965, and there is expected to be a decrease of about 1,500 between 1st April, 1965, and 1st April, 1966.

189. Further economies will be realised partly through the normal processes of establishment control, i.e., the inspection of complements and the review of tasks, partly through progressive improvements in departmental efficiency, e.g., the introduction of modern office equipment, and partly through general review of departmental organisation in the light of experience of the Department’s working since 1st April. It has been accepted, in accordance with the recommendation in the Fifth Report of the Estimates Committee, Session 1963–64, that there should be a specific enquiry into the organisation and establishments of the Ministry within two years.

Other Steps towards Administrative Rationalisation

190. In recent years inter-Service co-operation in logistic and administrative matters has continuously increased. The creation of the unified Ministry of Defence has made it possible to consider a substantial extension of existing arrangements for inter-Service co-operation.

191. Communications. The amalgamation of the Services’ strategical communication networks, with the final aim of a single integrated network, is progressing steadily. Joint communications centres are already working at Aden and Bahrein and a study has just been completed on the possibility of amalgamating the Services’ communication facilities in Singapore.

192. Lands. The unification of the Lands work of the three Services under the Minister of Defence for the Army is now in progress. Joint heads of the Defence Lands Service, an Under Secretary and a Directing Grade Professional Lands Officer, were appointed last June. By mid-September they had formed, with staff from the three Service Departments, one unified branch to deal with all Defence Lands work from overseas and another to implement the Lands reorganisation and co-ordinate estimates for Lands expenditure in a single Vote to be introduced for the financial year 1965–66. At Overseas Command HQs unification of Lands work is nearly complete. Unified Ministry branches dealing with acquisition and estate management and with disposals of all Defence lands at home will be set up in the course of the year. It will be a longer process to bring together the work of local Lands Offices in the United Kingdom in such a way to combine good service for the forces with maximum economy in the use of lands and of staff; this final stage in the reorganisation is now being planned in detail. The unification of Service lands work is expected ultimately to produce staff savings of the order of 15 per cent, on existing strengths and an annual financial saving on staff salaries of about £250,000.
193. *Airfield Construction.* The responsibilities of the Airfield Construction Branch of the Royal Air Force are to be transferred to the Royal Engineers, and the Airfield Construction Branch is progressively to be wound up. Transfer terms have been offered to as many of the R.A.F. personnel as can fill posts in the Army and wish to be transferred. Compensation will be paid to those airmen who could not be offered transfer when they can no longer be employed in the R.A.F. in their present trade and engagement, or be remustered in another R.A.F. trade. This merger should eventually save about 250 men or about £300,000 per annum; and it is also expected to lead to savings in administrative costs.

194. *Logistic Services*

(a) Action is in hand to introduce common supply and logistic procedures in all three Services. An Inspector General of Codification and Standardisation has been appointed to direct the work being done in the Ministry of Defence and the Ministry of Aviation towards the introduction of a single system (based upon that developed in N.A.T.O.) of codifying stores and equipment. Without a common supply language, which will ultimately be developed in this way, the full advantages of integrated supply management, stock control and provisioning procedures cannot be achieved. The magnitude of the task is indicated by the fact that there are more than 2 million items of supply now found in the inventories of the three Services. The Inspector General is also responsible for accelerating progress in inter-Service standardisation of stores and equipment, which should lead to greater flexibility between the Services and considerable economies. Proposals are also being considered for common stock control and requisitioning procedures in all three Services.

(b) The arrangements for co-ordinating contracts on behalf of the Services and for inspecting the stores and equipment purchased have been strengthened. Common forms and procedures will be introduced as far as practicable. The possibility of delegating to approved firms responsibility for quality control, so eliminating unnecessary duplication between the various Inspectorates is being studied. The development of new inspection methods and equipment, the arrangements for inspecting materials, and the use of common standards of measurement, are also being examined.

(c) The possibility of bringing the Movements branches of the three Services under unified direction has been studied. The conclusion reached, however, is that the existing central machinery for the co-ordination of movements is so well adapted to operational and logistic needs, that nothing would be gained by replacing it with a single executive organisation.

195. *Supply Services*

(a) *Accommodation Stores.* The scheme for the rationalisation of the supply of accommodation stores (i.e. furniture and domestic equipment) to the Armed Forces is to be implemented in 1965–66. Under the scheme the M.P.B.W. will undertake the initial furnishing of new buildings in the United Kingdom, and one Service (the
R.A.F.) will be responsible for the maintenance of accommodation stores in all three Services, and for the initial furnishing of new buildings overseas. The new scheme will enable the maintenance and furnishing of new accommodation in the United Kingdom to be treated as a single task. In addition to establishing a single agency within the Ministry of Defence for dealing with accommodation stores it will standardise scales and designs of furniture and domestic equipment between the Services. In due course savings in staff, storage accommodation, and stockholdings are expected to be substantial.

(b) Clothing. It has been decided that there should be one organisation in the Ministry of Defence responsible for the design, development, procurement and inspection of clothing (other than flying clothing and survival equipment) for all three Services and for the storage of cloth required for making up into Service clothing.

(c) Medical and Dental Equipment and Stores. It has been decided that there should be one organisation in the Ministry of Defence responsible for the procurement, storage and supply of medical and dental equipment and stores to all three Services.

(d) Food. There will also be a single management authority for the procurement, storage and distribution of food to all three Services.

(e) Petrol, Oil and Lubricants. Responsibility within the Ministry of Defence for placing contracts for Petrol, Oil and Lubricants, miscellaneous fuels and solid fuel for all three Services is also to be centralised.

(f) Motor Transport. A study is in hand to assess the advantages of similarly centralising responsibility for the supply, storage and repair of a wide range of Motor Transport in common use in the three Services.

196. Personnel Administration. Since the establishment of the unified Ministry of Defence studies have been initiated into the following aspects of personnel administration:

(a) Medical Services. A Committee is examining the scope for some integration of the medical services of the Navy, Army and R.A.F.

(b) Education and Training:

(1) A Committee has been set up to consider the role of higher defence studies in the education of senior Service officers and civil servants, as a means of providing advice to the Ministry of Defence and as a means of informing and influencing public opinion. The Committee is examining the nature and organisation of higher defence studies in the United Kingdom and is considering what improvements are necessary and what links should be established with the community at large.

(2) A Committee is examining the implications for the Services of the education developments foreshadowed in the Robbins Report on higher education and the Newsom Report on secondary education.
(3) The scope for Inter-Service rationalisation of various aspects of training, including the major subject of staff training is also being examined.

(c) Recruiting. The scope for closer co-operation between the recruiting organisations of the three Services is being considered.

197. Accounting and Costing Procedures

(a) Before the unified Ministry of Defence was set up the former Ministry of Defence and the Service Departments charged one another for work done or services rendered. It has now been possible to simplify procedures and work by largely eliminating these adjustments.

(b) Arrangements have also been made for the closer co-ordination of costing throughout the department so that common methods and procedures can be adopted, new ideas exchanged, the comparison of costs between the three Services made more productive and the use of costing as an aid to management generally encouraged.

Future Developments in Defence Organisation

198. The changes, already decided or now contemplated, in organisation and procedures both at Headquarters level in the Ministry of Defence and in the field, as described in this chapter, may lead, in due course, to more fundamental changes in the structure of Service administration as a whole.
CIVIL DEFENCE

OTHER EXPENDITURE NOT INCLUDED IN THE DEFENCE BUDGET

CIVIL DEFENCE

199. For the financial year 1965–66 £21.9m. has been provided in the Estimates for expenditure by civil departments on home defence. Details are set out in Part IV, Annex E. The form of our civil defence preparation, in the years ahead is being reviewed in the light of the general reconsideration of defence.

200. Arrangements have been made for an emergency system of control, for the maintenance of law and order and for the marshalling of the available resources—food, water, medical supplies and raw materials.

201. An effective organisation for warning the public of an attack and for monitoring radioactivity has been established, including a communications system for the rapid transmission of warnings, and headquarters and posts for the Royal Observer Corps.

202. Planning for the maintenance of essential supplies and services in an emergency continues. The system of control has been further developed and preparations are proceeding, including preparations by the local authorities.

203. The full effect of the reorganisation of the Civil Defence Corps introduced in 1962 is now becoming apparent, and recruits who are prepared to accept the obligations which membership of the Corps now entails are coming in steadily. The Auxiliary Fire Service has been similarly reorganised.

204. To help the police maintain law and order, plans have been made for the formation of reserve units which would be sent to stricken areas after an attack. Regular training is given for this task and for all other war-time duties of the police.

205. Good progress has been made in stockpiling equipment to fight wartime fires. Planning for emergency fire-fighting continues. Arrangements were made during 1964 for selected Territorial Army units to receive training in a fire-fighting role.

206. Plans for expanded war-time hospital and casualty services have been further developed, and the allocation of medical manpower in war-time is under discussion with representatives of the medical profession.

207. Planning has continued for the procurement, control and distribution of food, for emergency feeding and for agricultural production after an attack. In addition, stocks of food and emergency feeding equipment are being maintained.

208. Plans for the maintenance of other services include the stockpiling of equipment to enable water supplies lost by damage to installations or by
contamination to be replaced. Preparations also cover the maintenance of communications and a broadcasting service in war, and the due functioning of transport.

209. A pilot survey of shelter against radio-active fall-out has been carried out, and the results are being studied.

210. To enable the Government of the day to put dispersal arrangements into operation if they considered it right to do so, the broad outline of a scheme was announced in 1962 for the movement of priority classes—mainly children and their mothers—away from the most densely populated parts of the country. The local authorities are engaged in working out the detailed plans. Fresh guidance has been given to them on plans to help the homeless.

**OTHER EXPENDITURE**

211. Apart from Civil Defence the Financial Secretary's Memorandum on Estimates also classifies under "Defence" some other activities not provided for in the Defence Budget. (The Defence Budget is a block of expenditure which is treated as a whole for the purposes of financial control. It consists of expenditure by the Ministry of Defence and expenditure on military account by the Ministry of Aviation, the Ministry of Public Building and Works and the Atomic Energy Authority.) The items concerned are as follows. Their estimated costs in 1965-66 are summarised at Part IV Annex E.

**Purchasing (Repayment) Service Votes**

212. Purchasing (Repayment) Services Votes provide the initial finance for the purchase of military and certain other equipment, primarily for the Ministry of Defence. The expenditure is eventually recovered, in the main as a charge to the Defence Budget, and, taking one year with another, the Votes are roughly in balance. In 1965-66 it is estimated that the Army Purchasing (Repayment) Services Vote will be in debit by £2m. and that the Ministry of Aviation Purchasing (Repayment) Services Vote will be in credit by £31 6m. This credit represents that part of the repayments by customers which will be paid into the Exchequer as Exchequer Extra Receipts.

**Military Aid to Overseas Countries**

213. The cost of any military aid given to overseas countries is met from the Vote of the oversea Department concerned. For Commonwealth training at home and assistance overseas this assistance is estimated to cost £3m.; some £30m. for Commonwealth defence supplies may also fall in this period.

**Allied Services by Civil Departments**

214. Civil Departments provide the following services and bear the cost involved: civil superannuation, headquarters accommodation, stationery and printing and publicity.

**Total Expenditure attributed to Defence in the Financial Secretary's Memorandum**

215. Finally, the Financial Secretary's Memorandum excludes from "Defence" expenditure expenditure for meteorological services which, though borne on Defence (Air) Votes and hence included in the Defence Budget for
financial control, is primarily for civil purposes. The total expenditure thus attributed to Defence in the Financial Secretary's Memorandum equals the total amount of the Defence Budget plus the estimates for all the items listed above less the estimated cost of expenditure on meteorological services.

**Manpower**

216. An analysis of the active strengths of the three Services is given in Annex 'A', Table 1. The strengths in Table 2 are additional to those in Table 1 and consist of forces and units enlisted overseas and personnel enlisted into the forces on local service terms.

217. In 1965–66 the Armed Forces will need about 45,500 male entrants. This figure includes men who enter upon regular engagements, young soldiers and young airmen, and those who enter as boys, apprentices and juniors.

218. An analysis of the Volunteer Reserve and Auxiliary Forces and National Service Reserve for the three Services is given in Annex 'A', Table 3.

219. An analysis of recruitment to the three Services during the last four calendar years is given in Annex 'A', Tables 4, 5 and 6.

**Finance**

220. The estimated cost of the defence programme is: —

<table>
<thead>
<tr>
<th></th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) as estimated for 1964–65</td>
<td>... 1,998·54</td>
</tr>
<tr>
<td>(b) as estimated for 1965–66</td>
<td>... 2,120·50</td>
</tr>
</tbody>
</table>

221. The cost for 1964–65 and 1965–66 is divided as follows:

<table>
<thead>
<tr>
<th></th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1964–65</td>
</tr>
<tr>
<td>Defence (Central)</td>
<td>... 25·97</td>
</tr>
<tr>
<td>Defence (Navy)</td>
<td>... 496·02</td>
</tr>
<tr>
<td>Defence (Army)</td>
<td>... 525·41</td>
</tr>
<tr>
<td>Defence (Air)</td>
<td>... 503·80</td>
</tr>
<tr>
<td>Ministry of Aviation</td>
<td>... 274·96</td>
</tr>
<tr>
<td>Ministry of Public Building and Works</td>
<td>... 165·58</td>
</tr>
<tr>
<td>Atomic Energy Authority</td>
<td>... 6·80</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,998·54</td>
</tr>
</tbody>
</table>

222. An analysis of the 1965–66 Estimates is at Annex 'B' and analyses of the major variations between 1964–65 and 1965–66 in respect of Defence (Central), (Navy), (Army) and (Air) Votes are at Annex 'C' Tables 1–5 respectively.

**Armed Forces (Housing Loans) Act**

223. Subject to Parliamentary approval there will be a sum of £13,565m. drawn from the Consolidated Fund in 1965–66 to finance the construction of additional married quarters under the Armed Forces (Housing Loans) Act.

**Functional Analysis**

224. Diagrams illustrating the functional division of the 1965–66 Estimates and of Service and civilian manpower on 1st April 1965 are shown at Annex D.

**Related Expenditure**

225. Related expenditure outside the Defence Budget is shown at Annex E.
# ANNEX A

**Table 1—Analysis of Active Strengths (Figures in Thousands)**

<table>
<thead>
<tr>
<th></th>
<th>1st April, 1964 (actual)</th>
<th>1st April, 1965 (estimate)</th>
<th>1st April, 1966 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Royal Navy</td>
<td>Army</td>
<td>R.A.F.</td>
</tr>
<tr>
<td>Royal Army R.A.F.</td>
<td>89.9</td>
<td>172.5</td>
<td>125.9</td>
</tr>
<tr>
<td>Total Navy Navy</td>
<td>97.6</td>
<td>189.4</td>
<td>136.1</td>
</tr>
<tr>
<td>Regular Adult Males, Young Soldiers and Young Airmen*</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Women</td>
<td>3.5</td>
<td>6.5</td>
<td>6.1</td>
</tr>
<tr>
<td>Boys</td>
<td>4.2</td>
<td>10.4</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>97.6</strong></td>
<td><strong>189.4</strong></td>
<td><strong>136.1</strong></td>
</tr>
</tbody>
</table>

* These figures include:

<table>
<thead>
<tr>
<th></th>
<th>1st April, 1965</th>
<th>1st April, 1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young Soldiers</td>
<td>1.3</td>
<td>0.9</td>
</tr>
<tr>
<td>Young Airmen</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>1.4</strong></td>
<td><strong>1.0</strong></td>
</tr>
</tbody>
</table>

**Table 2—Forces Enlisted Outside the United Kingdom**

Strengths at 1st January, 1965

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Navy</td>
<td>2,100</td>
</tr>
<tr>
<td>Army</td>
<td>29,100</td>
</tr>
<tr>
<td>Royal Air Force</td>
<td>900</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32,100</strong></td>
</tr>
</tbody>
</table>
## ANNEX A

### Table 3—Analysis of Volunteer Reserve and Auxiliary Forces and National Service Reserves

<table>
<thead>
<tr>
<th></th>
<th>Strength at 1st January, 1964</th>
<th></th>
<th>Strength at 1st January, 1965</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Normal Volunteers</td>
<td>Volunteers from National Service</td>
<td>Part-Time National Service</td>
<td>Total</td>
</tr>
<tr>
<td><strong>ROYAL NAVY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royal Naval Reserve</td>
<td>7,180</td>
<td>943</td>
<td>46</td>
<td>8,169</td>
</tr>
<tr>
<td>Royal Marine Forces Volunteer Reserve</td>
<td>979</td>
<td>20</td>
<td>13</td>
<td>1,012</td>
</tr>
<tr>
<td>Royal Naval Special Reserve</td>
<td>-</td>
<td>-</td>
<td>502</td>
<td>502</td>
</tr>
<tr>
<td>Women's Royal Naval Reserve</td>
<td>978</td>
<td>-</td>
<td>-</td>
<td>978</td>
</tr>
<tr>
<td><strong>ARMY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Territorial Army</td>
<td>105,116</td>
<td>1,663</td>
<td>24,703</td>
<td>131,482</td>
</tr>
<tr>
<td>Women’s Royal Army Corps (T.A.)</td>
<td>4,443</td>
<td>-</td>
<td>-</td>
<td>4,443</td>
</tr>
<tr>
<td>Queen Alexandra’s Royal Army Nursing Corps (T.A.)</td>
<td>263</td>
<td>-</td>
<td>-</td>
<td>263</td>
</tr>
<tr>
<td>Army Emergency Reserve</td>
<td>13,763</td>
<td>305</td>
<td>79,267</td>
<td>93,335</td>
</tr>
<tr>
<td>Women’s Royal Army Corps (A.E.R.)</td>
<td>88</td>
<td>-</td>
<td>-</td>
<td>88</td>
</tr>
<tr>
<td>Queen Alexandra’s Royal Army Nursing Corps (A.E.R.)</td>
<td>89</td>
<td>-</td>
<td>-</td>
<td>89</td>
</tr>
<tr>
<td><strong>ROYAL AIR FORCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royal Auxiliary Air Force</td>
<td>354</td>
<td>3</td>
<td>-</td>
<td>357</td>
</tr>
<tr>
<td>Women’s Royal Auxiliary Air Force</td>
<td>130</td>
<td>-</td>
<td>-</td>
<td>130</td>
</tr>
<tr>
<td>Royal Air Force Volunteer Reserve</td>
<td>1,062</td>
<td>3</td>
<td>-</td>
<td>1,065</td>
</tr>
<tr>
<td>Women’s Royal Air Force Volunteer Reserve</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>Royal Air Force Reserve of Officers (N.S.) and Class H of the Air Force Reserve</td>
<td>-</td>
<td>-</td>
<td>21,035</td>
<td>21,035</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>134,463</td>
<td>2,937</td>
<td>125,566</td>
<td>262,966</td>
</tr>
</tbody>
</table>
## ANNEX A

### Table 4—RN and RM Recruiting 1961, 1962, 1963 and 1964

<table>
<thead>
<tr>
<th></th>
<th>1961</th>
<th>1962</th>
<th>1963</th>
<th>1964</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Normal Regular Engagements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) From Civil Life:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Men with no previous service</td>
<td>1,529</td>
<td>738</td>
<td>1,566</td>
<td>632</td>
</tr>
<tr>
<td>(ii) Men with previous service</td>
<td>80</td>
<td>7</td>
<td>80</td>
<td>8</td>
</tr>
<tr>
<td>(b) From National Servicemen</td>
<td>2</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(c) Juniors (Age 15–17½)</td>
<td>3,985</td>
<td>275</td>
<td>4,373</td>
<td>190</td>
</tr>
<tr>
<td>(d) Artificer Apprentices</td>
<td>476</td>
<td>—</td>
<td>476</td>
<td>—</td>
</tr>
<tr>
<td>Total Males recruited</td>
<td>6,072</td>
<td>1,020</td>
<td>6,493</td>
<td>830</td>
</tr>
<tr>
<td>2. Total Males recruited in terms of Man-years</td>
<td>55,738</td>
<td>9,149</td>
<td>59,667</td>
<td>7,453</td>
</tr>
<tr>
<td>3. Women Recruited</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Q.A.R.N.N.S. Auxiliaries</td>
<td>51</td>
<td>87</td>
<td>109</td>
<td>136</td>
</tr>
<tr>
<td>(b) W.R.N.S.</td>
<td>837</td>
<td>1,025</td>
<td>822</td>
<td>963</td>
</tr>
<tr>
<td>Total Women Recruited</td>
<td>888</td>
<td>1,112</td>
<td>931</td>
<td>1,099</td>
</tr>
</tbody>
</table>
### ANNEX A

Table 5—Army Recruiting 1961, 1962, 1963 and 1964

<table>
<thead>
<tr>
<th>Annual Totals</th>
<th>1961</th>
<th>1962</th>
<th>1963</th>
<th>1964</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Normal Regular Engagements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) From Civil Life:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Men with no previous service</td>
<td>19,059</td>
<td>23,113</td>
<td>14,494</td>
<td>15,780</td>
</tr>
<tr>
<td>(ii) Men with previous service</td>
<td>2,965</td>
<td>3,331</td>
<td>1,821</td>
<td>1,829</td>
</tr>
<tr>
<td>(b) Rejoined Reservists</td>
<td>966</td>
<td>853</td>
<td>265</td>
<td>232</td>
</tr>
<tr>
<td>(c) From serving soldiers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Men on short service engagements</td>
<td>95</td>
<td>94</td>
<td>50</td>
<td>55</td>
</tr>
<tr>
<td>(ii) National Servicemen</td>
<td>608</td>
<td>164</td>
<td>12</td>
<td>—</td>
</tr>
<tr>
<td>(d) Total normal regular engagements—men</td>
<td>23,693</td>
<td>27,555</td>
<td>16,642</td>
<td>17,896</td>
</tr>
<tr>
<td>(e) Young Soldiers</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,488</td>
</tr>
<tr>
<td>(f) Enlisted Boys</td>
<td>5,994</td>
<td>6,794</td>
<td>5,823</td>
<td>6,535</td>
</tr>
<tr>
<td>Total Men, Young Soldiers and Boys</td>
<td>29,687</td>
<td>34,349</td>
<td>22,465</td>
<td>28,919</td>
</tr>
<tr>
<td>2. Short Service Engagements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) From civil life without previous service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Normal short service engagements</td>
<td>1,015</td>
<td>1,004</td>
<td>856</td>
<td>921</td>
</tr>
<tr>
<td>(ii) Special Northern Ireland engagements</td>
<td>50</td>
<td>29</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>(b) From civil life with previous service</td>
<td>763</td>
<td>979</td>
<td>443</td>
<td>490</td>
</tr>
<tr>
<td>(c) From serving soldiers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) National Servicemen</td>
<td>51</td>
<td>15</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(ii) Other than National Servicemen</td>
<td>266</td>
<td>231</td>
<td>103</td>
<td>45</td>
</tr>
<tr>
<td>(d) Total Short Service Engagements</td>
<td>2,145</td>
<td>2,258</td>
<td>1,416</td>
<td>1,469</td>
</tr>
<tr>
<td>3. (a) Total Recruited on Regular and Short Service Engagements (Men, Young Soldiers and Boys)</td>
<td>31,832</td>
<td>36,607</td>
<td>23,881</td>
<td>30,388</td>
</tr>
<tr>
<td>(b) Total Recruited in Terms of Man-years</td>
<td>223,511</td>
<td>260,173</td>
<td>172,494</td>
<td>225,420</td>
</tr>
<tr>
<td>4. Women Recruited</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Q.A.R.A.N.C.</td>
<td>396</td>
<td>452</td>
<td>382</td>
<td>331</td>
</tr>
<tr>
<td>(b) W.R.A.C.</td>
<td>2,360</td>
<td>2,785</td>
<td>1,951</td>
<td>2,225</td>
</tr>
<tr>
<td>(c) Total Women Recruited</td>
<td>2,756</td>
<td>3,237</td>
<td>2,333</td>
<td>2,556</td>
</tr>
</tbody>
</table>
ANNEX A

<table>
<thead>
<tr>
<th>Annual Totals</th>
<th>1961</th>
<th>1962</th>
<th>1963</th>
<th>1964</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Normal Regular Engagements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) From Civil Life:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Men with no previous service</td>
<td>7,550</td>
<td>7,263</td>
<td>1,161</td>
<td>2,906</td>
</tr>
<tr>
<td>(ii) Men with previous service</td>
<td>882</td>
<td>866</td>
<td>63</td>
<td>179</td>
</tr>
<tr>
<td>(b) From National Servicemen</td>
<td>146</td>
<td>38</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td>(c) Total normal regular engagements —men</td>
<td>8,578</td>
<td>8,167</td>
<td>1,225</td>
<td>3,085</td>
</tr>
<tr>
<td>(d) Young Airmen</td>
<td></td>
<td></td>
<td></td>
<td>229</td>
</tr>
<tr>
<td>(e) Enlisted Apprentices and Boy Entrants</td>
<td>3,716</td>
<td>3,487</td>
<td>2,338</td>
<td>1,324</td>
</tr>
<tr>
<td>Total Men, Young Airmen and Boys</td>
<td>12,294</td>
<td>11,654</td>
<td>3,563</td>
<td>4,638</td>
</tr>
<tr>
<td>2. Total Recruited in terms of Man-years</td>
<td>103,532</td>
<td>96,906</td>
<td>33,321</td>
<td>33,850</td>
</tr>
<tr>
<td>3. Women Recruited</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) W.R.A.F. Normal Service</td>
<td>2,318</td>
<td>2,655</td>
<td>1,358</td>
<td>1,421</td>
</tr>
<tr>
<td>(b) W.R.A.F. Local Service</td>
<td>168</td>
<td>343</td>
<td>58</td>
<td>59</td>
</tr>
<tr>
<td>(c) P.M. R.A.F. N.S. (Non-commissioned element)</td>
<td>—</td>
<td>—</td>
<td>8</td>
<td>30</td>
</tr>
<tr>
<td>Total Women Recruited</td>
<td>2,486</td>
<td>2,998</td>
<td>1,424</td>
<td>1,510</td>
</tr>
</tbody>
</table>
## ANNEX B

### Division of the Defence Budget under the Principal Headings (vi)

#### Financial Year 1965-66

| Item | 1. Pay, etc., of Service Personnel | 2. Pay, etc., of Reserve, Territorial and Auxiliary Forces, and grants for administration, etc. | 3. Pay, etc., of Civilians | 4. Movements... | 5. Supplies— (a) Petroleum, petrol and lubricants | (b) Food and ration allowance | (c) Fuel and light... | Miscellaneous... | 6. Production and Research— (a) Production... | (b) Research and Development... | (c) Works, Buildings and Land | (d) Associated Expenditure... | Item 7 Total | 8. Miscellaneous effective services | 9. Non-effective charges | Totals... |
|------|-----------------------------------|-----------------------------------------------|----------------------------|----------------|-----------------------------------------------|--------------------------------|----------------|----------------|-----------------------------------------------|--------------------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|      | (a) Central                        | (b) Ministry of Defence                       | (c) Army                   | (d) Air        | (a)                                          | (b)                                          | (c)                                          | (d)                                          | (a)                                          | (b)                                          | (c)                                          | (d)                                          | (a)                                          | (b)                                          | (c)                                          | (d)                                          | (a)                                          | (b)                                          | (c)                                          | (d)                                          |
| 1.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 2.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 3.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 4.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 5.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 6.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 7.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 8.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 9.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| Item 5 Total | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 6.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 7.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 8.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| 9.   | 9.90 | 9.90 |      | 93.89 | 2.34 | 91.55 | 17.06 | 0.66 | 14.40 | 147.56 | 7.35 | 140.21 | 1.95 | 1.95 |      |      |      | 430.36 | 20.35 | 410.01 |
| Totals... | 33.49 | 5.03 | 28.46 | 58.34 | 3.30 | 40.14 | 54.19 | 69.62 | 142.42 | 555.60 | 66.06 | 44.83 | 561.77 | 651.54 | 396.78 | 254.76 | 197.37 | 27.15 | 170.22 | 2.399 | 264.20 | 2.120.50 |
### Table 1—Ministry of Defence (Central)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HEADQUARTERS AND OUTSTATIONS:</strong> Administrative Services (Subheads A.1-4).</td>
<td>£10,244,500</td>
<td>£9,671,000</td>
<td>+ £573,500</td>
<td>Higher rates of civilian pay and national insurance contributions; increased cost of overtime, travelling and telecommunication rentals; increased costs of United Kingdom Central Codification Authority; partly offset by reduction in expenditure on telecommunications capital equipment.</td>
</tr>
<tr>
<td><strong>INTERNATIONAL DEFENCE ORGANISATIONS:</strong> (i) British elements of N.A.T.O., C.E.N.T.O. and S.E.A.T.O. (Subheads B.1-4).</td>
<td>£6,500,000</td>
<td>£6,344,000</td>
<td>+ £156,000</td>
<td>Increased expenditure resulting from a change in the basis of adjustment with Service Departments for the emoluments of seconded personnel, and additional provision for travel costs and local labour, partly offset by reduction in expenditure on hirings.</td>
</tr>
<tr>
<td>(ii) International Subscriptions (Subheads C.1-3).</td>
<td>£4,451,000</td>
<td>£3,743,000</td>
<td>+ £708,000</td>
<td>Increase in total common expenses of International Defence Organisations.</td>
</tr>
<tr>
<td>(iii) N.A.T.O. Infrastructure (Subhead D.1).</td>
<td>£7,120,000</td>
<td>£7,210,000</td>
<td>- £90,000</td>
<td>Decreased expenditure on Infrastructure projects.</td>
</tr>
<tr>
<td>(iv) C.E.N.T.O. Infrastructure (Subhead D.2).</td>
<td>£100,000</td>
<td>£130,000</td>
<td>- £30,000</td>
<td>Decrease in expenditure on equipment, partly offset by increased expenditure on works.</td>
</tr>
<tr>
<td><strong>MISCELLANEOUS ASSISTANCE:</strong> (i) Military Training Assistance (Subhead E).</td>
<td>£33,000</td>
<td>£30,000</td>
<td>+ £3,000</td>
<td>Increased expenditure on military training assistance to C.E.T.O. Forces.</td>
</tr>
<tr>
<td>(ii) Mutual Defence Assistance Agreement with the United States of America (Subhead F).</td>
<td>£8,000</td>
<td>£80,000</td>
<td>- £72,000</td>
<td>Decrease in the amount due to be paid as the U.K. contribution towards the sterling expenses of the U.S.A.</td>
</tr>
<tr>
<td>(iii) Scott Polar Research Institute (Subhead G).</td>
<td>£2,500</td>
<td>£2,000</td>
<td>+ £500</td>
<td>Increase in the amount of the contribution towards the expenses of the Institute.</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>£28,459,000</td>
<td>£27,210,000*</td>
<td>+ £1,249,000</td>
<td>* Adjusted, for purposes of comparison, to take account of the transfer of certain services between Defence Votes and to and from Civil Votes.</td>
</tr>
</tbody>
</table>
## ANNEX C
### Table 2—Defence (Navy)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pay, etc., of the Royal Navy and Royal Marines.</td>
<td>£86,955,000</td>
<td>£84,122,000</td>
<td>+2,833,000</td>
<td>Increased rates of London and lodging allowances and local overseas allowances; higher national insurance contributions; increased strengths and provision for an additional pay week for ratings.</td>
</tr>
<tr>
<td>2</td>
<td>Royal Naval Reserves ...</td>
<td>£1,377,000</td>
<td>£1,299,000</td>
<td>+78,000</td>
<td>Increases in bounty rates and national insurance contributions.</td>
</tr>
<tr>
<td>3</td>
<td>Navy Department Headquarters</td>
<td>£11,856,000</td>
<td>£10,704,000</td>
<td>+1,152,000</td>
<td>Increased national insurance contributions and civil pay.</td>
</tr>
<tr>
<td>4</td>
<td>Research and Development and other Scientific Services.</td>
<td>£27,680,000</td>
<td>£26,336,000</td>
<td>+1,344,000</td>
<td>Increased pay and national insurance contributions; increased provision for Research and Development programmes.</td>
</tr>
<tr>
<td>5</td>
<td>Medical Services, Education and Civilians on Fleet Services.</td>
<td>£15,492,000</td>
<td>£14,287,000</td>
<td>+1,205,000</td>
<td>Increased national insurance contributions and civil pay.</td>
</tr>
<tr>
<td>6</td>
<td>Naval Stores, Armament, Victualling and other Material Supply Services.</td>
<td>£191,120,000</td>
<td>£170,323,000</td>
<td>+20,797,000</td>
<td>Increased pay of personnel in Supply Establishments; higher prices; increased provision of electronic etc., equipment for Polaris submarines; increasing cost of maintenance of modern aircraft; increased provision and cost of armament stores, partly offset by lower provision for Royal Fleet Auxiliaries under construction.</td>
</tr>
<tr>
<td>7</td>
<td>H.M. Ships, Aircraft and Weapons, New Construction and Repairs.</td>
<td>£177,993,000</td>
<td>£149,248,000</td>
<td>+28,745,000</td>
<td>Increased pay of Dockyard personnel, increased provision for New Construction, modernisations, conversions and contract refits and increased provision for the purchase and repair of aircraft by contract.</td>
</tr>
<tr>
<td>8</td>
<td>Miscellaneous Effective Services.</td>
<td>£9,391,000</td>
<td>£9,341,000</td>
<td>+50,000</td>
<td>Increased cost of telecommunications; increased travel costs and subsistence rates; partly offset by increased receipts.</td>
</tr>
<tr>
<td>9</td>
<td>Non-Effective Services ...</td>
<td>£22,324,000</td>
<td>£22,036,000</td>
<td>+288,000</td>
<td>Increase in number of pensions and commutations.</td>
</tr>
<tr>
<td></td>
<td><strong>TOTALS ...</strong></td>
<td><strong>£544,188,000</strong></td>
<td><strong>£487,690,000</strong></td>
<td><strong>+56,498,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Adjusted, for purposes of comparison, to take account of the transfer of certain services between Defence Votes and t/o Civil Votes.
## Table 3—Ministry of Defence (Army)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Pay, etc., of the Army...</td>
<td>£166,400,000</td>
<td>£155,917,000</td>
<td>+£10,483,000</td>
<td>Mainly higher strengths, higher average rates of pay and allowances, increased rates of national insurance contributions, and provision for 53 weekly pay days during the year.</td>
</tr>
<tr>
<td>2.0</td>
<td>Reserve Forces, Territorial Army and Cadet Forces.</td>
<td>£24,140,000</td>
<td>£21,555,000</td>
<td>+£2,585,000</td>
<td>Increased provision for the Territorial Army.</td>
</tr>
<tr>
<td>3.0</td>
<td>Army Department Headquarters</td>
<td>£6,600,000</td>
<td>£6,073,000</td>
<td>+£527,000</td>
<td>Higher rates of pay and national insurance contributions, partly offset by lower strengths.</td>
</tr>
<tr>
<td>4.0</td>
<td>Civilians at Outstations</td>
<td>£117,140,000</td>
<td>£112,875,000</td>
<td>+£4,265,000</td>
<td>Increased provision for freight movement.</td>
</tr>
<tr>
<td>5.0</td>
<td>Movements ... ...</td>
<td>£23,320,000</td>
<td>£22,573,000</td>
<td>+£747,000</td>
<td>Increased requirements, mainly for liquid fuels, and higher prices.</td>
</tr>
<tr>
<td>6.0</td>
<td>Supplies ... ...</td>
<td>£45,960,000</td>
<td>£43,345,000</td>
<td>+£2,615,000</td>
<td>Increased deliveries of fighting vehicles, weapons, ammunition, and aircraft.</td>
</tr>
<tr>
<td>7.0</td>
<td>Stores and Equipment ...</td>
<td>£115,000,000</td>
<td>£98,800,000</td>
<td>+£16,200,000</td>
<td>Increased receipts mainly in respect of occupation of married quarters.</td>
</tr>
<tr>
<td>8.0</td>
<td>Miscellaneous Effective Services.</td>
<td>£5,000,000</td>
<td>£5,573,800</td>
<td>-£573,800</td>
<td>Higher rates of awards.</td>
</tr>
<tr>
<td>9.0</td>
<td>Non-Effective Services ...</td>
<td>£35,840,000</td>
<td>£35,140,000</td>
<td>+£700,000</td>
<td>Increased provision for purchase of land, etc., overseas; and lower receipts from sales.</td>
</tr>
<tr>
<td>10.0</td>
<td>Defence Lands and Buildings.</td>
<td>£14,700,000</td>
<td>£13,091,000</td>
<td>+£1,609,000</td>
<td>—</td>
</tr>
<tr>
<td>11.0</td>
<td>Additional Married Quarters.</td>
<td>—</td>
<td>£1,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>TOTALS ... ...</td>
<td>£554,100,000</td>
<td>£514,943,800</td>
<td>+£39,156,200</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

(a) Adjusted, for purposes of comparison, to take account of the transfer of certain services between Defence Votes and to Civil Votes.

## Table 4—Royal Ordnance Factories

<table>
<thead>
<tr>
<th>Vote</th>
<th>Service</th>
<th>Estimate 1965-66 (Net)</th>
<th>Estimate 1964-65 (Net)</th>
<th>Increase + Decrease</th>
<th>Main Cause of Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.O.F.</td>
<td>Expenses of operating the Royal Ordnance Factories.</td>
<td>£1,500,000</td>
<td>£4,100,000</td>
<td>— £2,600,000</td>
<td>Higher receipts resulting from increased deliveries from the Factories.</td>
</tr>
</tbody>
</table>

(b) Includes Supplementary Estimate (H.C. 80 of 1964-65) of £1,700,000.
### ANNEX C
#### Table 5—Defence (Air)

<table>
<thead>
<tr>
<th>Vote</th>
<th>Service</th>
<th>Estimate 1965-66 (Net)</th>
<th>Estimates and Supplementary Estimate 1964-65 (Net)*</th>
<th>Increase</th>
<th>Decrease</th>
<th>Main Causes of Variations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pay, etc., of the Air Force</td>
<td>£140,210,000</td>
<td>£136,927,000</td>
<td>+£3,283,000</td>
<td></td>
<td>Increased rate of National Insurance contributions, a higher married content of the force and provision for an additional pay week for other ranks.</td>
</tr>
<tr>
<td>2</td>
<td>Reserve and Auxiliary Services.</td>
<td>£770,000</td>
<td>£804,000</td>
<td>-£34,000</td>
<td></td>
<td>Pay awards and increased National Insurance contributions, partly offset by lower average strengths.</td>
</tr>
<tr>
<td>3</td>
<td>Air Force Department Headquarters</td>
<td>£4,780,000</td>
<td>£4,680,000</td>
<td>+£100,000</td>
<td></td>
<td>Pay awards, increased National Insurance contributions and an additional pay week, partly offset by lower average strengths.</td>
</tr>
<tr>
<td>4</td>
<td>Civilians at Outstations and the Meteorological Office</td>
<td>£45,820,000</td>
<td>£44,655,000</td>
<td>+£1,165,000</td>
<td></td>
<td>Lower provision for receipts for emergency operations by Transport Command.</td>
</tr>
<tr>
<td>5</td>
<td>Movements</td>
<td>£19,600,000</td>
<td>£19,059,000</td>
<td>+£541,000</td>
<td></td>
<td>Increased duty on liquid fuels and lubricants, higher consumption of ground fuels and increased rates of ration allowance, partly offset by lower prices for liquid fuels and reduced consumption of electricity.</td>
</tr>
<tr>
<td>6</td>
<td>Supplies</td>
<td>£50,750,000</td>
<td>£50,672,000</td>
<td>+£78,000</td>
<td></td>
<td>Increased expenditure on airframes, engines, armament, radio and other technical equipment, partly offset by reduced expenditure on airframe spares.</td>
</tr>
<tr>
<td>7</td>
<td>Aircraft and Stores</td>
<td>£281,000,000</td>
<td>£241,584,000</td>
<td>+£39,416,000</td>
<td></td>
<td>Increased provision for telecommunications, partly offset by reduced provision for equipment for the Airfield Construction Branch and increased recoveries from the occupation of married quarters and hirings.</td>
</tr>
<tr>
<td>8</td>
<td>Miscellaneous Effective Services.</td>
<td>£1,230,000</td>
<td>£1,144,000</td>
<td>+£86,000</td>
<td></td>
<td>Normal growth of the retired pay and pensions list, partly offset by lower expenditure on short-service gratuities.</td>
</tr>
<tr>
<td>9</td>
<td>Non-Effective Services.</td>
<td>£17,610,000</td>
<td>£16,739,676</td>
<td>+£870,324</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TOTALS ...</td>
<td>£561,770,000</td>
<td>£516,264,676</td>
<td>+£45,505,324</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Adjusted, for purposes of comparison, to take account of the transfer of certain services between Defence Votes and to and from Civil Votes.
ANNEX D

Defence Expenditure 1965-66

<table>
<thead>
<tr>
<th>Category</th>
<th>£ million</th>
</tr>
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<tbody>
<tr>
<td>NUCLEAR DETERRENT</td>
<td>128</td>
</tr>
<tr>
<td>GENERAL WAR GROUND FORCES</td>
<td>156</td>
</tr>
<tr>
<td>NAVY</td>
<td>294</td>
</tr>
<tr>
<td>GENERAL PURPOSE FORCES</td>
<td>196</td>
</tr>
<tr>
<td>ARMY</td>
<td>280</td>
</tr>
<tr>
<td>AIR FORCE</td>
<td>98</td>
</tr>
<tr>
<td>AIR MOBILITY</td>
<td>250</td>
</tr>
<tr>
<td>RESEARCH and DEVELOPMENT</td>
<td>35</td>
</tr>
<tr>
<td>RESERVE and AUXILIARY FORMATIONS</td>
<td>20</td>
</tr>
<tr>
<td>WAR and CONTINGENCY STOCKS</td>
<td>198</td>
</tr>
<tr>
<td>TRAINING</td>
<td>153</td>
</tr>
<tr>
<td>PRODUCTION, REPAIR and ASSOCIATED FACILITIES</td>
<td>270</td>
</tr>
<tr>
<td>in the U.K.</td>
<td></td>
</tr>
<tr>
<td>OTHER SUPPORT FUNCTIONS</td>
<td>42</td>
</tr>
<tr>
<td>SPECIAL MATERIALS</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,120</strong></td>
</tr>
</tbody>
</table>

*Excludes Special Materials and R. & D.*
ANNEX D
Military Personnel 1965-66
(Strengths at 1st. April 1965)

NUCLEAR DETERRENT 13,000
GENERAL WAR GROUND FORCES 56,000
NAVY 56,000
GENERAL PURPOSE FORCES 100,000
ARMY 100,000
AIR FORCE 52,000
AIR MOBILITY 16,000
RESEARCH and DEVELOPMENT 1,000
RESERVE and AUXILIARY FORMATIONS 4,000
TRAINING 94,000
PRODUCTION, REPAIR and ASSOCIATED FACILITIES in the U.K. 13,000
OTHER SUPPORT FUNCTIONS 54,000

MILITARY PERSONNEL INCLUDE:
392,900 U.K. Adult Males
15,900 Women
17,900 Boys
32,100 Non U.K. Forces
ANNEX D

Civilian Personnel 1965-66

(Strengths at 1st April 1965)

NUCLEAR DETERRENT 3,000

GENERAL WAR GROUND FORCES

NAVY 31,000

ARMY 32,000

AIR FORCE 22,000

AIR MOBILITY 4,000

RESEARCH and DEVELOPMENT 29,000

RESERVE and AUXILIARY FORMATIONS 2,000

TRAINING 30,000

PRODUCTION, REPAIR and ASSOCIATED FACILITIES in the U.K. 164,000

OTHER SUPPORT FUNCTIONS 56,000

CIVILIAN PERSONNEL INCLUDE:

INDUSTRIAL 260,200

NON-INDUSTRIAL 146,400
ANNEX E
Related Expenditure not included in the Defence Budget

I. Home Defence Expenditure by Civil Departments (Net)

<table>
<thead>
<tr>
<th>Department</th>
<th>Item</th>
<th>Class and Vote</th>
<th>1965-66 Estimate (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home</td>
<td>Grants to local authorities, production of equipment and materials, etc.</td>
<td>Class III, 3</td>
<td>15.4</td>
</tr>
<tr>
<td>Trade</td>
<td>Maintenance and turnover of stocks and materials.</td>
<td>Class IV, 2</td>
<td>0.1</td>
</tr>
<tr>
<td>Transport</td>
<td>Due functioning of railways and shipping; port facilities.</td>
<td>Class IV, 15</td>
<td>0.4</td>
</tr>
<tr>
<td>Power</td>
<td>Oil storage and distribution; grants to gas and electricity industries.</td>
<td>Class IV, 17</td>
<td>0.7</td>
</tr>
<tr>
<td>Agriculture, Fisheries and Food</td>
<td>Handling, storage, etc. of food stocks; grants to local authorities; storage and maintenance of equipment and vehicles, etc.</td>
<td>Class V, 7</td>
<td>0.5</td>
</tr>
<tr>
<td>Housing</td>
<td>Grants to local authorities, etc.; production of equipment and materials.</td>
<td>Class VI, 1</td>
<td>1.2</td>
</tr>
<tr>
<td>Health</td>
<td>Grants to local authorities; maintenance of medical services including stocks of equipment and materials; emergency hospitals, etc.</td>
<td>Class VI, 16</td>
<td>1.1</td>
</tr>
<tr>
<td>Public Building and Works</td>
<td>Storage and accommodation ...</td>
<td>Class IX, 2</td>
<td>1.9</td>
</tr>
<tr>
<td>Various</td>
<td>Miscellaneous ...</td>
<td>Various Votes</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total ...</td>
<td>21.9</td>
</tr>
</tbody>
</table>

II. Purchasing (Repayment) Service Votes 1965-66 (£ million)

<table>
<thead>
<tr>
<th></th>
<th>Purchases</th>
<th>Repayments By Customers</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defence (Army)</td>
<td>140.5</td>
<td>138.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Ministry of Aviation</td>
<td>356.3</td>
<td>387.9</td>
<td>NIL*</td>
</tr>
<tr>
<td>Totals</td>
<td>496.8</td>
<td>526.4</td>
<td>2.0*</td>
</tr>
</tbody>
</table>

* £31.6 million to Exchequer Extra Receipts (see Part III, paragraph 211).
### ANNEX E

#### III. Other Related Expenditure 1965-66 (£ million)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Aid to Overseas Countries</td>
<td>30</td>
</tr>
<tr>
<td>Accommodation</td>
<td>28</td>
</tr>
<tr>
<td>Stationery and Printing</td>
<td>10</td>
</tr>
<tr>
<td>Central Office of Information</td>
<td>3</td>
</tr>
<tr>
<td>Civil Superannuation</td>
<td>20</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1</td>
</tr>
<tr>
<td><strong>Less Cost of Meteorological Services included in Defence Budget</strong></td>
<td>5</td>
</tr>
<tr>
<td><strong>Net Totals</strong></td>
<td><strong>87</strong></td>
</tr>
</tbody>
</table>

Annex "E" Grand Total (Net) £111 million.
10th February, 1965

CABINET

AID TO ZAMBIA

Joint Memorandum by the Secretary of State for Commonwealth Relations and the Minister of Overseas Development

We are confronted by the need to take an urgent decision about aid to Zambia.

2. The situation is analysed in the attached note which has been prepared by officials. Briefly the Zambians resent what they regard as the financial "injustice" of the settlement reached when the Federation of Rhodesia and Nyasaland was dissolved and claim that they only agreed to it on receiving from Her Majesty's Government what they understood as a promise to give substantial aid.

3. There was in fact no such commitment by Her Majesty's Government but there is no doubt they genuinely believe there was and we consider that the Zambian resentment can only be removed by an offer of aid from Her Majesty's Government. Although on a strict means test basis the case for financial aid to Zambia is not strong, at any rate at present, we believe that for both economic and political reasons it is necessary to make an offer now. Our reasons are as follows -

4. President Kaunda is in a difficult political position in his own country. He is a moderate African friendly to the West but many of his colleagues have leanings towards the East and would like to accept the offers of aid being pressed upon them by the Bloc. He is keeping his colleagues at bay by a delicate balancing act. In his foreign policy of strict non-alignment the United States is weighed in one scale against the Soviet Union and China in the other. But President Kaunda badly needs an unmistakable manifestation of British support in concrete terms now. If he has to give way to his colleagues our whole position in Central Africa will be rapidly eroded, the expatriates in the civil service will be displaced and the Europeans will leave the copper belt. British industry might well be faced with an interruption of our main source of copper and the large stake we have in the Zambian copper industry might well be jeopardised. We might also be confronted with a total collapse of the administration.

5. We cannot in our view afford to take these risks, and the problem is therefore to find the solution which achieves our general political objective at minimum cost to us. We believe that the best course to this end is alternative (b) of the officials' paper - i.e., to offer Zambia a comprehensive settlement of £10 million over five years. We do not think we should attempt at this stage to decide what it should be used for nor when it should be drawn. We shall have to consider President Kaunda's request to us to help Zambia in her
contingency planning (particularly in stockpiling coal) against a denial of coal supplies by Southern Rhodesia in the event of a Unilateral Declaration of Independence. Again it is in our own interests to give Zambia some defence aid to build up her own internal security. And lastly the most urgent problem affecting Zambia's development is to induce the expatriate officers in the Government to stay on for a further two or three years, and this may mean some payments from Her Majesty's Government. All these, if they materialise, should be a charge against the £10 million. Although some payments may have to be made in the earlier part of the five year period, our aim would be to defer the expenditure so far as possible to the later years of the period so as to minimise the burden to the economy in the early years. As much as possible of the aid would be tied to British goods and services.

6. The Chief Secretary to the Treasury, while recognising the political arguments, considers that it would be very difficult in our present economic situation for the Government to announce in the immediate future aid of this magnitude and duration. He considers that the furthest we should go is to offer no more than what is required to be spent in the next twelve months - perhaps £2 million on defence and public service aid - together with an undertaking to review the position at this time next year.

7. We do not agree with this view. Not only would a sum of £2 million entirely fail to achieve the desired political effect but it would not cover any contingency planning aid, which would have to be additional, and this combined with a commitment to review the position next year might well prove to be more expensive to the United Kingdom taxpayer than the £10 million once-for-all settlement we now propose.

8. We therefore ask our colleagues to agree that we should be authorised to offer the Zambian Government a sum of £10 million in defence and economic aid over the next five years, the purposes and timing of this aid to be subsequently agreed between our Governments.

A.G.B.

B.A.C.

Commonwealth Relations Office, S.W.1.
Ministry of Overseas Development, S.W.1.

9th February, 1965
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A.G.B.

B.A.C.

Commonwealth Relations Office, S.W.1.

Ministry of Overseas Development, S.W.1.

9th February, 1965
A. HISTORICAL BACKGROUND

1. When arrangements for the Dissolution of the Federation of Rhodesia and Nyasaland were being made, the Government of the then Colony of Northern Rhodesia contended that during Federation they had been mulcted of their high copper revenues for the benefit of the other two territories (they have since produced figures alleging that over the nine years of Federation the contributions of Northern Rhodesia to Federal revenue exceeded by about £75 million the benefits the territory received from Federal expenditure). They therefore resisted the allocation to them on a proportional basis of £18.37½ million of the ex-Federal public debt in respect of Federal expenditure incurred on capital works in the territory, and considered that its acceptance would amount to payment for the same things twice. They also objected to the allocation to Southern Rhodesia, without financial readjustment, of defence assets worth £2.933 million. In all, therefore, they considered that the financial arrangements made on Dissolution operated to their disadvantage to the extent of about £21 million. They also foresaw difficulty in meeting their liability of £10 million to redeem or refinance a railway debt (which they agreed to share equally with Southern Rhodesia) since this will involve an exceptionally heavy programme of public debt repayment and refinancing in the years 1970-72.

B. BRITISH PLEDGES

2. In order to break the impasse caused by these and other difficulties in November-December, 1963, H.M.G. gave an undertaking to both Rhodesias that they (H.M.G.) would be ready to enter into discussions with both Governments as soon as might be conveniently possible with the specific object of establishing in the light of the nature and extent of the financial burdens assumed by Southern/Northern Rhodesia and the resources available to meet them, the reasonable needs of the territory and the means whereby the burdens might be lightened, including British aid where necessary in accordance with paragraph 27 of the Victoria Falls Report.

3. Paragraph 27 of the Victoria Falls Report (copy at Annex A) stated that the question whether the U.K. Government could and should help would have to be considered in the light of their general policies on overseas aid towards countries which showed need for assistance in the development of their economies. Such need would have to be considered in the light of the territory’s economic position as a whole - including, of course, the debt burden (H.M.G. subsequently agreed that this included the particular problem of the phasing of the railway debt).

4. The Zambians have always claimed (and this was repeated by Dr. Kaunda to Mrs. Castle in November, 1964) that they had only accepted the apportionment of the Federal public debt on receiving from H.M.G. what they interpreted as a promise to give substantial aid, and that they would not have agreed to the apportionment had the emphasis on need been clearly put to them. We do
not accept this interpretation, but the Zambians appear to be sincere in their view of the matter. This is a dilemma which was left unresolved at the end of Dr. Kaunda's visit to London in November, 1964.

C. AID SOUGHT, GIVEN AND PROMISED TO ZAMBIA IN 1964

In April, 1964, encouraged by the British pledges given in December, 1963, the Northern Rhodesia Government asked H.M.G. for aid totalling £20.5 million (almost entirely in respect of 1964/65). Details of their requests and of our interim response in July, 1964, are as follows.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Sought £'million</th>
<th>Given £'million</th>
<th>Balance £'million</th>
</tr>
</thead>
<tbody>
<tr>
<td>For ex-Federal debt</td>
<td>10 (grant)</td>
<td>2.75</td>
<td>7.25 (grant)</td>
</tr>
<tr>
<td>Towards Zambia's half share of compensation to</td>
<td>4 (loan)</td>
<td>3</td>
<td>1 (loan)</td>
</tr>
<tr>
<td>RHOCUS officers</td>
<td>2 (loan)</td>
<td>-</td>
<td>2 (loan)</td>
</tr>
<tr>
<td>For Development</td>
<td>2 (grant)</td>
<td>-</td>
<td>2 (grant)</td>
</tr>
<tr>
<td>For Defence</td>
<td>2.5</td>
<td>-</td>
<td>2.5 (grant)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>11.75 (grant)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3 (loan)</td>
</tr>
<tr>
<td></td>
<td>20.5</td>
<td>5.75</td>
<td>14.75</td>
</tr>
</tbody>
</table>

These requests were associated with revenue predictions for 1964/65 which have since turned out to be under-estimates by some £20-£25 million.

In addition to the £5.75 million capital aid listed above, we also promised in November, 1964, to give £1 million to Zambia's new University. We also undertook to pay £2 million to the Chartered Company as our share towards compensation on the relinquishment of their mineral royalty rights. This payment is classified by the Treasury as "aid" but would undoubtedly not be so regarded by the Zambia Government. We are providing technical assistance under O.S.A.S. (including compensation payments) and S.C.A.A.P to the value of about £2 million. During 1964/65, therefore, our total "aid" to Zambia, disbursed or committed, will amount to £10.75 million.

The situation as at November, 1964, therefore, was as follows:

(a) Zambia had complained that the Dissolution financial arrangements had operated to their detriment to the extent of £21 million;
(b) their claim submitted in Spring, 1964 was for the very similar sum of £20.5 million;

(c)
(c) H.M.G. had paid or promised to Zambia a total of £10.75 million in aid or other payments, of which £5.75 million related directly to the £20.5 million claim.

8. During the period March/December, 1964, however, Zambian revenue prospects improved by about £20-£25 million. There is thus at least a prima facie case for contending on economic grounds, and on a strict interpretation of our Dissolution undertakings in paras. 2 and 3 above, that Zambia has no case for aid on the basis of need, and that it is unreasonable for her to look to us for any further financial assistance in present circumstances.

D. ZAMBIA'S CURRENT REQUEST FOR AID

9. Zambia's case for aid rests substantially, although not entirely, on political grounds. This is made clear in the application submitted in the Spring of 1964, and in the new application recently received. It was also emphasised by Dr. Kaunda on his visit to London in November, 1964. He and his Government consider that H.M.G. are still under a strong moral obligation to afford Zambia some relief with her public debt. In the Zambian view, the application to this request for aid of the usual criterion of need is irrelevant, as this is a debt of honour ("justice money") owed by us. Zambia bitterly resents both the channelling of her copper revenues to the Federal Treasury and the Dissolution financial arrangements, in which she acquiesced only in the belief that we would in fact provide substantial assistance in pursuance of our Dissolution undertakings. She represents that she has particularly pressing needs in the fields of defence and technical assistance (including help in retaining the services of expatriate officials), in both of which she would prefer to turn to Britain rather than to other countries; also that she will need some form of long term guarantee for her economy in the early 1970's, by which time her capital development programme should have substantially increased, with a consequent increase in recurrent expenditure, and at which time railway debts mature which may cost her up to an additional £10 million.

10. Whilst it is possible to say, in general terms, that Zambia is seeking relief for the burden of Federal debt ("justice" money), assistance in refinancing the railway loans, defence aid, and technical assistance, it is less easy to see precisely what total amount they are asking for or how they wish it to be made up. The Zambian application is in fact a confusing document which does not make clear what is being asked for and is not easily comparable with previous Zambian claims and statistics.

11. On the basis, however, of all the information available to us we deduce that we are being asked for:

(a) £14.75 million to redress the injustice of the Dissolution settlement; about £2.5-£2.9 m. to be spent on defence;

(b) a guarantee to act as lender of last resort in the event of Zambia being unable to redeem or refinance the railway debt of £10 million in 1970-72;

(c)
(c) technical assistance; in particular, help in retaining expatriate officers (see Section I below).

B. ECONOMIC MERITS OF CLAIM

12. Zambia does not need immediate financial assistance to meet its Transitional Development Plan, 1965-66. This is admitted in the aid application. Their case for aid rests mainly on historical grounds, as already explained. But the Zambians argue that in default of substantial assistance in the provision of foreign exchange, the situation will arise in 1970 onwards where the demand for more external currencies (to accelerate development) will become intense just at the moment when the former Federal debts become due for repayment; and that there would be serious social and political consequences if, in anticipation of that situation, a brake had to be put on development now in order to be able to meet those repayments.

13. Even if this argument were valid, it is questionable whether any financial aid is actually needed now, (or could be used except perhaps for immediate defence expenditure). Foreign exchange reserves are high and climbing. To supply further quantities of freely available currency would be likely to encourage the Zambian Government to undertake projects of doubtful or low economic value. It is true that the reserves will stop climbing and start to decline in the years ahead. By 1970 or 1971 Zambia will probably need an inflow of capital. This however is perfectly normal for a developing country and at any rate as far as new capital formation is concerned should not present insuperable difficulty provided that a sound development policy has been followed in the meantime.

14. The conclusion is that Zambia has no need on economic grounds for financial assistance at present.

F. CASE FOR AID TO ZAMBIA

15. The dilemma presented by the present Zambian request is that, although no case for aid based on need can reasonably be made, and a refusal to make any further contribution could be justified by strict interpretation of the various undertakings given in the context of Dissolution, such a refusal would have serious political consequences.

16. The present Zambia Government is delicately balanced. While there is no doubt that the President is by inclination friendly to the West and conscious of the damage which would be done to Zambia if his Government were to adopt policies which produced a mass exodus of European administrators and technicians, the same cannot be said of members of his Cabinet. Many of them are prepared to be convinced that the British Government is in fact anxious to befriend them but will look for a substantial counter-balance to the damage which they consider to have been done to Zambia's development by the British-imposed Federation. They are, moreover, keenly conscious of the pressures for more rapid Africanisation which they will only be able to resist if they can show that the present policies pay dividends. In the view of the C.R.O., a rapid increase in the rate of Africanisation would cause Zambia's "non-alignment", now a genuine neutrality with full and friendly relations with Britain and the West, to become positively anti-British and anti-Western in the manner which
which many of the President's Ministers would already prefer. This would mean the abandonment of the Zambia Government's present refusal to arm and train refugees from Rhodesia and the Portuguese territories. It would make the Rhodesian problem harder to solve.

17. Rapid Africanisation would also produce a serious administrative decline and a threat to the safety of those Europeans who remained. Such a decline, together with a weakening of resistance to communist penetration would set at risk the considerable British interest in the copper industry (in which total investment is roughly valued at £170 million, producing an annual return of about £10 million). Recuperations for our own economy could be substantial; and it is not too much to say that the future of the copper belt as a major supplier to British industry depends on the maintenance of good political relations with the Zambia Government.

18. Above all, the C.R.O. consider that it is important not to underestimate the deep sense of bitterness which all the Zambian Ministers share at what they regard as the injustice of the Dissolution settlement. If we do not offer substantial aid (and we have an unusually free hand in deciding the form which this should take) the balance in the Zambia Government is likely to tip decisively away from us. Some of the consequences of such a shift are suggested above.

19. The C.R.O. regard it as vital, therefore, in preparing for the next round of discussions with the Zambia Government, that it should be appreciated how precarious is the current, potentially sound, political and economic structure and how helpful to the preservation of this structure would be a British offer of substantial aid.

20. The Ministry of Defence emphasise the desirability of preventing a breakdown of law and order so as to avoid the danger of our being called upon to intervene militarily either in support of the Zambia Government or to carry out a rescue operation for British subjects. They also support a grant of British aid as a means of preserving overflying and staging facilities. These are important both in the context of reinforcement of the three Southern African Territories, and of the need to keep open alternative worldwide reinforcement routes.

G. BASIS OF OUR APPROACH TO THE AID TALKS

21. It is apparent from the foregoing that there is little or no economic case for giving further financial aid to Zambia at the present time, and that they are able to meet their external liabilities and to make reasonable provision for development from their own resources. Nor would we wish, or think it right, to reopen the whole Dissolution settlement on which the Zambians claim for £14.75 million is primarily based. We regard the Zambian approach and their claim for aid of this order as unrealistic and unacceptable. On the other hand, the C.R.O. consider that there is a strong political case for giving some aid. The remainder of this paper is therefore concerned with the possible quantification of this case and with the selection of appropriate items on which to spend whatever aid we might decide to give.

/H. DEFENCE AID

5.
22. The C.R.O. consider that the Zambia Government could appropriately be authorised to apply up to £2 million of whatever total aid is finally agreed to defence projects. Aid of this order would go a fair way towards meeting the Zambian claim for financial readjustment in respect of the £2.933 million of defence assets allocated to Southern Rhodesia, and their Spring 1964 request for aid of £2.5 million for defence requirements. There are objections to the provision of British funds for the purchase of such things as Canadian aircraft and the construction of the Lusaka Air base which would include a large local cost element. It is possible, however, that within the Zambian projected military expenditure for the period of the interim development plan, items to a total value of about £1 million might be identified which would involve expenditure on British goods and services. If the period of expenditure could be extended, this sum could probably be increased to £2 million. This might have the effect of laying a foundation for a continuing market in British goods and would also help to maintain law and order without which sound economic development is impossible. Should it prove impracticable, within whatever period of time may be agreed, to tie £2 million worth of defence aid to British goods and services, it is suggested that further consideration should be given to the extent to which any defence aid might be used to meet local costs, or even to switching part of this aid to economic development projects with a high import content (although this would be less satisfactory to the C.R.O. in view of the importance attached to a substantial part of our aid being identified with defence)

I. TECHNICAL ASSISTANCE AND ZAMBIA'S MANPOWER PROBLEM

23. It has been emphasised by the Zambia Government, by the U.N./E.C.A./F.A.O. Economic Commission chaired by Mr. Dudley Seers, and by our High Commission in Lusaka that, during the next few years, Zambia's skilled manpower problem will be acute and that assistance in this field is a top priority. There are two problems in this field on which we need to reach a decision.

24. At present we support under O.S.A.S. about 1,900 designated officers in Zambia at a cost (apart from compensation) of about £750,000 per annum. The Zambia Government have recently, without proper consultation with us, introduced new salary scales which affect both the relative position of designated officers and the method of calculating the inducement allowance that we pay under O.S.A.S. The Zambia Government maintain that through the application of these new scales at least £250,000 per annum more should be paid to them under the principles of the O.S.A.S. We do not at present accept this. The Zambia Government, however, maintain their contention strongly and our case while strong, is not wholly supported by precedent. If therefore Ministers consider that there is a general political case for aid, the advantage in conceding this particular case should be weighed against other possible forms of aid.

25. The number of designated officers is declining because of the Zambia compensation scheme and while recruitment for Zambia is fairly satisfactory, it is insufficient to replace the full wastage. There are also serving the Zambia Government about 1,500 expatriate pensionable officers not acceptable to us for designation under O.S.A.S. We are advised that under the scheme of retirement benefits provided for them by the Zambia Government, a majority
of these officers may leave prematurely in 1966, when the inducements to further service under this scheme cease to have effect. The Zambia Government wishes to retain the officers, but expresses itself politically unable to offer further inducements and has therefore asked us to provide these inducements by a scheme for topping up the officers’ salaries, perhaps by about £500 per man per annum. In principle it is desirable to encourage these officers to remain in Zambian service, but since the Zambia Government’s new salary scales already put the officers about on a par with the designated officers, it is not clear what further inducement, if any, should be provided. Factors affecting a decision would be

(a) an estimate of the likely practical effect in retaining a proportion of these officers of even further financial inducement; and

(b) the effect on the Zambia Government in the general context of aid talks of some offer to help them on this issue

(c) the effect of such further inducement on O.S.A.S. salaries and on the remuneration of non-designated expatriates in other territories (Aden, Southern Rhodesia, Malawi, High Commission Territories). If a form of terminal benefit were suggested, the effect on the Federal Public Service Settlement which excludes terminal compensation by H.M.G. would also have to be considered.

26. The Zambia Government do not consider that the increased salary which they are providing for the non-designated officers will provide sufficient inducement to these officers to stay, or that it overtakes President Kaunda’s verbal request to the Minister of Overseas Development that the British Government should provide some further inducement for this purpose.

27. It is desirable to reach a conclusion on these Public Service questions, and Ministers’ authority is therefore sought to our informing the Zambian Government that we are prepared if they wish to include these questions in the discussion of their application for aid.

J. DEVELOPMENT

28. The Zambia Government has recently published a new development plan envisaging expenditure of about £35 million during the two-year period mid-1964 to mid-1966. They emphasise that their plan aims at stimulus not merely of the public sector of Zambia’s economy, but of the private sector as well. The Zambian Government admits it is able to finance both this development plan (which, incidentally, includes no provision for the much discussed Tanzania/Zambia rail link), and also the earlier part of any successor development plan, from its own resources, and our conclusion is that we should not be justified on economic grounds in recommending any general development aid for Zambia at the present time. If, however, British financial aid were being made available for political reasons, the fields of education, housing and agriculture (where the aid could be identifiable British) offer possibilities where our help might also be linked to British goods and services. An example is the possible Zambian requirement for agricultural tractors, in connection with a scheme for agricultural mechanisation which Dr. Kaunda mentioned to us last November.
K. PUBLIC DEBT

29. The public debt position is analysed in Annex B. The Zambia Government is concerned lest increased capital and recurrent expenditure, coupled with the maturity of railway debt in the early 1970's, should create grave financial difficulties at that time. They are anxious not to have to cut back their development plans now, in anticipation of a serious crisis in the 1970's, and accordingly seek some guarantee of assistance at that stage should it prove necessary. We are also asked to "act as lender of last resort" in respect of the £10 million railway debt if the Zambian Government are unable to make funds available in the 1970's without limiting its general development plans.

30. There is no immediate financial need in respect of debt redemption or refinancing and it may be doubted whether Zambia will be capable of carrying out and expanding her development programme on the scale which seems to be implied in their application. The financial burdens and needs of Zambia in the 1970's cannot be forecast with any precision, and we do not consider that we can recommend, even on political grounds, that H.M.G. should enter into any detailed forward commitments at this stage.

31. There is the further objection to the granting of assistance to Zambia for the Railway debt, that any such undertaking would at once raise Southern Rhodesia's hopes of similar treatment.

32. We feel that the proper course for the Zambia Government is to make provision in the normal way by sinking funds, which ought, at any rate in the earlier years, to be well within their capacity.

33. In communicating to the Zambians that we feel unable to give them direct assistance with their public debt problem, we could say that, if in the event they run into difficulties in financing their development programme owing to the burden of public debt liabilities, we should be willing to examine the position in the light of all the circumstances at the time.

L. CONCLUSIONS

34. There is no economic case for aid to Zambia at present. The C.R.O. consider that there is a strong political case for giving aid. If the political case is judged to be overriding, we shall need to quantify this in terms of the amount of aid to be offered and the period to which it should relate. Two possibilities are suggested:

(a) Short term: we could try to negotiate a settlement related to Zambia's Transitional Development Plan which runs until mid-1966. In this case the C.R.O. consider that a total of £5 million should be offered (to include up to £2 million for defence aid), coupled with an undertaking to examine Zambia's development needs in the light of her full Five Year Development Plan, 1966-70.

(b) Long term: we could offer £10 million over 5 years (to include up to £2 million for defence aid), and would expect to be discharged from any further obligation arising from Dissolution. 

/35.
35. The amount of aid offered under course (a) would be regarded as unattractively small by the Zambians. They would expect to receive a further instalment in 1966, and it is possible that over a five year period we might find ourselves giving more aid than under course (b). In the first 18 months, the question of local costs might cause difficulty. Course (b) involves a long-term commitment to a country which is already comparatively well placed financially: this could be embarrassing if during the five year period we had to cut down on aid to poorer countries. On the other hand, the average annual rate of £2 million is not excessively high (as compared, say, with our annual aid to Malawi which is currently running at £9.25 million).

36. We consider that if it is decided to give a parcel of aid to Zambia, on the lines of course (a) or course (b) above, it should be made up from the following items:

<table>
<thead>
<tr>
<th></th>
<th>Course (a) (£'m.)</th>
<th>Course (b) (£'m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defence aid, (Grant - tied as far as possible to British goods and services) up to ...</td>
<td>2.0</td>
<td>up to 2.0</td>
</tr>
<tr>
<td>Financial contribution towards a settlement of the public service problems described in paras. 23-27 (Grant)</td>
<td>3.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Development aid (Tied as far as possible to British goods and services. O.R.O. consider this should be all grant, in order to carry the political objective)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>5.0 (18 mths.)</td>
<td>10.0 (5 years)</td>
</tr>
</tbody>
</table>

Ministry of Overseas Development
Central and Southern Africa Department,
2nd February, 1965
The Chairman made it clear that Her Majesty's Government's action in dissolving the Federation was based on their assessment of the political realities of the situation. It was true that the acceptance of Federal liabilities would impose a burden on the territories but many valuable and indeed essential assets would also pass to the territories and it would surely be wrong to divorce the question of assets from that of liabilities. Broadly speaking, liabilities were the counterpart of benefits which accrued to the territories individually or collectively. Difficulties might well arise in certain cases but the right approach to the whole question was to start from the connection between assets and liabilities. This approach would not pre-judge consideration at a later stage of the capacity of the territories to carry the burden and the position of the Federation's creditors in the new circumstances. The post-Conference machinery should start their work on the basis of seeing where in consequence of the re-allocation of functions the assets were physically likely to lie, and apportioning the liabilities, including the public debt among the three successor governments in such a way as broadly to correspond with the division of assets and to deal equitably with any anomalies which might arise. It was then that there would emerge the question whether any territory would be saddled with too heavy a debt burden, since it would be seen exactly what responsibilities would fall to it. At that stage it would be for consideration between governments what means might be adopted to lighten the burden. The question whether the United Kingdom Government could and should help would have to be considered in the light of their general policies on overseas aid towards countries which showed need for assistance in the development of their economies. It would be in accordance with those policies for the United Kingdom Government to consider the need of a Commonwealth territory, within the limits of their resources and the calls upon them in the light of such territory's economic position as a whole - including of course its debt burden.
Annex B

Northern Rhodesia's Public Debt after Dissolution

According to a memorandum received from the Government of Northern Rhodesia in May 1964 the total public debt of the territory after dissolution amounted to nearly £107 m. No analysis was provided, either then or later, and our own information about its constituent items is incomplete; but the main ones are as listed in the attached table.

2. The total Federal Public Debt to be apportioned on Dissolution was £269 m. Allocation of many of the items was comparatively easy where they were identifiable with assets of the country, or assets jointly owned with Southern Rhodesia or where they were clearly debts applicable only to Northern Rhodesia. Debts of this nature, which Northern Rhodesia accepted without question, are shown in column 1 of the table attached herewith.

Certain of the debts relating to money on loaned for specific projects (e.g., the Kariba Dam and some, but not all, railway loans) are self-financing. Other railway loans are not self-financing as money was loaned on "softer" terms than those on which it was borrowed. The table also indicates such information of this nature as is available.

3. One element of the Federal Public Debt, however, was not apportioned to the satisfaction of Northern Rhodesia. According to the Zambia Government's request for aid, submitted in January 1965, there remained on dissolution a debt of £59 m. in respect of a federal loan account from which expenditure on federal capital projects such as roads and buildings had been financed. Federal capital expenditure of this nature had in fact amounted to £91 m. during the lifetime of the Federation (£27.7 m. in Northern Rhodesia, £55.6 m. in Southern Rhodesia and £7.6 m. in Nyasaland).

It was therefore proposed that the £59 m. should be apportioned between the territories as the £91 m. had been spent.

4. Northern Rhodesia, however, contended that during Federation the territory had contributed to Federal revenue £75 m. more than the value of the federal services she had received, that the Federal Government had accordingly transferred some £26 m. to the Federal Loan Account in question, thereby accounting for most of the £32 m. expended on federal capital works over and
above the £59 m. in respect of which a debt remained outstanding on Dissolution. Northern Rhodesia protested against the consequential allocation to her of £18.374 m. of the £59 m. debt, contending that such an allocation was unjust as it had the effect of requiring her to pay for the same assets twice. She further expressed a desire to take the issue to arbitration. The items disputed are shown in a special column in the attached table.

5. All the other governments however supported the proposed apportionment. H.M.G. represented to the Northern Rhodesian Government that it would be embarrassing to us for the matter to go to arbitration and in order to resolve the impasse caused by this and other difficulties gave an undertaking to consider with both Rhodesian Governments as soon as conveniently feasible the possibility of financial aid in the light of the burdens assumed by each and of our general aid policies. The Northern Rhodesian Government then reluctantly acquiesced in the apportionment to their account of the offending £18.374 m. though forthwith registering their views particularly emphasising their reliance on the above quoted undertaking. Although this undertaking is extremely cautiously worded and, as far as we are concerned means what it says, it was in fact interpreted by the Northern Rhodesian Government as a promise to give relief on account of the burden of public debt with which they had been "unjustly" saddled.

Public Debt Repayments

6. The effect of the foregoing Zambian Public Debt commitment, taking into account all reimbursements which will become available (from sinking funds and on lending repayments), is that according to the Zambia Government they will have to provide the following net amounts for debt servicing and redemption from now until mid 1971:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964/5</td>
<td>8,088,073</td>
</tr>
<tr>
<td>1965/6</td>
<td>10,547,002</td>
</tr>
<tr>
<td>1966/7</td>
<td>6,019,608</td>
</tr>
<tr>
<td>1967/8</td>
<td>6,832,406</td>
</tr>
<tr>
<td>1968/9</td>
<td>4,195,163</td>
</tr>
<tr>
<td>1969/70</td>
<td>6,181,916</td>
</tr>
<tr>
<td>1970/71</td>
<td>2,942,805</td>
</tr>
</tbody>
</table>

/Public Debt Repayments

/CONFIDENTIAL

/The Railway
7. There is a further factor affecting Zambia's public debt liability. She shared with Southern Rhodesia responsibility for some £22.25m. of federal government debt on-lent to the railways for one-hundred years repayable to stockholders in 1970/72. This was apparently largely internally raised and Zambia makes no complaint about the allocation of this debt or about servicing or repayment difficulties. In addition however some £20m. of loans raised by Southern Rhodesia and Northern Rhodesia before federation largely on the London market are also due for repayment as to £14.5m. in 1970/71, £7.730m. in 1971/72 and something under £2m. in 1973. The liability is equally shared by Zambia and Southern Rhodesia although the 1970 loan was raised by Southern Rhodesia and the other two by Northern Rhodesia in whose names respectively the loans still stand.

8. Zambia (and Southern Rhodesia) can meet these liabilities only by domestic savings or further borrowing. The possibility of either country being able to raise money on the London market between now and 1972 is very slight. Zambia is too new to have acquired any standing and the uncertainty surrounding Southern Rhodesia affects both countries. Not even a very large cash bonus offered to existing stockholders who agreed to convert their holdings into loans of longer maturity and a higher interest rate will be likely to improve the market prospects today, although such a course was proposed by Southern Rhodesia in 1963 and considered viable at that date.

9. Zambia has asked in her present application that H.M.G. will become "lender of last resort" in respect of the pre-Federal railway debt repayment liabilities which will cost her £10m. in the period 1970/72. Participation by us in Zambia's public debt problem should however be excluded on the following grounds:

(a) Such action could not be limited to Zambia but would have to be extended to Southern Rhodesia and in all probability to EACSO which also has a rail debt maturing in 1972,

(b) It would reflect on the creditworthiness of the territory.

(c) It would involve discrimination in favour of particular groups of stockholders.
10. H.M.G. could not give any undertaking to give financial support in circumstances which cannot at present be foreseen, either as to our own balance of payments or more especially the situation in the countries at that date. Moreover any assurance given now would inhibit the territories from considering steps which they could themselves take.

11. In these conditions the proper course is for Zambia and Southern Rhodesia to make their own provisions by special sinking funds or reserves, to redeem the debts. It is confidentially believed that Southern Rhodesia is already doing this. We should encourage Zambia to ensure that the steps she is taking will be adequate. For example although £1.5m. is set aside in the 1964/65 budget for the supplementary sinking fund (paragraph 35 and table DII) no provision is made in subsequent years.
## Northern Rhodesia's Public Debt after Dissolution

<table>
<thead>
<tr>
<th>Item</th>
<th>Accepted by N.R.G./Z.G. without question</th>
<th>Accepted by N.R.G./Z.G. with reluctance</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>N.R. Territorial Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Northern Rhodesia's own short term borrowings</td>
<td>£3 m.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. N.R. territorial medium and long term debt (local issues)</td>
<td>£11 m.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.R.G./Z.G.'s territorial debt total</td>
<td>£14 m.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ex-Federal Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. N.R. territorial medium and long term debt assumed by Federal Government and returned railway</td>
<td>11.12</td>
<td>18.75</td>
<td>non self financing</td>
</tr>
<tr>
<td>non railway</td>
<td>2.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. N.R. share of Federal debt on lends to various projects:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kariba (market debt)</td>
<td>13.264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Railways (I.B.R.D.)</td>
<td>3.078</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Railways (P.O.A.)</td>
<td>1.161</td>
<td>17.503</td>
<td>Self financing</td>
</tr>
<tr>
<td>5. N.R. Share of Federal debt directly related to on lendings to N.R.</td>
<td>21.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. N.R. share of Federal debt not specifically allocated Railway</td>
<td>6.17</td>
<td>£16 m.</td>
<td>non self financing</td>
</tr>
<tr>
<td>Non railway</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Short term borrowing allocated to N.R. railway</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>non railway</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note</td>
<td>Total £85.729 + £18.364 = £102.093 m. Of this £114 m. (items 1 and 2) was N.R. territorial debt. Therefore Zambia's share of ex-Federal debt £102 - £14 = £88 m.</td>
<td></td>
<td></td>
</tr>
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<td></td>
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</tr>
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<td>3. N.R. territorial medium and long term debt assumed by Federal Government and returned non railway</td>
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<td></td>
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<td>Railway</td>
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<td></td>
<td></td>
</tr>
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<td>Non railway</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>7. Short term borrowing allocated to N.R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>railway</td>
<td>2.754</td>
<td></td>
<td></td>
</tr>
<tr>
<td>non railway</td>
<td>5.249</td>
<td>5.536</td>
<td></td>
</tr>
<tr>
<td>non railway</td>
<td></td>
<td></td>
<td>£83.729 m. £18.364 m.</td>
</tr>
</tbody>
</table>

Note 1: Total £83.729 + £18.364 = £102.093 m.
Of this £14 m. (items 1 and 2) was N.R. territorial debt.
Therefore Zambia's share of ex-Federal debt £102 - 14 = £88 m.
CABINET

HOUSING PROGRAMME

Memorandum by the Chancellor of the Exchequer

The Minister of Housing proposes to issue approvals for 156,000 local authority houses (including 6,000 for new towns) in 1965 in England and Wales.

Effect on Public Expenditure Programming

2. On 28th January the Cabinet approved my proposals for the long-term programming of public expenditure as set out in C. (65) 10. The 1964/65 figure for housing investment in that paper was £506 million, and this provided for expenditure by local authorities and new towns in England and Wales on a work done basis equivalent to 130,000 houses. The corresponding figure in the "basic programme" for 1969/70 was £557 million, and the corresponding element in this for expenditure on houses was the equivalent of 145,000. Thus the Minister is proposing a build-up in the housing programme for England and Wales which would rapidly raise the annual level of expenditure well above that which I envisaged over the period to 1969/70. Approvals at the rate of 156,000 a year, if maintained, would quickly raise the annual rate of expenditure to the equivalent of 11,000 houses (say, £33 million at present prices) over the rate which I envisaged for 1969/70. Thus the Minister of Housing would be pre-empting a large part of the "kitty", the distribution of which between the various claimants for additional public expenditure would, on the basis of my proposals, have to be left until July. (An explanation of housing statistics is given in the Annex).

Immediate Issues

3. The economic indicators all show that we have at present full employment - indeed, over-employment in many areas, resulting in a rising level of demand. It will clearly aggravate this problem if we inflate public expenditure on housing, without cuts elsewhere, since this will have to be financed by increased public borrowing when the houses are started. This, and not the impact on the Exchequer bill for housing subsidies, is the crucial financial issue.

4. We ought also to think about the burden on the construction industry, where we have increased other programmes besides that for housing. I have just agreed to an extra £5 million for hospital building in 1965/66, which is an increase of 15 per cent over the provision for the previous year. Educational Investment in 1965/66 will be 10 per cent over the previous year; and the corresponding
figure for expenditure on roads will be up by 12 per cent. This is a formidable programme, and I think it would be optimistic to assume that we can carry it out, and in addition agree to the Minister of Housing's proposals, without running into a substantial degree of overload in the construction industries.

5. The Minister of Housing implies that he might control and cut back private housing. But at the same time we are talking in terms of a drive to make house purchase easier, and this is hardly likely to discourage private building. Nor could the Minister take powers in time to have any impact on starts in 1965; and the knowledge that such powers were to be taken would stimulate private starts.

6. It is true that industrialised building can help with the load on the construction industry. But to the extent that it succeeds it will absorb additional resources and therefore add to the load on the economy. In effect, the danger would then be that we were putting too many resources into construction, with the result that other investment and exports might suffer, unless cuts are made elsewhere.

Conclusion

7. My original proposal to the Minister was that he should hold approvals in 1965 to the rate of 135,000, at least until such time as we were ready to determine finally the permissible rate of public expenditure on housing in the longer-term. This figure was based on the number of approvals that I understood had been given in 1964. I have since learned that actual approvals in 1964 had reached the surprisingly high total of 144,000. I can quite see that it would be difficult for the Minister to attempt to hold local authorities to a rate of approvals below that which they secured last year - even though, if he had been prepared to accept my figure, the number of houses built in 1965 would still have been considerably more than in 1964 because of the large number of houses under construction. In the circumstances, I would strongly recommend that we agree to a figure of 144,000 for approvals in 1965 (to cover both local authorities and new towns in England and Wales). I am sure that this is as far as we should go.

L. J. C.

Treasury Chambers, S. W. 1.

10th February, 1965
Housing Statistics

The problem of moving from figures of housing approvals to expenditure on housing is complicated by the facts that housing starts are spread throughout the year and that it takes something like fifteen months to build a house. Suppose, for example, we start from the Minister's figure of 156,000 approvals in 1965. Local authorities will already have an accumulation of outstanding approvals from 1964, and therefore the number of houses actually started in 1965 will depend on the extent to which this accumulation is run down by the end of the year. The amount actually spent on house construction in any year (the basis of the "work done" figures which I give in paragraph 2 of my paper) depends in part on the number of starts and in part on the number of completions; and it is generally assessed by taking the average of the two. This is in effect a way of allowing for the fact that the number of houses under construction at the end of the year may be different from that at the beginning. Thus it is not easy to be precise about the effect on expenditure of approvals of 156,000 houses in any particular year. What can be said, and what I have said, is that, if we had reached a steady state with approvals at 156,000 a year, when this was also the number started and the number completed, it would mean that we were building 11,000 houses a year more than I envisaged in my "basic" public expenditure programme for 1969/70.
CABINET

A POLICY FOR THE ARTS

Memorandum by the Prime Minister

I asked the Parliamentary Secretary, Ministry of Public Building and Works, with the help of the Arts and Amenities Committee, to review the activities of the Government and other public authorities in the field of arts and amenities and to make recommendations.

She has submitted a report in the form of a draft White Paper, a copy of which is attached. The Minister of Public Building and Works and the other Ministers concerned are, I understand, in agreement with the draft.

I have considered as a separate matter whether the Government's administrative arrangements for dealing with the arts should be modified. My conclusions, which I have discussed with the Ministers immediately involved, are embodied in paragraph 78 of the draft.

I invite my colleagues to agree that the White Paper should be published at an early date.

H. W.

10, Downing Street, S. W. 1.
15th February, 1965
# A POLICY FOR THE ARTS

## THE FIRST STEPS

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<th>Paragraphs</th>
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<td>Local and Regional effort</td>
<td>39-49</td>
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<td>50-58</td>
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<td>The influence of education</td>
<td>59-74</td>
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<td>The Government's plans</td>
<td>75-88</td>
</tr>
</tbody>
</table>
INTRODUCTION

1. The relationship between artist and state in a modern democratic community is not easily defined. No one would wish state patronage to dictate taste or in any way restrict the liberty of even the most unorthodox and experimental of artists.

2. But if a high level of artistic achievement is to be sustained and the best in the arts made more widely available, more generous and discriminating help is urgently needed, locally, regionally, and nationally.

3. In some parts of the country professional companies are non-existent. Even amateurs find it hard to keep going. And lack of suitable buildings makes it impossible to bring any of the leading national companies, orchestral, operatic, ballet or theatre, into those areas.

4. Fortunately, this state of affairs is coming increasingly under fire. So too are those of our museums, art galleries and concert halls that have failed to move with the times, retaining a cheerless unwelcoming air that alienates all but the specialist and the dedicated.

5. No greater disservice can be done to the serious artist than to present his work in an atmosphere of old fashioned gloom and undue solemnity.

6. If we are concerned to win a wider and more appreciative public for the arts, all this must be changed. A new social as well as artistic climate is essential.

7. There is no easy or quick way of bringing this about, the more so as too many working people have been conditioned by their education and environment to consider the best in music, painting, sculpture, and literature, outside their reach. A younger generation, however, more self confident than their elders, and beginning to be given some feeling for drama, music and the visual arts in their school years, are more hopeful material. They will want gaiety and colour, informality and experimentation. But there is no reason why attractive presentation should be left to those whose primary concern is with quantity and profitability.

8. Some of our new civic centres and art centres already demonstrate that an agreeable environment and a jealous regard for the maintenance of high standards are not incompatible. Centres that succeed in providing a friendly meeting ground where both light entertainment and cultural projects can be enjoyed help also to break down the isolation from which both artist and potential audience have suffered in the past.

9. Another encouraging trend is the growing recognition of the importance of strengthening contacts between regional and civic art associations in different parts of the country.

10. But we have a long way to go before effective associations of this kind become common form everywhere. If a sane balance of population between north and south, east and west, is to be achieved, this kind of development is just as essential as any movement of industry or provision of public utility service. If the eager and gifted, to whom we must look
for leadership in every field, are to feel as much at home in the north and west as in and near London, each region will require high points of artistic excellence. Of course no provincial centre can hope to rival the full wealth and diversity of London's art treasures, but each can have something of its own that is supreme in some particular field. This too must be the aim of the new towns, if they are to win and to hold the kind of residents they most need.

11. From the combined efforts of the Government and regional associations that include representatives of industry, the trade unions and private donors as well as local authorities, the money must be found to provide the buildings needed to house the arts.

12. If we are prepared to accept this challenge, we must also be prepared within the limits of the resources that can be made available to give expenditure for these projects a higher priority than in the past.

13. The financial difficulties that so many of today's artists have to contend with, must also be realistically examined.

14. In any civilised community the arts and associated amenities, serious or comic, light or demanding, must occupy a central place. Their enjoyment should not be regarded as something remote from every day life. The promotion and appreciation of high standards in architecture, in industrial design, in town planning and the preservation of the beauty of the countryside, are all part of it. Beginning in the schools, and reaching out into every corner of the nation's life, in city and village, at home, at work, at play, there is an immense amount that could be done to improve the quality of contemporary life.

15. There is no short-term solution for what by its very nature is a long-term problem. This is a field in which even in the most favourable circumstances, it will never be possible to do as much as we want to do as quickly as we want to do it. But that is no excuse for not doing as much as we can and more than has hitherto been attempted.

GOVERNMENT SUPPORT FOR THE ARTS

16. The support that the Government give to the arts can be grouped under three heads—education, preservation and patronage.

17. The main educational functions are carried out in England and Wales under the aegis of the Department of Education and Science and in Scotland of the Scottish Education Department. In partnership with the local education authorities and voluntary bodies they are concerned with the arts in schools, colleges of further education, including colleges of art, adult education and community centres. To the responsibilities of the Department of Education and Science public libraries will soon be added. The Victoria and Albert Museum is the direct responsibility of the Department of Education and Science and the Royal Scottish Museum of the Scottish Education Department.

18. As for preservation, the Museums and Galleries, largely financed directly by the Treasury, and the Historic Buildings and Ancient Monuments looked after by the Ministry of Public Building and Works are the most important. The National Trust, and the National Trust for Scotland,
private bodies with great houses and collections under their wing, receive on occasion substantial grants towards repair and maintenance from the Ministry of Public Building and Works. There are also other bodies receiving financial support from the Government, such as the British Institute of Recorded Sound.

19. The patronage given by the State to music, drama, painting, sculpture and poetry is largely channelled through the Arts Council and its Scottish and Welsh Committees. The Council thus cover most of the fields not provided for by other agencies.

National museums and galleries

20. There are seventeen main national museums and galleries, two of which are scientific. Government departments are directly responsible for three of them; the Victoria and Albert, the Science and the Royal Scottish Museums. The rest are administered by Trustees appointed in most instances by the Prime Minister.

21. The management of their affairs is in their own hands and they can spend their purchase grants as they like. Special grants can also be made towards the cost of exceptional purchases.

22. Building for these museums in London and Edinburgh is arranged by the Ministry of Public Building and Works, which in turn looks for advice on priorities to the Standing Commission on Museums and Galleries, a body of twelve appointed by the Prime Minister. A twelve-year programme covering England and Scotland has been drawn up costing in all £5m. starting in 1964-65. In addition there are several large special projects outside the twelve-year programme, notably the British Museum Library, estimated at £15m., and the National Science Reference Library (£1½m.); a bill now before Parliament provides for an Exchequer contribution to a new Museum of London. A separate programme of £700,000 over twelve years has been agreed for the Welsh Institutions.

Provincial Museums and Galleries

23. There are some 900 of these supported or administered mainly by local authorities whose expenditure on them does not rank for calculating general grant. They vary greatly in size and scope. The Standing Commission surveyed these museums in 1960 and commented unfavourably on the small amounts of money spent on many of them.

24. A fund (£50,000 in 1964–65) for local purchases comes from the Victoria and Albert Museum which also provides loans of travelling exhibitions culled from the museum’s material. The Royal Scottish Museum operates a similar fund. Regional schemes of co-operation through Area Councils are beginning to get under way. These will enable the smaller museums in an area to call on the larger for advice and help. Exchequer grants are made to the Area Councils, but until the schemes are in full working order this expenditure will not be large.

The Arts Council

25. Support for the living arts is mainly channelled through the Arts Council whose task was set out in its Royal Charter of 1946, as the development of “a greater knowledge understanding and practice of the fine arts
exclusively and in particular to increase the accessibility of the fine arts to the public throughout Our Realm, to improve the standard of execution of the fine arts and to advise and co-operate with Our Government Departments, local authorities and other bodies on any matters concerned directly or indirectly with those objects.”

26. Sixteen persons appointed by the Chancellor of the Exchequer after consultation with the Education Ministers are chosen for their knowledge of, or concern with, one or more of the fine arts. They are responsible for the allocation of the grant-in-aid given them through the Treasury Vote for Grants for the Arts. In 1963–64 a triennial basis was adopted with an annual 10 per cent. increase. The Charter provides for the appointment of committees for Scotland and Wales to which the Council entrusts the discharge of its functions in these countries.

27. With these funds the Council organise exhibitions, some of them the most important held in this country, or indeed anywhere, since the war. They send groups performing “Opera for All” widely through the country, and organise some concerts. But for the most part the Council give grants or guarantees to activities for which other sources contribute equal or greater support.

28. The following are the main objects which the Council support:

**Opera and Ballet**:
- Covent Garden and Royal Ballet.
- Sadler’s Wells.
- Welsh National Opera Company.
- Scottish Opera Society.
- London Opera Centre.
- Ballet Rambert.
- Western Theatre Ballet and some small companies.

**Music**:
- Orchestras.
  By an arrangement with the London County Council, orchestral concerts in the Royal Festival Hall are subsidised. Outside London orchestras which obtain help from the Arts Council include
  - Scottish National Orchestra.
  - Hallé.
  - Liverpool Philharmonic.
  - City of Birmingham.
  - Western Orchestral Society.
  - Northern Sinfonia.

Also through the National Federation of Music Societies small grants are made to a large number of musical bodies with the aim of improving performance by guaranteeing concerts and enabling amateurs to improve their quality and engage professional conductors, singers and players.

**Theatre**:
- The National Theatre.
- Royal Shakespeare Company.
- English Stage Society.
Some 45 other repertory companies.

Training schemes for writers, producers, designers and administrators.

Other grants by Scottish Committee (e.g. Glasgow Citizens' Theatre) and Welsh Committee.

Art:
Mainly through exhibitions, grants and guarantees to local arts societies, and occasional purchases.

Poetry:
Grants, guarantees and direct promotion.

The Edinburgh Festival.
Arts Festival.
Arts Associations and Clubs.

British Film Institute
29. This body receives direct grants from the Treasury and the Department of Education and Science. Its main objects are to run the National Film Archive, the National Film Theatre and a Film Distribution Library. It issues several publications, including Sight and Sound, and generally concerns itself with “the development of the film as a means of entertainment and instruction”, as does the Scottish Film Council which is also grant-aided.

Other bodies
30. Grants are also made to the following: The British Academy which finances schools of Archaeology overseas, the British Institute of Recorded Sound, the Royal Academy of Dramatic Art, the Royal Academy of Music, the Royal College of Music, the Royal Scottish Academy of Music, and the Royal Manchester College of Music.

Historic houses and Ancient Monuments
31. The Ministry of Public Building and Works is responsible for the administration of the Ancient Monuments and Historic Buildings Acts including the power to make grants towards the repair of buildings of outstanding historic or architectural interest, acting on the advice of the three Historic Buildings Councils for England, Scotland and Wales. Grants are normally made only on condition that the house is opened to the public.

32. The Ministry is also responsible for the upkeep of a number of buildings of special historic interest, such as Burlington House, Lancaster House, Marlborough House, the Tower of London, the Banqueting House, the Royal Naval College, Greenwich and Royal Palaces not occupied by the Sovereign such as Hampton Court, parts of Holyroodhouse and Osborne House.

33. Statues. A good many of the London statues are in the charge of the Ministry. When Parliament approves a statue the Ministry normally commissions and erects it.

34. Sculpture and pictures. Sometimes a new public building calls for sculpture or other special type of decoration and the Ministry thus exercises a limited amount of patronage. It also purchases a number of pictures
every year, for diplomatic buildings overseas, official residences and Government offices. It also has a team of artists skilled in picture conservation and the restoration of works of art.

35. The Ministry of Housing and Local Government also has responsibilities for buildings of special architectural or historic interest. The Ministry issues lists of such buildings for the guidance of local planning authorities, in order to ensure that the special interest of the buildings is taken into account when proposals affecting their future are put forward. In addition to their normal powers of development control, the local authorities may make building preservation orders (subject to confirmation by the Minister) where necessary.

36. Local authorities are also authorised, in England and Wales by the Local Authorities (Historic Buildings) Act 1962 and in Scotland by the Local Government (Scotland) Act 1947, to contribute towards the repair and maintenance of buildings of architectural or historic interest. The consent of the Minister of Housing and Local Government is required only if the building is not a listed building.

37. The British Council is responsible for displaying overseas the best of British drama, music, and the visual arts. In co-operation with local museums and art galleries abroad, paintings and sculpture by British artists are sent for exhibition at international art festivals, and on extended tours through a number of countries. Photographic displays dealing with such subjects as architecture or social services are also supplied. The Council organises tours overseas by British theatre, ballet and opera companies and by orchestras and individual musicians, enabling them to perform not only in Europe but sometimes in countries farther afield where opportunities of seeing or hearing British actors or musicians are rare. It maintains an information and reference service for specialists in the arts and sends copies of plays, gramophone records (including recorded speech and literature), and music to its libraries overseas.

LOCAL AND REGIONAL EFFORT

38. Local authorities depend, for authority to incur expenditure, mainly but not entirely on Section 132 of the Local Government Act 1948. This permits them to spend the product of a 6d. rate on entertainment in all its forms. They can also spend whatever profit they make out of entertainment. There is similar provision for Scotland. It may well be worth considering whether these powers should not be extended to the county councils in England and Wales; at present only the London County Council has obtained them.

39. Some of the most progressive local authorities already show what can be done. Birmingham, for example, besides having one of the finest museums in the country, in part finances its orchestra, plans to build a new Repertory Theatre and has made an interest-free loan to the amateur Crescent Theatre. It is also contributing to an adventurous scheme for an arts centre for youth at Cannon Hill. Manchester at the Library Theatre runs one of the few civic theatres that is completely financed from local funds. Sunderland has added an arts centre to its museum and generally supports its theatre. The London County Council has a proud record of support for the arts. It has
built the Royal Festival Hall and is building an arts centre on the South
Bank, contributes half the pool which guarantees the concerts of three great
orchestras, supports several museums, took the initiative over the National
Theatre and commissions a wide variety of sculpture for its schools. The
City, too, plans to build an arts centre in the new Barbican development
and will contribute one third of the cost of the new Museum of London.

40. In Scotland, Glasgow has now embarked on a scheme for a cultural
centre which will include two theatres and a concert hall.

41. The New Towns in England, Wales and Scotland are also showing
enterprise. They have powers to make contributions to the cost of providing
amenities and to appoint Social Development Officers who make the needs
of voluntary organisations known to the Corporations. Harlow, for instance,
has appointed its own arts council which receives financial help from the
local authority and is preparing a scheme for a theatre and arts centre.
It has also introduced and supports a professional string quartet for whose
members the Corporation has made houses available. Welwyn Garden City
provides in Digswell House living accommodation for sixteen artists and
students. An example from Scotland is the help given to the Glenrothes
Arts Club which has premises in an adapted farmhouse. Others have formed
Arts Trusts which serve as intermediary between the local authority and the
cultural organisations.

42. An enterprise that grows steadily in popularity and enjoys Arts
Council support is the Arts Festival. This brings cultural opportunities
to the residents and also brings visitors to the town. In addition to the
International Festival at Edinburgh there are festivals at Aldeburgh, Bath
Cambridge, Cheltenham, Little Missenden, Haslemere, Ludlow and York;
also the Three Choirs festival. In Wales there is the peripatetic Eisteddfod.
In Scotland, Stirling has led the way in local festivals. But too many centres,
especially in the drabber industrial areas, do not as yet share in these
activities.

43. Go-ahead local enterprises need more than encouragement and advice.
They also need more financial help, and this is where regional associations
for the arts can perform an important function, for regional planning is as
valuable in this as in the economic sphere. At this level a small staff
with a few keen local enthusiasts backing them can stimulate the co-operation
of other authorities, and by calling on each for a fairly small levy provide
funds with which to finance a variety of projects—concerts, exhibitions, film
shows and lectures—which few authorities by themselves could afford. By
invoking the help of the local education authorities they can also bring the
schools into the picture. It is important to win the goodwill and co-operation
of employers and trade unions. Universities too have an important part
to play. A network of this kind should be developed to cover the whole
country. Once an association has been formed it can act with and for
the Arts Council in a mutually beneficial relationship.

44. At present the biggest association of this kind is in the North
East. It received £30,000 from the Arts Council in 1964–65 and helps to
support among other things the Northern Sinfonia Orchestra, the Sunderland
ventures already mentioned, an arts centre at Billingham and the People’s
Theatre Arts Centre in Newcastle-upon-Tyne.
45. The most recent of the regional bodies is the Eastern Authorities Orchestral Association formed at the instance of the Arts Council and the London Philharmonic Orchestra. Some 93 local authorities from the Humber to the Thames will contribute £2 per thousand head of population to be matched £ for £ by the Arts Council, so that all members can benefit from the visit of an orchestra, even if the concert is given in surroundings not devised for orchestral work and at somewhat irregular intervals.

46. Another advantage of the regional association is that it calls forth from a larger area the able individuals who are the key to success. It gives them wider scope and puts their special gifts at the disposal of many local authorities besides their own.

47. This paper has laid emphasis on the fact that the municipalities are the corner stone without which effective local and regional art associations cannot be started or kept going. But ample scope remains for private donors and trusts such as the Carnegie U.K. Trust, the Pilgrim and Foyle Trusts, the Gulbenkian and Rayne Foundations. One of their most valuable contributions is to assist projects during their early stages, as the Carnegie U.K. Trust has done in its support of local museums.

48. There is also the considerable contribution made by private collectors and a welcome beginning to patronage of the arts by progressive industrialists and trade unions.

**HOUSING THE ARTS**

49. There is a dearth of good local buildings for showing and practising the arts. Part of the reason is that after the war there was such urgent need for houses and factories that little provision could be made for the civilising influences of concert halls, theatres or art centres. Money, labour and materials were not available. Habits of neighbourliness and co-operation in community projects were not developed. The damage then unavoidably done is only now being remedied. People who had never known what they were missing did not press for galleries, theatres and concert halls. Certain sections of the press, by constantly sniping at cultural expenditure, made philistinism appear patriotic.

50. Another reason was that the Arts Council was not able to provide significant capital sums for building.

51. In meeting contemporary trends the concept of the arts centre is most valuable since such a centre can be of almost any size and cover any range of activities. A single hall can provide a place where local people can meet, perform an amateur play, hold an exhibition of their own or of professional work, put on a film show, lecture or recital and generally act as a focal point for cultural and amenity activities. It may be run solely by amateurs or by a mixture of amateurs and professionals. At the other end of the scale the arts centre may cover a long stretch of the South Bank, with Festival Hall, Recital Room, National Theatre, Art Galleries, restaurant and Film Theatre. In between there are for instance the 'Little Theatre Guild of Great Britain' whose twenty-six members, in towns as far apart as Salisbury and Llangefni or Newcastle upon Tyne, have built or adapted their own theatres and support them with other activities concerned with the arts—films, collections of costumes,
and art exhibitions. Another notable example is the Cannon Hill Trust, where the plans include a library, three theatres (one open-air), swimming pool and multi-purpose studio and where the emphasis is educational, aiming at winning and holding the interest of the young. In Scotland, Greenock has provided an enterprising arts centre consisting of a theatre, gallery for small exhibitions, lecture room and small restaurant.

52. Demand is increasing and far more money could be spent on housing the arts than is likely to be immediately available. As a first step the Arts Council will be authorised to enter into commitments up to £250,000 in 1965–66, in order to encourage regional and local authorities to develop their plans in this field. If this has the desired effect, the Government will be ready, when the time comes, to consider authorising the Arts Council to enter into substantially higher levels of commitment in future years.

53. There is no reason other than lack of energy and interest why every community, large and small, should not form its own arts centre, aiming at growth and improvement of quality. The Regional Arts Association should be there to help; and one of the purposes of Centre 42, which has recently acquired a lease of the Round House in Camden Town, is to have groups of fully professional artists ready to respond to calls on their services from other parts of the country. Sometimes a historic building can be adapted at comparatively little cost—certainly less than the cost of a new centre—and used as an arts centre. When this happens two objects are achieved in one. Examples are, on a large scale, Temple Newsam outside Leeds and Corsham Court in Wiltshire, and on a smaller scale the adaptation of Canonbury Tower, for a theatre and arts centre in Islington.

54. It is to be hoped that one day fine permanent buildings for housing the arts will be universally available. But in the meantime enterprising localities might well investigate the possibility of mobile art centres and travelling theatres. This means growing accustomed to some of the latest developments in building techniques. Temporary inflatable structures are already in use in industry. All that is needed is to find models that can be given the gay ‘Come to the Fair’ atmosphere essential for recreational purposes. Besides providing much needed colour in the immediate future, these temporary theatres could help to create the climate of opinion needed to encourage expenditure from the rates on permanent buildings.

55. The recent actions of the Arts Council in launching an enquiry into the future needs of the provincial theatre and a second enquiry into ways of bringing the theatre to children are welcome and point the way to future developments.

56. As new theatres come to be built, there is a strong case for standardising backstage fitments and equipment. In some countries, notably West Germany, this is already done. It makes the work of touring companies very much easier.

57. Under the present town planning law a building which is in use as a theatre may be put to a variety of other uses without the need for prior planning permission. This has resulted in the loss of existing theatres. The Government regard this as unsatisfactory and they have therefore decided to amend the relevant statutory instrument—the Town and Country Planning (Use Classes) Order, 1963 (in Scotland, the Town and Country Planning
(Use Classes) (Scotland) Order, 1950)—so as to limit to use as a music hall or as a cinema, the changes of use from a theatre which, under the terms of the Order, can be carried out without involving the need for planning permission.

THE INFLUENCE OF EDUCATION

58. Almost all the activities described in this White Paper are linked directly or indirectly with education. If children at an early age become accustomed to the idea of the arts as a part of everyday life, they are more likely in maturity first to accept and then to demand them. The links are not limited to the primary and secondary schools: they extend to the art schools, the colleges of further education, the colleges of education for teachers, the universities and the classes for adults. The place that the arts occupy in the life of the nation is largely a reflection of the time and effort devoted to them in schools and colleges.

59. Nearly all children enjoy singing and dancing and most of them delight in poetry and in mime or dramatic exercises. There is no more excited audience at the right play. Many of them have a natural talent for painting and drawing, and for making things, that surprises their parents.

60. Many schools, particularly perhaps primary schools, have successfully fostered these abilities, and in some of the arts the schools have had notable help from radio and television. But too often, as boys and girls grow up, the impetus seems to weaken, so that as adults we are more vulnerable than we should be to criticisms of our inadequate uses of literacy, of our failure to appreciate poetry, of our limited tastes in music and drama, of our ignorance of the visual arts and of our blindness to good design.

61. Here is a challenge to the schools, and many of them are already showing that it can be met. The imagination and free flow of some of the writing in prose and poetry, the quality of some of the painting and pottery, and the high standard of some of the choral singing and of the orchestral playing, culminating in the National Youth Orchestra, outshine the achievements of any previous generation. But the base is still too narrow.

62. In these efforts the schools need the support both of their communities and of the expert practitioners in the various arts. This begins with the quality of the school buildings themselves. There are schools built since 1945 where children have shown how they appreciate and respect well-designed buildings, enlivened by the occasional mural or piece of sculpture, stimulating colours, well-chosen furniture and fittings and skilful landscaping. Many schools, too, have shown the benefits that can be derived from arranging close links with local museums, theatres and arts centres, from encouraging performances by school children to wider audiences, from inviting experts in the various arts to talk about their activities and demonstrate them, and from arranging visits by school children to exhibitions and performances.

63. As such activities become more widespread, more and more people will be inclined as they grow up to practise and appreciate the arts. The professionals of the future will require more and better facilities for their training, the amateurs will swell the growing ranks of those who attend the already remarkable variety of part-time classes or occasional lectures, and the arts as a whole will reach wider and better informed audiences.
Success will depend to a great extent on what is done in the places where research is undertaken, where standards are set and where expert practitioners are educated. A major responsibility therefore lies with the universities, with the colleges of education for teachers, and with the schools and colleges specialising in art, ballet, drama, music and opera. For example, the work of the National Advisory Council for Diplomas in Art and Design should lead to a marked improvement in higher education in art, and the Royal College of Art has shown how immediate an influence a leading educational institution can have not only on the standards of individual artistic achievement but on the quality of design in commerce, fashion and industry.

But ample scope remains for further effort. Not all universities and colleges can claim that they have yet done their utmost to foster knowledge and appreciation of the arts, either within or outside their own boundaries.

The role of education should not be interpreted too narrowly. It is true that much will have been achieved when many more people have become acquainted with the arts and have come to realise the interest and enjoyment that can lie in well-written books, good plays, more demanding programmes on radio and television, concerts of serious music and exhibitions of great pictures. But surroundings are important as well, and here too the arts can make an invaluable contribution. In this connection the Government will continue to support the Council of Industrial Design. They welcome the encouragement that the Council are giving to good industrial design in a wide range of products in everyday use at home and at work.

The crafts also have an important contribution to make in the field of education and leisure pursuits as well as in their influence on good design. In an age of progress the traditional crafts must move with the times and the Government will encourage them to take their place in future developments.

The quality of buildings and of the setting in which they stand also exerts an important influence on our lives. This brings into the picture not only the aesthetic merit of the buildings themselves but the contribution that sculpture, other works of art and landscaping can make to the environment—a contribution that also helps the arts by providing opportunities for sculptors, artists and landscape architects.

In the buildings for which they are themselves directly responsible the Government will continue to pay regard in all appropriate cases to the importance of this kind of contribution; and whenever practicable they will make a suitable provision. They hope that local authorities, New Town Corporations and other public bodies, some of whom have already done much in this way, will follow the same policy. They hope, too, that private donors will support these efforts.

In existing buildings too the Government would like to see more and better pictures displayed. They intend to arrange for this in those of their own buildings that are suitable, either by buying the work of living artists or by local loans.

Appreciation of this kind of good design is not the end of the matter. Indeed, diffusion of culture is now so much a part of life that there is no precise point at which it stops. Advertisements, buildings, books, motor cars, radio and television, magazines, records, all can carry a cultural aspect and
affect our lives for good or ill as a species of “amenity”. No democratic government would seek to impose controls on all the things that contribute to our environment and affect our senses. But abuses can be spotted and tackled, high standards encouraged, and opportunities given for wider enjoyment. It is partly a question of bridging the gap between what have come to be called the “higher” forms of entertainment and the traditional sources, the brass band, the amateur concert party, the entertainer, the music hall and popgroup—and to challenge the fact that a gap exists. In the world of jazz the process has already happened; highbrow and lowbrow have met.

72. Radio and television have much to contribute to the encouragement of artistic activity and appreciation. If little is said about them in this White Paper it is largely because in this field the Government has no direct responsibility. These media are managed by public corporations whose relationship with the Government is defined by statute. How the corporations use broadcasting time and deploy their resources is for them to decide.

73. But it is clear that radio and television have enormous opportunities in the sphere of the arts. and their responsibilities to the nation are correspondingly great. Radio has done much for drama, music and poetry. The use of television for similar purposes is still at a relatively early stage, but it is to be hoped that the introduction of additional channels for television will encourage further experiment and development. If in time a greater number of local stations is set up, these will have an important part to play in the encouragement of local artistic activity and the enrichment and diversification of regional cultures.

THE GOVERNMENT’S PROPOSALS

74. Government aid to the arts has hitherto been on a relatively modest scale, and has grown up in response to spasmodic pressures rather than as a result of a coherent plan.

75. The same picture emerges locally. There is no common pattern among local authorities when it comes to support for the arts. Some are generous, some have no regard for art at all, and sometimes such facilities as there are, for instance a library or museum, are not used to the best advantage.

76. There is ample evidence of the need for a more coherent, generous and imaginative approach to the whole problem. It will take time to work out such a policy in full detail. In the meantime the need for further progress is urgent. The Government has decided therefore to advance by stages, at each stage making the necessary assistance available in support of the following objectives:

Today’s artists need more financial help, particularly in the early years before they have become established. Their ability to develop and sustain a high level of artistic achievement lies at the centre of any national policy for the arts.

The Government hopes to see a great increase in local and regional activity, while maintaining the development of the national institutions.

They are convinced that the interests of the whole country will be best served in this way.

The Government appreciates the need to sustain and strengthen all that is best in the arts, and the best must be made more widely available.

There is need for more systematic planning and a better co-ordination of resources.
77. With these objectives in mind the Government have reviewed their own administrative arrangements. They have reached the conclusion that the time has come for the Government's responsibility for the Arts to be centred in a Department other than the Treasury, since public expenditure on the Arts has developed to a stage when it has already become anomalous for the Treasury to remain the sponsoring Department. These functions are accordingly being transferred to the Secretary of State for Education and Science, who will delegate responsibility to one of the Joint Parliamentary Under-Secretaries of State in his Department. Appropriate arrangements will be made to meet the special interests of Scotland and Wales. The necessary administrative changes are being put in hand immediately.

78. The greater part of Exchequer aid is channelled through the Arts Council. This arrangement will be maintained within the broader context now set by the Government's policy and with due regard to the pattern of developments described in this White Paper. Similarly bodies such as the Historic Buildings Councils, the British Council and the Council of Industrial Design will continue to play an invaluable part in their respective fields.

79. Notwithstanding the difficulties of the present situation the Government propose to increase substantially their grant to the Arts Council. In 1964-65 the Council received from the Exchequer £2,150,000 (excluding the grant in respect of Covent Garden). The figure for 1965-66 (again excluding Covent Garden but including the new expenditure incurred as a result of commitments on housing the arts and the extra subsidies for young artists) will be £2,815,000.

80. Among other things this will enable the Arts Council to make a larger contribution to regional associations, to increase their assistance to the leading artistic enterprises in Scotland and Wales, to ease the financial burdens of provincial repertory theatres, to give a much needed impetus to the development of Arts Centres and to provide additional assistance for first class orchestras. The position of the London orchestras is now under consideration by a committee under the chairmanship of Mr. Arnold Goodman. It is recognised that action to implement the recommendations of the Goodman Committee may require a further subvention of the major symphony orchestras and other musical groups. In addition the Arts Council has been asked to review its requirements for this year and to submit revised proposals for certain specialised projects which can reasonably be advanced during the coming year. On receipt of these additional estimates the Government will, in the light of the prevailing economic situation, give sympathetic consideration to asking Parliament for additional funds during the financial year 1965-66.

81. In order to bring the best of the Arts within reach of a wider public, greater use might be made of the subsidised travel for special occasions which the Arts Council already operates, and the practice of giving specially reduced theatre prices to students and to special groups should be more widely adopted. Looking further ahead, as development becomes possible, it will be desirable to provide more generally attractive restaurants, lecture rooms or other amenities for visitors who may travel long distances to the national institutions. The question of adjusting opening hours of museums and galleries to enable visits to be made out of school and working hours will need to be considered. In these ways our most precious national
82. In addition to Arts Council expenditure, the purchase grants to local museums made through the Victoria and Albert and Royal Scottish museums will be increased from £54,000 in 1964-65 to £108,000 in 1965-66. In consultation with the Standing Commission the present basis of Exchequer grants to the Area Councils will be reviewed to see whether a more flexible arrangement can be made.

83. As has been said, one of the main objectives of the Government's policy is to encourage the living artist. At present the young artist, having finished his schooling, has still to gain experience and has difficulty in obtaining employment. Many turn aside to other types of employment because the life of the artist is too precarious, and their talents are not used to the best advantage. Artists, poets, sculptors, writers, and musicians are sometimes lost to art for lack of a comparatively small sum of money which would support their start in life. The increase in the Government's grant to the Arts Council will enable them to raise from about £10,000 to £50,000 the sum allocated for awards and assistance to young artists in all fields. Awards can be used for travelling abroad and study if so desired.

84. In the field of literature several schemes for providing financial assistance to authors have been put forward. Proposals have been made to the Government by the Society of Authors and others on behalf, for example, of young authors of special promise before they have been able to establish themselves, of authors in mid-career who are prevented by lack of funds from undertaking prolonged research required for some work of particular scholastic value, and of older authors who are suffering hardship.

85. Various sources have been suggested from which the necessary funds might be drawn. One possible source is private contributions which in the past have provided useful assistance on a modest scale. As another possibility the Government's attention has been drawn to developments overseas, notably in Sweden where the necessary finance is provided by the State, and in France where it is supplied from a variety of sources including a levy on the turnover of publishing firms. Another suggestion received by the Government is that the law of copyright might be amended so as to extend the period during which royalties are payable to, say, 60 years (instead of 50 years) after the author's death, but to provide that for the last ten years the royalties would be payable not to the author's estate but to a fund administered by a statutory body for the benefit of living authors.

86. Some of those who have made representations to the Government have suggested that any scheme should be limited to literature and, so far as benefits are concerned, to authors. Others would prefer to extend the scope.

87. The Government propose to examine these matters further in consultation with the interested parties.

88. In an age of increasing automation bringing more leisure to more people than ever before, both young and old will increasingly need the stimulus and refreshment that the arts can bring. If one side of life is
highly mechanised, another side must provide for diversity, adventure, opportunities both to appreciate and to participate in a wide range of individual pursuits. An enlightened Government has a duty to respond to these needs.

89. But there can be no compulsion of any kind in this most sensitive field of human endeavour. Nor must Government support be given only to established institutions. New ideas, new values, the involvement of large sections of the community hitherto given little or no opportunity to appreciate the best in the arts, all have their place. It will take time for the Arts Council and other organisations working in this field to adjust their plans to the wider opportunities now offered to them.

90. Compared with many other civilised countries we have been in the habit of financing some fields of the arts on no more than a poor relief basis. However, as a first step towards a new policy, the Arts Council grant (excluding Covent Garden) in 1965–66 will be higher by £665,000 (30 per cent.) than in 1964–65, or nearly £500,000 higher than the 1965–66 figure agreed two years ago under the triennial plan.

91. Even more important are the three new points of departure that underline the seriousness of the Government's intention to follow up these first steps as rapidly as possible with further aid where the need for aid is proved.

92. For the first time a building fund has been established to encourage local authorities and regional associations to come forward with building plans. The sum allocated, a quarter of a million, is modest compared with expenditure in some other fields, but because of the delays, inevitable and otherwise, in starting new projects, its provision represents a challenge as well as welcome material encouragement. It is now up to the local authorities and the other agencies concerned to prove by their response, that the Government would be justified in the following financial year in entering into substantially higher levels of commitment.

93. The Goodman Committee has been asked to provide precise authoritative information on the proper cost of maintaining our great London orchestras, and the Government have made plain their recognition that additional funds may be required for this purpose.

94. The Arts Council is being invited to review its requirements for the coming year and to submit revised proposals for certain specialised projects.

95. Some local authorities will need a good deal of persuading before they are convinced that the money it is in their power to spend on arts and amenities is money well spent and deserving a much higher priority than hitherto. But it can be done. All new social services have to fight long and hard before they establish themselves. Only yesterday it was the fight for a free health service. The day before it was the struggle to win education for all.

96. Today a searching reappraisal of the whole situation in relation to cultural standards and opportunities is in progress. More and more people begin to appreciate that the exclusion of so many for so long from the best of our cultural heritage can become as damaging to the privileged minority as to the under-privileged majority. We walk the same streets, breathe the same air, are exposed to the same sights and sounds.
97. Nor can we ignore the growing revolt, especially among the young, against the drabness, uniformity and joylessness of much of the social furniture we have inherited from the industrial revolution. This can be directed, if we so wish, into making Britain a gayer and more cultivated country. It is fitting that the present Government should seek to encourage all who are furthering these aims. The proposals outlined in this White Paper, though no more than the first steps in the direction of a fully comprehensive policy for the Arts, demonstrate the Government's concern that immediate progress should be made towards the new objectives.
CABINET

ADDENDUM

TO

C. (65) 22

Draft White Paper, page 18, after paragraph 87

Insert paragraphs 87A, 87B and 87C attached hereto.

Cabinet Office, S. W. 1.

16th February, 1965
87A. By far the most valuable help that can be given to the living artist is to provide him with a larger and more appreciative public. Everything possible must be done to enlarge the area of appreciation of the arts while at the same time guarding against any lowering of standards.

87B. Concern has been expressed in the press and elsewhere that the independent film producer should not be crowded out because the distribution of films to exhibitors is in the hands of two main companies, and the question of supply of films to exhibitors has been referred by the Board of Trade to the Monopolies Commission. Further developments must now await the Commission's report.

87C. The success of such television talks as have already been given is one among several heartening examples both of the willingness of men and women of outstanding talent to co-operate in mass education and of the response that is there to be awakened, given the right kind of approach.
RACIAL DISCRIMINATION AND INCITEMENT TO RACIAL HATRED

MEMORANDUM BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT

It was stated in The Queen's Speech on the opening of Parliament that the Government would "take action against racial discrimination and promote full integration into the community of immigrants who have come here from the Commonwealth". During the Committee Stage of the Expiring Laws Continuance Bill I indicated that it was our firm intention to introduce as soon as possible legislation dealing with discrimination against coloured persons in public places; and that if, as I hoped, we could overcome the formidable difficulties of definition, we would couple with it legislation against incitement. (Official Report, 17th November, 1964, cols. 287-8.)

2. I have since given much thought to the form which legislation might take and, following discussions with the Lord Chancellor and the Law Officers, I submitted a memorandum to the Home Affairs Committee. At their meeting on 12th February the Committee expressed general agreement with my proposals, but in view of their political importance and inevitably controversial nature they invited me to bring them before the Cabinet. This I now do.

Racial discrimination

3. If we are to make discrimination a criminal offence we must, I think, define fairly narrowly the area in which that offence may be committed and avoid interference with the rights of the individual where their exercise is not contrary to the public interest. We must also be sure that any provision creating an offence of discrimination can be enforced. These are difficult problems.

4. My proposal is that discrimination on grounds of race or colour should be penalised if it is practised in places to which the public have access—in particular in hotels, restaurants, public houses, places of entertainment or recreation and public transport vehicles. There is not much evidence of discrimination in such places now; but it is indefensible if it should occur and I think it is right to prohibit it. We cannot, I feel, go further and deal (for example)
with the refusal of landladies to take coloured lodgers—which leads to a lot of complaint—without interfering unjustifiably with the rights of the individual.

5. We must recognise that even in places to which the public have access, services may be refused to a coloured person for reasons which have nothing to do with discrimination of this kind. Persons are commonly refused services where, for example, they are the worse for drink or unkempt or their dress is unsuitable for the particular place; and if these grounds of refusal are to continue to be available, they must apply to coloured as to white persons. In the nature of things it would, I think, be impossible to place on the prosecutor the responsibility of proving in every case that the refusal of services was due to discrimination on grounds of race or colour. I propose therefore to make it an offence to refuse to coloured persons—or to persons of a particular race—services which are available at the place in question to other members of the public in general, unless the accused can show that the substantial ground of the refusal was not race or colour.

6. The offence would be a summary one with a maximum penalty of £50 on first conviction and £100 on any subsequent conviction. I propose also to limit the right to prosecute to the Director of Public Prosecutions for two reasons. First, the police, who are worried about the effect of new legislation on their relations with the coloured population, are most unwilling to undertake the difficult and invidious task of prosecution. Secondly, it seems to me right, in principle, to include the additional safeguard of prosecution by the Director against the bringing of proceedings on grounds other than the public interest. The creation of the new offence represents a considerable interference with the rights of the individual; and while I think this is fully justified it is, in my view, desirable to demonstrate that the circumstances of each case will be fully and impartially considered before action is taken and that the law will be consistently administered.

7. I have set out in Appendix A a rough outline of the provisions I have in mind. It will no doubt need alteration by Parliamentary Counsel.

Incitement to racial hatred

8. Amendment of the law to make incitement to racial hatred an offence has been frequently proposed during the last 30 years. The case for it has been strengthened by developments since the war—the growth in the coloured population; the immediate and nation-wide publicity given by television to any disorders; the indignation caused by propaganda of the "Hitler was Right" type after the years of Nazi persecution of the Jews. The problem remains, as it always has been, to frame a provision which will penalise indefensibly scurrilous and inflammatory speeches or publications without curtailing legitimate freedom of comment and controversy.
9. Section 5 of the Public Order Act 1936 provides that—
"Any person who in any public place or at any public meeting uses threatening, abusive or insulting words or behaviour with intent to provoke a breach of the peace or whereby a breach of the peace is likely to be occasioned, shall be guilty of an offence."

After the disturbances caused in 1962 by minor Fascist leaders, such as Colin Jordan, and their opponents, at public meetings, the Public Order Act 1963 increased the penalties under Section 5 of the Act of 1936 from a maximum of three months' imprisonment or a fine of £50 or both to a maximum of three months' imprisonment and/or a £100 fine on summary conviction and 12 months' imprisonment and/or a £500 fine on conviction on indictment. During the passage of both Bills amendments were proposed which would have widened their scope to penalise incitement to racial or religious prejudice, or to hatred on grounds of race, colour or creed. The view prevailed, however, that to make such incitement an offence would encroach unacceptably on the right of free expression and was too close to political censorship.

10. There have been no recent troubles on the 1962 scale, and there is at present less general concern about public meetings. The representations which I receive refer to written matter—anti-Semitic articles in Fascist news-sheets, swastika-daubing and the fly-posting of stickers of the "nigger neighbour" variety.

11. The existing law is defective in dealing with written incitement. The common law offence of seditious libel (endeavouring to stir up hatred or hostility between different groups of The Queen's subjects with the intention of promoting violence) has been variously interpreted, and, as the Caunt case showed, a conviction is not easy to secure. At present offensive remarks can be disseminated in writing provided that they are not obscene or blasphemous, or seditious in the comparatively narrow sense indicated above; and a scurrilous campaign could be mounted, e.g., against coloured immigrants, on a sufficient scale to produce a considerable effect without falling foul of the law, in view of the difficulty of proving that publication took place "with the intention of promoting violence by stirring up hatred or hostility between different classes of The Queen's subjects".

12. My present proposals, while they are designed to close this gap in the law dealing with written incitement, would also broaden and strengthen the law on incitement to racial hatred generally. I am satisfied that the time has come when it is right and necessary to penalise deliberate incitement to racial hatred, oral or written, whether or not it can be shown that it was intended or likely to cause a breach of the peace. My proposals are therefore twofold:

(a) The scope of Section 5 of the Public Order Act 1936 (see paragraph 9 above) should be extended to include the dissemination of written matter which is threatening, abusive or insulting, with intent to provoke a breach of
the peace or whereby a breach of the peace may be occasioned. The penalties (as increased by the Act of 1963) would be the same.

(b) It should be made an offence for a person, with intent to stir up hatred against an ethnic or racial group, to disseminate written matter, or in a public place or at a public meeting to use speech, which is threatening, abusive or insulting and likely to stir up hatred against that group on grounds of race or colour. It would thus be necessary to prove both that the matter complained of was likely to stir up hatred on grounds of race or colour and that the accused intended to stir up hatred; but, if it were shown that the matter was likely to stir up such hatred, it would be for the accused to satisfy the court that he did not intend to bring about the natural consequence of his action. In my view a provision on these lines would strike a reasonable balance between the preservation of freedom of speech and the protection of racial groups from vicious attacks. I propose that proceedings for this offence should not be instituted except by or with the consent of the Attorney-General: this should afford a further safeguard against proceedings being taken in circumstances which would penalise or inhibit legitimate controversy.

The provisions I have in mind would be broadly on the lines shown in Annexes B and C.

**Discrimination and incitement to hatred on grounds of religious belief**

13. The Home Affairs Committee invited me, in putting my proposals to the Cabinet, to refer to a difference of opinion in the Committee on the question whether the proposed measures should be applied to discrimination or to incitement to hatred on religious grounds. Some members feared that a charge of racial discrimination might be met by the suggestion that the person in question was refused services, not on grounds of race, but because he was, for example, a Muslim; and that, in view of the attitude which the Labour Party had adopted in the past, it would be expected that the provisions against incitement would protect religious as well as racial minorities. I doubt whether in practice there is a need for legislation to deal with discrimination or incitement on religious grounds; and I am anxious not to have to face a charge of preventing religious or political controversy except where a clear case for doing so can be made out. Further, as regards incitement, Section 5 of the Public Order Act already prohibits the use of offensive language in a public place, irrespective of the persons attacked, if the result is intended or likely to be a breach of the peace. It would thus apply to abuse on religious grounds. So therefore would Annex B. Annex C would only apply to race or colour origin; that is something one cannot help.
Conclusion

14. I seek my colleagues’ approval of my proposals and of my announcing to Parliament the Government’s intention to introduce legislation on these lines. Before making any announcement I propose to consult the Opposition informally with a view to reducing controversy in the House of Commons, and I will raise the question of timing again with my colleagues when I have done so, and I shall of course consult the Leader of the House and the Chief Whip about timing.

F. S.

Home Office, S.W.1,
16th February, 1965.

ANNEX A

RACIAL DISCRIMINATION

1. It shall be an offence in a public place to withhold from coloured persons or persons of any particular racial ethnic or national origin facilities, advantages or services which are at that place available whether on payment or otherwise to members of the public in general resorting thereto who are not of that colour or origin, unless the person charged proves that the fact that such persons were of that colour or origin was neither the sole nor the main reason why he withheld such facilities, advantages or services as aforesaid.

2. For the purposes of this section a public place means an hotel within the meaning of Section 1, sub-section 3, of the Hotel Proprietors Act 1956, a restaurant, or a café, or any place kept or used for the sale of food or drink to the public, including premises licensed for the sale of intoxicating liquors, or any place kept or used for dancing, singing, music, a theatrical or cinematographic performance or any other public entertainment or recreation, or any premises or vehicle to which the public have access for the purposes of public transport; and a person withholds facilities, advantages or services who being whether alone or in conjunction with other persons the owner of or in charge of that place and in a position to make available or to cause to be made available such facilities, advantages or services at such place on being at reasonable hours and in a reasonable manner requested to make them available declines or fails within a reasonable time so to do.

3. A prosecution under this section shall not be instituted except by or on behalf of the Director of Public Prosecutions.

4. A person convicted of an offence under this section shall be liable on summary conviction to a fine not exceeding £50 and on conviction for a second or subsequent offence to a fine not exceeding £100.
RACIAL INCITEMENT

Extension of Section 5 of Public Order Act to Written Matter

For Section 5 of the Public Order Act 1936 there shall be substituted the following section:

"5. (1) Any person who in any public place or at any public meeting uses threatening, abusive or insulting words or behaviour, or disseminates written matter which is threatening, abusive or insulting, with intent to provoke a breach of the peace or whereby a breach of the peace may be occasioned shall be guilty of an offence.

(2) For the purposes of the foregoing sub-section, 'written matter' includes any writing, sign or visible representation; and a person disseminates matter if he distributes or publishes it or causes it to be distributed or published."

[Penalties as in Public Order Act 1963—i.e., 12 months and/or £500 on conviction on indictment; 3 months and/or £100 on summary conviction.]

NEW SPECIFIC OFFENCE OF STIRRING UP RACIAL HATRED

1. A person shall be guilty of an offence if, with intent to stir up hatred against a group of Her Majesty's subjects or persons owing temporary allegiance to Her Majesty, he disseminates written matter, or in any public place or at any public meeting uses speech, which is threatening, abusive or insulting and likely to stir up hatred against that group on grounds of their race, colour or ethnic origin.

2. For the purposes of this section:

(a) "written" matter includes any writing, sign or visible representation;

(b) a person disseminates matter if he distributes or publishes it, or causes it to be distributed or published, to the public at large or to a section of the public not consisting exclusively of members of a club or association of which that person is a member; and

(c) for the purposes of this section a group shall mean any number of persons who possess the same or a similar ethnic or racial characteristic or characteristics or are of the same or similar ethnic or racial origin or origins.
3. A person convicted of an offence under this section shall be liable:

(a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding £100, or to both: or

(b) on conviction on indictment, to imprisonment for a term not exceeding two years, or to a fine not exceeding £1,000, or to both.

4. No prosecution shall be instituted under this section except by or with the consent of the Attorney-General.

5. If upon application being made by the Attorney-General it appears to the High Court that any person convicted of an offence under this section was when he committed the offence a member of an association and when committing the offence did so wholly or substantially in furtherance of the purpose or one of the main purposes of such association, the Court may in relation to such association exercise all or any of the powers contained in Section 2, sub-section (3), of the Public Order Act 1936.
CABINET

VOTE ON ACCOUNT, 1965-66

Memorandum by the Chancellor of the Exchequer

The Vote on Account will be presented and published on 22nd February. It will reveal that the 1965-66 Estimates to be presented to Parliament will total £7,134 million. This is an increase of 8.9 per cent in money terms, or 5.5 per cent in real terms.

This is large, though not the largest increase on record. But for reasons which are known to my colleagues, the situation is particularly sensitive this year; and I am accordingly anxious that we should do what we can to reduce the adverse impact which the increase may have on home and overseas opinion.

I therefore propose, exceptionally, to introduce this year’s Vote on Account by making a statement in the House on the day it is published. I attach a draft of the proposed statement.

There is one point on the defence figures in the draft statement to which I would draw particular attention. Allowing for the £13-14 million for service housing which will not appear on Votes, we shall in real terms be exceeding in 1965-66 the £2,000 million limit by nearly £60 million or 3 per cent. If we are to achieve the objective which we have agreed upon, this is not a trend which we can afford to allow to continue.

I invite my colleagues to agree that I shall make a statement in the House on 22nd February on the lines of the attached draft.

L. J. C.

Treasury Chambers, S. W. I.

17th February, 1965
DRAFT PARLIAMENTARY STATEMENT ON
THE VOTE ON ACCOUNT

With permission, Mr. Speaker, I wish to make a statement about Supply expenditure in 1965-66.

The Vote on Account, covering the Civil Estimates and the Defence (Central) Estimate, was published earlier this afternoon; the Defence Estimates and the Defence White Paper will be published tomorrow. The total estimated Supply expenditure in 1965-66 is £7,134 million, an increase of £585 million or 8.9 per cent over the Budget Estimates for the current year. This figure compares with increases in the three previous years of 6.7 per cent, 9.4 per cent and 8.2 per cent respectively. In real terms the increase is 5.5 per cent.

The Defence Budget Estimates at £2,120 million will show an increase of £121 million, which in real terms is an increase of 2.3 per cent over 1964-65. This compares with an increase of 5.5 per cent in real terms in the previous year. The needs of our forces must be met at a cost which the country can afford and the Defence White Paper will explain the measures we are taking to achieve this.

The Estimates show an increase over last year although they have been severely pruned. My colleagues and I are determined to cut out unnecessary spending, but Government expenditure is not susceptible to downward changes at short notice. In large part, therefore, the Estimates for which I now take responsibility are the outcome of a long series of decisions going back over a period of years during the time when right honourable Gentlemen opposite were in office. As we made clear in the Statement on the Economic Situation which was issued on 26th October last, it is the Government's view that the expenditure programmes which we inherited do not provide adequately for the nation's economic or social needs and we intend to reshape them.

Moreover, my examination shows that the policies enshrined in these Estimates were embarked upon by the previous Administration without proper attention being paid to our capacity to finance them. I intend that we should be more prudent in these
matters. The Government have accordingly been studying the problem of controlling the long-term trend not only of Central Government expenditure but of the total expenditure of the whole public sector. This total must be viewed against the economic resources likely to be available. It does not follow that the public sector should not be allowed to take a larger share of our gross national product than it does today. I do say, however, that the growth of public expenditure must be consciously and effectively planned and controlled as the major element in the National Economic Development Plan which the Government are preparing.

A final decision on the details of this will be reached when the Plan has been drawn up. Meanwhile, the Government have decided that total public expenditure, excluding the investment of the nationalised industries, shall be allowed to rise by 23 per cent in real terms between 1964-65 and 1969-70. This represents an average annual increase of about 4½ per cent. We intend to plan our policies in such a way as to ensure that, taking one year with another, this rate of growth shall not be exceeded.

There is one category to which I must make particular reference, namely those items in the Government expenditure programme which bear heavily upon the balance of payments. The Government are subjecting these items, which involve overseas expenditure, to special examination.

This plan for public expenditure marks a further development in our long-term programme. It will provide a sound base for our policies of modernisation and redeployment of the national resources. It will also permit the progressive development of our economic and social policies, because expenditure will be realistically related to our capacity to embark upon new plans.
CABINET

ROYAL COMMISSION ON MEDICAL EDUCATION

MEMORANDUM BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

1. Medical education is a matter requiring urgent, high-level enquiry. Among problems requiring attention are the exceptionally high cost of producing doctors; the organisation of new medical schools; the future of the London medical schools; the relationship of medical education to the development of the National Health Service; and the whole field of post-graduate and post-experience medical training. A proposal for a high-level enquiry has been made by the University Grants Committee. Soundings of the profession show that the reaction will be favourable. The Social Services Committee considered, on 9th December, a memorandum which my predecessor submitted to them about this enquiry. They agreed with my proposals and considered that the subject warranted a Royal Commission.

2. The question has been raised whether the status of a Royal Commission is needed for this enquiry. The Minister of Health and I have considered this carefully, and believe that the enquiry should carry the maximum weight with the medical profession and in the universities; any substantial recommendations are likely to be controversial and must command the fullest authority if they are to be accepted by a profession very resistant to change. This is why when in Opposition we ourselves urged the appointment of a Royal Commission. Moreover, the General Medical Council has announced the formation of its own Committee to undertake a detailed and technical review of the undergraduate medical curriculum (this is the "current review by the [General Medical] Council" mentioned in the draft terms of reference in paragraph 3 below); and it is essential that the two enquiries should not be confused and that the Government enquiry should be seen to be indisputably the more wide-ranging and definitive. This again in our view points to Royal Commission status.
3. The terms of reference of the enquiry might be on the following lines:

"To review medical education, undergraduate and postgraduate, in Great Britain, and in the light of national needs and resources to advise Her Majesty's Government on what principles future development (including its planning and co-ordination) should be based. In particular, in the light of those principles and having regard to the statutory functions of the General Medical Council and the current review by that Council of recent changes in the undergraduate curriculum, to consider what changes may be needed in the pattern, number, nature, or location of the institutions providing medical education or in its general content; and to report."

These should be cleared formally with the General Medical Council, who have statutory responsibilities in this field; but contact with them suggests this will present no difficulty.

4. I seek the agreement of the Cabinet to the setting up of a Royal Commission on medical education with terms of reference on the lines of those set out in paragraph 3 above.

A. C.

Department of Education and Science, W.1,
17th February, 1965.
CONTROLL OF PRIVATE HOUSE-BUILDING BY FINANCIAL MEANS

MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT

At their meeting on 11th February about the housing programme (C.C. (65) 9th Conclusions, Minute 3) the Cabinet asked for information about the steps which might be taken to limit private house-building if necessary. The Minister of Public Building and Works is submitting a paper on control by means of building licensing. A possible alternative approach to limitation of private house-building would be by controlling advances.

2. Building societies dominate the market; it is estimated that they advance money on about 70 per cent of new houses. In 1964 their advances came to about £1,050 million—on existing as well as new houses—compared with about £125 million each from local authorities and insurance companies. The amount of bank advances is not known but is thought to be fairly small.

3. Only a small proportion of building society advances are for the dearer sort of house. Recent returns suggest that in 1964 about a quarter of building society mortgages were for houses costing over £4,000 including land: probably less than one-tenth were for housing costing more than £5,000.

4. We might be able to limit private house-building, while stepping up the number built by public authorities and housing associations, if we could induce the lending bodies to accept a form of restraint which would reduce the overall scale of their lending for new house-building, especially in those areas where the building industry is most overloaded. If it was thought worth while we might also get them to withhold advances for more expensive houses altogether.

5. Whether the building societies would co-operate voluntarily in this if asked to do so we cannot tell without discussing with them. No scheme of voluntary restraint agreed with their representatives
could, however, be wholly effective, for it would hardly be practicable to reach agreement with all the societies (of which there are over 600); and policies on which the biggest might be persuaded to co-operate would not necessarily be accepted by some of the smaller ones. The latter might partly frustrate the objective by attracting business which would otherwise be handled by those who did co-operate. We might therefore have to consider taking powers if it were thought that this is the right way to go.

6. It is to be remembered here that we are pledged to make matters easier for house purchasers by providing purchase money at a preferential rate of interest. I shall shortly be bringing proposals forward for this purpose. Negotiation will be needed with the building societies, who would have to be the main agents for passing on cheap money; and it will be necessary to agree with them some limitation on the amount of new house-building to be thus assisted. That would provide the opportunity for discussing with them the limitations we want in the interests of securing a bigger public programme.

7. As regards lending by the banks and insurance companies it is for the Chancellor of the Exchequer to advise whether they could be asked to limit what they lend for new building. I will be discussing this with him in the context of preferential rates of interest for house purchasers.

8. If it is agreed that we should aim at a bigger public programme there will, of course, be no need to make any specific announcement about its intended size or about means of holding the private sector in check. All that would be announced, in the form of a circular to local authorities, would be that the Government wished to encourage building to let for general needs, especially in the areas where housing conditions are worst, and for that reason, and in order to develop the use of industrialised methods, proposed to establish with the authorities programmes covering the next four years.

R. H. S. C.

Ministry of Housing and Local Government, S.W.1,
18th February, 1965.
CABINET

VOTE ON ACCOUNT 1965-66

Memorandum by the Chancellor of the Exchequer

I circulate to my colleagues a further draft of the Parliamentary Statement which I propose to make on Monday, 22nd February, revised in the light of the Cabinet's discussion on 18th February (C. C. (65) 10th Conclusions, Minute 4).

L. J. C.

Treasury Chambers, S.W.1.

19th February, 1965
With permission, Mr. Speaker, I wish to make a statement about Supply expenditure in 1965-66.

2. The House will recall that in my Budget Statement of 11th November last I said, with reference to public expenditure, that the Government's first objective was to get the deployment of economic resources right. The presentation of the Vote on Account affords me an opportunity to report on progress.

3. The Vote on Account, covering the Civil Estimates and the Defence (Central) Estimate, is being published this afternoon; the Defence Estimates and the Defence White Paper will be published tomorrow. The total estimated Supply expenditure in 1965-66 is £7,134 million, an increase of £585 million or 8.9 per cent over the Budget Estimates for the current year. Of this, £247 million or 3.8 per cent is attributable to increases in prices. The figure of 8.9 per cent compares with increases in the three previous years of 6.7 per cent, 9.4 per cent and 8.2 per cent respectively.

4. The Defence Budget Estimates, at £2,120 million will show an increase of £121 million. Apart from pay and price increases this represents an increase of 2.3 per cent over 1964-65 as against a comparable increase of 5.5 per cent in the previous year. We attach a high priority to tightening control of the Defence Budget; the Estimates will show that we have made a start. Moreover, defence expenditure bears heavily upon the balance of payments, and this aspect is the subject of a special review. The needs of our forces must be met at a cost which the country can afford and the Defence White Paper will explain the measures we are taking to achieve this.

5. The Estimates show an increase over last year although they have been severely pruned. In large part, they are the outcome of a long series of decisions going back over a period of years during the time when right honourable Gentlemen opposite were in office. My colleagues and I are determined to cut out unnecessary spending; but because most policy decisions imply a long-term programme of spending, Government expenditure cannot be re-shaped at short
notice. As we made clear in the Statement on the Economic Situation which was issued on 26th October last, it is the Government's view that the expenditure programmes which we inherited do not provide adequately for the nation's economic or social needs and we intend to reshape them.

6. Moreover, my examination shows that the commitments enshrined in these Estimates were embarked upon by the previous Administration without proper attention being paid to our capacity to finance them. The Government intend to be more prudent in these matters; and we have accordingly been considering the problem of planning the long-term course not only of Central Government expenditure but of the total expenditure of the whole public sector. This total must be viewed against the economic resources likely to be available. It is the Government's task to plan the purposive use of our economic resources as a whole, in order to secure, first, that total expenditure both public and private matches the resources that can be made available, and, second, that within the total there is a proper balance between the requirements of the public and private sectors. This means that the public sector may need to absorb a larger share of our gross national product than it does today. But the growth of public expenditure must be effectively controlled so that it can be accommodated, along with the other major elements, in the National Economic Development Plan which the Government are preparing.

7. A final decision on the details of this will be reached when the Plan has been drawn up. Meanwhile, the Government have decided that the growth of public sector expenditure between 1964-65 and 1969-70, excluding the investment of the nationalised industries, shall be related to the prospective increase in national production, which in our present judgment means limiting the average increase in public sector expenditure to 4½ per cent a year at constant prices. Taking one year with another, we intend to plan our policies in such a way as to ensure that this rate of growth shall not be exceeded.

8. This plan for public expenditure marks a further development in our long-term programme. It will provide a sound base for our policies for modernising and expanding the national resources. It will also permit the progressive development of our economic and social policies, because expenditure will be realistically related to our capacity to embark upon new plans.
CABINET

HOUSING PROGRAMME

MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT

At the meeting on 11th February I was invited (i) to define the areas in which it was proposed that additions to existing public housing programmes should be permitted and (ii) to explore means for ensuring that the additional allocations would be implemented by industrialised building methods (C.C. (65) 9th Conclusions, Minute 3). I have consulted the Secretary of State for Wales and the Minister of Public Building and Works.

Location of additional housing

2. The parts of the country in which the need for more public sector housing is greatest are:

   The North-East
   The North-West
   The West Riding of Yorkshire
   South Wales

In addition, London and Birmingham and the overspill towns directly associated with them present special problems.

3. Fortunately in all these areas there exists a considerable unused industrialised building potential, a large part of which the local authorities are already in a position to take up. Preliminary surveys by my Department and by the National Building Agency show that two-thirds of the additional 12,000 houses I have proposed could be built by industrialised methods in the three northern areas and South Wales. The surveys confirm, too, that provided that the labour can be made available there would be no difficulty in building the remaining one-third by the same means for London and Birmingham. I have, of course, no intention of increasing the programme in other parts of the South-East and the Midlands.

4. The 1965 estimates made by firms which have industrialised systems to offer in these areas amount in aggregate to more than could be achieved this year, since the systems will be in competition.
with one another for manpower and materials in short supply (especially cement and plasterboard). But even if the firms’ estimates are halved—and the surveys I have mentioned suggest that this is an over-cautious adjustment—they show a productive capacity more than sufficient to match the increased programmes in the areas of need.

5. The potential increase in industrialised building this year is indeed much greater than the additional programme for which I am asking. This surplus capacity will enable me, after allocating most of the 12,000 extra houses to the northern areas and South Wales, to encourage system-building in other parts of the country where skilled manpower is in short supply. In London and in Birmingham, for example, and in the towns providing for their overspill, it will be possible to build by industrialised methods a sizeable number of houses which in the ordinary course of events would be built by conventional means. The Minister of Public Building and Works and I consider that, provided we make this systematic switch to industrialised methods on a sufficiently ambitious scale, the additional load on the construction industry can be borne.

6. The concentration of the increased programme in these areas means that I must try to hold local authorities in the rest of the country to the 1964 level. This restraint will not be easy, for many of the authorities (in the Midlands, for example) have severe housing problems; some have substantial slum clearance needs.

Manpower implications of industrialised building

7. It is impossible to generalise about the savings in manpower on site from the use of industrialised methods. Systems vary greatly in their use of site labour and the savings in manpower compared with traditional building methods range from 50 per cent to 10 per cent. In selecting the systems to be recommended for use, the National Building Agency and my Department will give preference to those which effect the greatest savings in manpower.

Means of promoting use of systems

8. I have shown that the capacity for increased use of industrialised methods exists. There remains the task of getting the local authorities to give large orders for a few well-proven systems. This must be done in a way which will take up the unused capacity and encourage the development of those reliable systems which save substantial manpower and which—because of the location of the factories—can make the maximum early contribution to regional building requirements.

9. This implies putting limits on the number of systems from which local authorities in any area make their choice. The National Building Agency will help with the selection of systems and I shall encourage local authorities, by circular and by individual approaches, to make full use of the Agency’s services and advice. In this work the Economic Planning Councils in the regions will clearly have a valuable contribution to make. I shall also make it plain to the
authorities, in allocating additional approvals for this year, that the increase must be matched by additional use of industrialised methods chosen from a list limited to the best available local systems. I shall apply the same rule when I ask for programmes covering the next four years. To direct and co-ordinate all these measures, I propose to appoint someone from the building industry who will devote all his time during the next year to this task.

R. H. S. C.

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

CONTROL OF PRIVATE BUILDING

MEMORANDUM BY THE MINISTER OF PUBLIC BUILDING AND WORKS

The Cabinet, at their meeting on 11th February (C.C. (65) 9th Conclusions, Minute 3), asked for information about steps which might be taken to limit private house building and how far additional resources might be freed by this means and perhaps by an intensification of the ban on the building of new offices, with limitation on other non-essential building.

2. This memorandum deals with the question of restricting house building, office building and miscellaneous non-essential building by means of physical controls.

Restriction on house building

3. It would be necessary to define the category of houses to be restricted. This could be done either in terms of size of floor area or of money. The simplest method would be by floor area. It would take considerable time before physical controls began to operate, since they would require legislation and the creation of machinery to deal with applications to build. An Interdepartmental Working Party of officials is making a technical study of possible systems of control.

4. Although precise figures are not available for the private housing sector, in 1964 about 15,000–20,000 houses cost over £5,000 per house to build (excluding the cost of land). This is by no means a high figure these days for a sizeable family house. The total of such housing represents something over £100 million. If controls were imposed so as to stop the more expensive houses being built, some purchasers would probably build cheaper houses and the number of houses below the cost limit would be increased. In order to have an appreciable effect it would probably be necessary to forbid the construction of all houses costing more than about £5,500 to £6,000, excluding land. The approximate area of a house of this value is between 1,200 and 1,500 square feet.
5. If control were confined to larger dwelling units it would be relatively simple to impose. Units with a floor area below a given figure, say 1,500 square feet, would not be affected and permits would be needed for anything exceeding this. It would be necessary to prohibit additions to newly-built houses for a period after completion in order to prevent evasion of the control. Moreover, whatever the technical problems there is the fundamental difficulty that physical controls would be seen by the building industry as a return to the “stop-go” policy of the past and would completely destroy its confidence in the future, which I have been at pains to build up and which so largely determines its output and productivity.

Office building

6. Private sector offices account for nearly £150 million of work a year, or about 5 per cent of the total new construction work. The scope for increasing the degree of control on offices using existing powers is, however, limited. Well over half of all office building takes place in London, and a complete ban on office building in London is provided by the Control of Office and Industrial Development Bill; under the terms of the Bill the ban cannot be applied to the large volume of work for which contracts were let before the 5th November, 1964.

7. The Board of Trade will have power to extend the ban to other areas of the country, though not in respect of buildings for which planning permission has already been granted. Outside London the two cities where congestion might justify restrictions on office building are Birmingham and Manchester. These account at present for about £7 million of such work annually, which is only a fraction of 1 per cent of the total demand for new construction work. Moreover, I have consistently told the building industry that the Bill is a planning measure and not designed to restrict the total demand on the industry so as to reassure the industry that we are not going back to “stop-go”.

Other private building

8. About £270 million a year is spent on work on garages, shops, entertainment buildings, private school and college buildings, etc., some of which might be regarded as non-essential. Here again legislation would be needed and in this case, the administrative problems would be particularly complex.

Manpower position

9. The additional programme of 12,000 houses proposed by the Minister of Housing and Local Government would require about 12,000 men if built by traditional methods but there would be a considerable saving if all the houses were built by industrialised methods. This saving cannot be quantified because of the wide range in savings yielded by different systems. The massive switch to industrialised house building referred to by the Minister of Housing and Local Government in his memorandum C. (65) 17 could bring considerable savings in manpower.
Summary

10. (1) Physical controls on private house building would require legislation and administrative machinery, take a long time to become effective, and would cause great difficulty in our relationship with the building industry.

(2) Under the Control of Office Bill the scope for further restricting office building is limited.

(3) Legislation would be needed for restricting other private building.

(4) A massive switch to industrialised methods in the public housing programme could bring considerable savings in manpower.

C. P.

Ministry of Public Building and Works. S.E.I.
19th February, 1965

CABINET

PRICES AND INCOMES IN 1965

Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

I feel bound to bring to my colleagues' attention once again the serious prospects that face us this year on prices and incomes.

2. In the memorandum which I circulated on 3rd February (C. (65) 16) I reported that the average rate of increase in hourly wage rates in 1965 would be well over 5 per cent per annum. This forecast was based on the fact that over half of all manual workers were due under agreements which had already been negotiated to receive in 1965 improvements in pay and reductions of hours which would together represent an average increase in hourly rates of more than 5 per cent a year.

3. I also reported that the Retail Price Index was expected to rise at an annual rate of at least 3½ per cent in 1965. The latest forecast is for a rise of 4 per cent.

4. The Economic Development Committee's Sub-Committee on Prices and Incomes has now received a further report from the Minister of Labour about the progress of the movement to a 40 hour week. The key factor here is the agreement in the engineering industry to move to a 40 hour week in July, 1965. The shipbuilding and electricity supply industries also move to a 40 hour week in July. The docks and the electrical contracting industry are among the industries which have had a 40 hour week for some time. Claims are now in for hours reductions for a large number of workers in the private sector, the nationalised industries and the public services, including postmen, Post Office engineers and Civil Service industrial workers. Given the history of links with outside engineers for Post Office engineers and for many Civil Service industrials, we cannot as employers hope to resist reductions to 40 hours for these people this year, however much we deplore them as a Government trying to implement an incomes policy. We must expect similar developments elsewhere in the public services (notably for local authority manual workers and their counterparts in the National Health Service) and in the nationalised and private sectors.

5. The effect of reducing the normal working week by two hours without reducing the amount of pay for a normal working week is to increase hourly rates of pay by about 5 per cent. Total earnings are likely to rise by more than this, since the reduction in the normal working week tends simply to result in an increase in the number of
hours worked at overtime rates. This year the peak of the round of
hours reductions is likely to coincide with the normal round of pay
increases. This last happened in 1960. In that year the index of
hourly wage rates rose by over 6½ per cent and average hourly
earnings by over 8 per cent. This year the level of unemployment
is somewhat lower than in 1960. We must expect a sharp rise in
hourly wage rates and in earnings.

6. Some of the recently reported pay increases - for instance,
the arbitration award of 15s. a week for municipal busmen and of the
6 per cent increase proposed by a Wages Council for road haulage
workers - may well have an immediate effect on prices (bus fares and
road haulage rates). Other increases will work through costs on to
prices.

7. We have to think not only of 1965 but of later years. The
unions in the printing industry are now seeking a new three-year
agreement. The increases they are claiming would average over
5 per cent in each of the three years 1965, 1966 and 1967 (in addition
to any cost of living increases) and if conceded could begin to set a
pattern.

8. We still have to establish a "norm" for increases in incomes
and criteria to guide the National Board for Prices and Incomes in
assessing individual cases. If the new Board is to become an
effective element in the machinery for determining prices and
incomes in the long-term, confidence in it will have to be established
from the beginning. As I have warned my colleagues before, we have
to accept that this sets limits to what we can expect of the new
machinery by way of effect upon the rise in prices and in money
incomes this year.

9. I do not suggest that the Cabinet should discuss these problems
further at this stage; but we shall all need to have these prospects
for prices and incomes in our minds as we develop our policies in
the coming months.

G.B.
On 1st December last, in a written reply to a Question by Mr. Bellenger suggesting the setting up of a Select Committee to consider the working of the Tribunals of Inquiry (Evidence) Act, 1921, the Prime Minister said "Certainly concern has been expressed about the working of the Act. I am giving consideration to this matter, but I am not yet in a position to make a statement."

2. In recent years anxiety about the working of the Act has been expressed on every occasion on which the report of a tribunal set up under the Act has been debated. The main criticisms that have been made are that the inquisitorial nature of the procedure necessarily adopted by most tribunals established under the Act is unfair; that wholly innocent and respectable people may become involved and may have to incur heavy expenditure in being legally represented before the tribunal; that the actual procedure before the tribunal, including such matters as the leading of evidence by Counsel, the cross-examination of witnesses and the part played by the Attorney-General, is open to criticism; and that the arrangements for dealing with witnesses who refuse to answer questions are unsatisfactory.

3. The most recent debates on this subject were in the House of Lords on 4th December, 1963, and in the House of Commons on 16th December, 1963. In the Commons debate the suggestion was made from our side of the House that a Select Committee should be appointed to enquire into the operation of the Act and this suggestion has been pressed on other occasions.

4. In my view an inquiry is desirable and I have given some thought to the form it might take. The broad argument in favour of a Select Committee is that the matter to be investigated is of direct Parliamentary concern since express Parliamentary authority is required for the appointment of a tribunal. On the other hand objection to a Select Committee might be taken on the grounds that...
there would be a risk of its being, perhaps unconsciously, influenced by political considerations in dealing with a matter which should be examined with judicial impartiality; and the staff which would be available to it would have no experience of tribunals or the problems to which they give rise. The alternative which I favour is an inquiry by a Royal Commission. I do not think that for consideration of an issue of this importance a departmental committee would carry sufficient authority.

5. I suggest terms of reference as follows:

"To review the working of the Tribunals of Inquiry (Evidence) Act, 1921, and to consider whether it should be retained, and if so whether any modification of the powers conferred by it or of the procedure followed under it is necessary or desirable."

These terms of reference would allow the Commission to consider both the need for keeping the Act on the Statute Book and the possibility of amending it or changing the procedure followed under it.

6. As regards membership I suggest that the Royal Commission should be a small one. It would seem right to have a judicial chairman and there might be four other members—perhaps a peer from one side of the House and a Member of Parliament from the other and two non-political members.

7. I invite my colleagues to approve these proposals.

F. S.

Home Office, S.W.1,
CABINET

HOUSING PROGRAMME 1965

Memorandum by the Secretary of State for Scotland

There are important differences between the housing situation and outlook in Scotland and that in England and Wales. Two of these are relevant to the consideration of C. (65) 26, C. (65) 28 and C. (65) 29.

Industrialised Building in Scotland

2. Although the pressure on building resources in Scotland has not been nearly as heavy as it has been in parts of England, I am glad to say that public authorities are already making considerable use of industrialised methods. I estimate that in 1964 40 per cent of multi-storey and 10 per cent of other public sector houses were built by these methods, and that in 1965 these percentages should reach at least 55 and 15. This represents in 1964 one-sixth, and in 1965 one-fifth of the entire public sector programme.

3. The National Building Agency have recently completed a searching review of the industrialised systems available or in prospect in Scotland, which shows that there is the productive capacity for a further increase in system-built houses. This review is about to be considered by the consortium of local authorities and other public housing agencies which accounts for some 70 per cent of all our public sector housing output. In it the Agency commend a limited number of systems each of which gives a considerable saving of site labour.

4. In the light of the review there is a good prospect that the housing authorities in the consortium will build one-third of all their houses over the next five years by industrialised methods and I am urging them to extend their joint programming.

The Role of the Private Sector

5. During the past seven years the private sector in Scotland has built 47,000 out of 240,000 houses - only one-fifth of total output compared with the three-fifths built by the private sector in England and Wales. There is no sign of the private sector rapidly increasing its share; at the end of 1964, only 16 per cent of the houses under construction were for private owners.
6. It is important for economic development in Scotland that there should be a better supply of houses to purchase, because firms establishing themselves, or expanding, often need to bring in key members of staff - managerial, scientific and technical - many of whom wish to buy houses. A number of firms have complained that their employees have difficulty in finding suitable houses. Our attempts to expand Scottish industry ought not to be hampered in this way.

7. Nevertheless I would not hesitate to restrict private investment in housing if it looked like diverting scarce resources from the expanding public sector programme which we need. But the resources of the Scottish building industry were not fully taxed in 1964, when total housing output rose to 37,000 from some 28,000 in 1963: indeed the average period of completion of public sector houses fell during the year. Accordingly I would not wish to apply in Scotland any of the controls canvassed in C. (65) 26, C. (65) 28 and C. (65) 29. For the time being I am confident that we can achieve a sizeable increase in the public sector without cutting back private housing. (There is little luxury housebuilding in Scotland; most of the private houses sell for between £3,000 and £5,000.)

8. We should allow fully for regional economic needs in any control of private housebuilding as in our control of office building, I consider that it would be damaging to our growth prospects to introduce restrictions in Scotland now.

W. R.

Scottish Office, S. W. 1.

23rd February, 1965
Memorandum by the Chancellor of the Exchequer

I have seen the three papers submitted by the Minister of Housing and Local Government and the Minister of Public Building and Works on the points which were raised at our previous discussion on 11th February (C.C.(65) 9th Conclusions, Minute 3).

2. The issue now seems to be a straightforward one. The Minister wanted to make 156,000 approvals (local authority and New Towns) in 1965. I said that I was prepared to accept 144,000. The difference is 12,000 which at an average of £3,000 a house represents an increased public expenditure of £36 million (some in 1965-66 and some in 1966-67).

3. If we increase the public demand on resources in this way we must simultaneously reduce the private demand by the same amount, except insofar as we can call into use regional pockets of unemployed man-power and other resources. Unfortunately, the extent to which we can rely on this is severely limited. I recognise that there may be capacity for fabricating and setting up industrialised housing in areas where there is unemployment. But the materials and components for these houses are bound to be drawn from all over the country, thus adding to the pressure on the supplying industries - essentially building materials and engineering components - and in turn increasing these industries' demands for man-power and for other resources.

4. Hence it would only be reasonable to accept the proposed increase in public housing if we could simultaneously curtail the demand for private housing. But this does not appear to be possible now: my colleagues' papers show that we cannot introduce building controls over private house-building without legislation and that it is doubtful whether we could apply an effective financial control to private housing.

5. To go ahead with more public housing in these conditions would, in my view, be wrong. The immediate effect would be to add to the overload on the supplying industries and to intensify the Budget problem.

6. A shift from private to public house-building would make sense if a balanced set of measures to achieve this diversion could be found. It would then be necessary to consider this change in policy in the context of our public spending programmes and the rival claims of different departments.

L.J.C.

Treasury Chambers, S.W.1.

23rd February, 1965
CABINET

LAND COMMISSION

MEMORANDUM BY THE LORD PRESIDENT OF THE COUNCIL

The purpose of this paper is to bring before the Cabinet the major issues that have to be decided before the drafting of the Land Commission Bill can be completed. These issues have been studied by the Ministerial Committee on Legislation on Rent, Land Commission and Leasehold Enfranchisement, but they have not been able to reach complete agreement. They concern principally the functions and powers of the Commission and the way in which its operation can be used to help local authorities buying land for social purposes and to reduce the cost of house ownership to owner-occupiers.

The background

2. Our Election Manifesto said:
   “The first requirement is to end the competitive scramble for building land. It will therefore set up a Land Commission to buy, for the community, land on which building or rebuilding is to take place. Instead of paying the inflated market prices that have now reached exorbitant levels, the Crown Land Commission will buy the land at a price based on its existing use value plus an amount sufficient to cover any contingent losses by the owner and to encourage the willing sale of land. The Crown Land Commission will not, of course, acquire land which continues to be used for agriculture, nor will it purchase the freehold of existing houses or other buildings so long as they remain in their existing use.

   As a result of public acquisition, building land can be made available at cheaper prices; although the land will remain in public ownership, new owner-occupied houses built upon it will remain, under the new ‘Crownhold’ system, the absolute property of their owners as long as the house stands.”

3. The Ministerial Committee are agreed that the literal implementation of this programme is impossible. The Land Commission cannot from the start become the sole purchaser of land for development. It will have to extend its operations gradually because of the administrative task involved, and mainly because it will depend heavily on the services of valuers who are very scarce.
4. If the Commission cannot be the monopoly purchaser, the present market will remain. In order to avoid the inequity of a two-price system—a lower price paid by the Commission and a higher price paid on the open market—it is agreed that there should be a levy on development value whether realised on the sale of land or residually at the point of development. The Commission would collect the betterment levy on private transactions and would itself purchase at market value net of levy. The rate of such a levy is complicated by the prospect of a capital gains tax, as explained later.

5. One consequence of the present market continuing is that the price of land for housing cannot be artificially reduced. It is the ability to charge scarcity prices for houses which enables developers to pay, and landowners to ask, high prices for land. The price of land can be reduced effectively only by increasing the supply of houses relative to demand. (The cost of the land, as distinct from the market price, can, however, be reduced by some concession, such as a grant to the purchaser. This is discussed later.) Moreover, any attempt to recover for the community part of the betterment will tend to increase the price of land, because, even if the imposition of a levy does not make land scarcer, the vendor will seek to pass the levy, or at least a part of it, on to the purchaser.

The Commission’s functions and powers

6. The scope of the Commission’s functions cannot be considered in isolation from the nature of its powers of compulsory purchase, the scale on which it will in practice be able in its early years to buy land, and the effect which the betterment levy (combined with capital gains tax) may be expected to have on the willingness of landowners to put their land on the market.

7. The definition of the Commission’s functions will also define the land which it will have authority to buy (whether by agreement or by compulsion). The provision conferring its compulsory powers will specify the grounds on which it will be open to the landowner to object. These might be that the purpose for which it is sought to buy the land is not within the Commission’s functions; that the land is not necessary or suitable for that purpose; that it is not desirable to develop it in the immediate future; or that the owner has plans and permission for immediate development and consequently the intervention of the Commission is unnecessary. The less the Bill allows room for specific objection the less difficulty there will be in exercising the power (and the less need there may be to do so because landowners, seeing little prospect of successful objection, may be content to sell by agreement); but the less the opportunity for objection the more the provision will be open to attack (particularly in Parliament) on the ground that it takes too little account of the rights and interests of the individual. The Commission’s capacity to buy will in any event be severely restricted in its early years by the shortage of professional staff, who will be required to effect its purchases, whether by negotiation or agreement. Indeed, it must be
emphasised that the scarcity of valuers is likely to impose substantial limitations on the scope of the Commission's operations for a considerable time.\(^{(1)}\)

8. Betterment levy will be raised on development value and will become payable on sale, or residually at the date of development.\(^{(2)}\) The amount of the levy will be allowed as an expense in calculating a particular taxpayer's capital gains during a tax year for the purpose of the capital gains tax. The combined effect of the levy and the capital gains tax cannot be determined until the rate of the tax has been fixed; but any levy combined with the introduction of a capital gains tax is bound to be a disincentive to making land available for development. Although a capital gains tax (since it would be based on the value in April 1965) will not in most cases have a substantial incidence in the early years, psychologically owners of land will be deterred by it as well as by the levy. The problem can perhaps best be considered in terms of how much development value the levy and the tax together will leave in owners' hands. It seems probable that if landowners are left with less than half the development value, few of them will want to sell. On this basis, if, for example, the capital gains tax were fixed at about 40 per cent, the rate of levy which would be practicable would probably lie between 25 per cent and 35 per cent. It could not be much more.

9. In this situation two approaches have been advocated to the Committee:

(i) The Minister of Land and Natural Resources advocates a comprehensive approach. He would give the Land Commission powers to acquire any land on which there has been a planning decision that it is suitable for development (whether planning permission or allocation in a development plan); these powers would be permissive, not mandatory. Priorities within this field would be laid down by the Minister of Land by direction and could be described in a White Paper. They would be:

1. to bring land forward for development when this is necessary to serve the needs of national and regional planning; this would include cases where the levy is discouraging owners from offering their land for development;

2. to acquire in advance and to assemble land that is required to be dealt with comprehensively;

3. to purchase land for industrial and commercial uses thereby providing either for the collection of future betterment or for concessionary disposal if necessary to implement Government policy;

\(^{(2)}\) The present strength of about 2,000 valuers is some hundreds short of present requirements; and the introduction of the Land Commission will increase the difficulty of recruiting more by increasing the demand for valuers in the private sector.

\(^{(3)}\) The proposed method of calculating development value is indicated in Annex I to R.L.L. (65) 7.
(4) to purchase land so that it can be made available on concessionary terms for housing associations and in other ways for private housing.

Local authorities would continue to exercise their powers of compulsory purchase, and within these priorities land would be acquired for public authorities only with their agreement or, otherwise, with the consent of the Minister. The Minister of Land proposes that these comprehensive powers should be matched by compulsory purchase procedure which would allow the landowner to object to compulsory purchase only on the ground that the land in question ought not to be developed in the foreseeable future; and successful objection would lead to automatic revocation of planning permission without compensation.

(ii) The Minister of Housing and Local Government advocates a limited approach. This would confine the Commission’s functions initially to collecting the levy and to purchasing land where it was necessary to do so:

(a) to bring it forward for development or redevelopment;
(b) to secure comprehensive development or redevelopment;
(c) to make it available for the functions of any public authority.

It would be open to a landowner to object to a compulsory purchase on the ground that the acquisition of the land by the Commission was not necessary for one of these purposes—e.g., because it was about to be developed privately.

10. In favour of the comprehensive approach it is argued that if the combined effect of the levy and the capital gains tax is such as to cause landowners to withhold land, it will be essential to have the strong powers of compulsory purchase which this scheme envisages. Faced with the revocation of planning permission if they objected successfully to compulsory purchase, landowners would prefer to sell voluntarily, either privately or to the Commission. The stronger powers would, it is argued, be more likely to deter landowners from withholding their land, and owners would be less inclined to challenge the compulsory purchase powers. On this reasoning, compulsory powers would have to be invoked to a greater extent under the limited approach; and to offset this it would therefore be necessary under the limited approach to reduce the disincentive to owners by reducing substantially the rate of levy. If the Commission had only limited powers there would be a real risk of a period during which the supply of land might be restricted, particularly affecting small builders who are responsible for a sizeable part of private housing. If the effect of the levy in the earlier years were thus to disrupt the private building programme, the Commission would be discredited and there would never be a second phase.
11. It is also argued in favour of the comprehensive approach that the Land Commission ought to have, from the beginning of the operations, a range of constructive purposes for which it would acquire land. It would only be able to pursue these objectives on a small scale at first and would have to build up gradually. But without these purposes, it would be seen that in the first stage the Commission was only acquiring land in order to enforce the levy.

12. In favour of the limited approach, it is said that the Commission will not in practice be able to buy land extensively in its early years because purchase, whether by compulsion or by negotiation, requires the services of valuers who will not be available in sufficient numbers to support a widespread exercise of the Commission's powers. Consequently, if the supply of land for housing and other social purposes is not to dry up, the levy must be fixed at a rate which, having regard to any capital gains tax, will not cause land to be withheld on a greater scale than the Commission, on a realistic assessment of its capabilities, can be expected to overcome. It is suggested that the major factor in causing land to be withheld or brought forward will be the landowners' expectations about the likelihood of the levy being changed. If it starts high his only hope will be that a change of Government will reduce (or remove) it and he will be tempted to hold on to his land. If it starts low with the possibility of an increase, he will be more willing to sell. It is suggested that the compulsory purchase powers proposed under the limited approach, would be sufficient to sustain a moderate rate of levy in addition to any capital gains tax, and that the fear of an increase later would counteract any tendency to hold off. It is further argued that, since the Commission will not in practice be able to purchase land on a large scale, it is politically unwise to confer on it initially the wide functions necessary to enable it to do so, functions which are likely to suggest widespread and arbitrary interference with the rights of the individual.

13. If the Bill were to contain all the Commission's purposes and powers, the Commission would nevertheless have to expand its operations gradually, and the question remains whether the legislation should confer wide functions on it initially or proceed by stages. Should the Bill be framed

(a) as proposed by the Minister of Land so as to give the Commission wide functions and drastic compulsory purchase powers from the outset, but make clear that its functions would be limited by Ministerial direction, in accordance with the priorities mentioned in paragraph 9 (i); or

(b) limit the functions at the outset to those set out in paragraph 9 (ii), but provide for the wide functions advocated by the Minister of Land to be conferred after a second appointed day fixed by order subject to Affirmative Resolution?

The Committee were agreed that there would be no advantage in going further and providing for a stage at which land coming into development would be vested automatically in the Commission.
Finance

14. It is not easy to forecast what the proceeds of a betterment levy might be. But as a rough guide the gross proceeds of a levy at 20 per cent of development value might be about £12 million, (£25 million and £40 million in 1967, 1968 and 1969, respectively. At a 35 per cent rate of levy the figures might be £20 million, (£40 million and £68 million. These gross figures take no account of administrative and management costs.

15. These estimates would not of course represent the net cash position of a Land Commission. On any likely assumptions about the scale and terms of a Commission’s purchases and sales of land and making no allowance for concessionary disposal, its overall operations would be unlikely to show a significant return for a number of years.

Disposal of land by the Commission

(a) Local authorities

16. The Ministerial Committee contemplate that local authorities will in the main continue to use their own powers of compulsory purchase to obtain the greater part of the land they need. It will not often be appropriate for the Commission to buy land simply to sell to a local authority, but when it does it should both buy and sell at market value. The question then arises how best the levy paid by the vendor of land purchased by or for a local authority can be used either to reduce the cost of land to authorities or to give them financial help in other ways. Should there be any grant specifically related to the cost of land as an element of the cost of a particular service? If so, should the amount of the grant reflect the amount of levy paid by the vendor on a particular transaction, or the total amount of levy collected, or should the grant be determined by criteria applied in determining other forms of grant—and particularly take account of the needs of the poorer authorities? Should a grant, however determined, be paid separately by the Land Commission?

17. Administratively it seems preferable to avoid a direct grant related either to the cost of, or the levy on, particular land purchases or to the total receipts from the levy. The first would be haphazard in its operation and would tend to benefit the richer authorities rather than the poorer; the history of the Road Fund sufficiently illustrates the dangers of the second. On the other hand, it is important politically that authorities should be able to see that they are obtaining additional help as a consequence of the operation of the Land Commission. At an assumed rate of levy between 30 per cent

(*) The proceeds in the first years after the levy is introduced will be relatively small; a considerable amount of development value will have been taken in transactions before the appointed day and this will mean a lower overall return from any given rate of levy.
and 40 per cent, it is estimated that, when the levy is fully operative, the total amount of levy related to all local authority transactions would be about £36 million gross. This would be a relatively small amount if it was distributed through the same channels as the £1,000 million a year at present paid out in grants to local authorities for their many different kinds of expenditure.

18. The problem will have to be discussed with the local authorities (who will not necessarily prefer a grant directly related to the levy); but discussions should take place in the context of the reviews now in progress of housing subsidies, of methods of helping local authorities to undertake urban redevelopment and of central and local government finance generally, and of the legislation in which these reviews are likely to result next Session. It follows that no decision can be reached before the introduction of the Land Commission Bill and that the Bill should leave the way open to the payment of grants by the Land Commission in cases that should seem appropriate in the light of the consultations.

19. The Ministerial Committee therefore recommend:

(i) that the Bill should confer power on the Land Commission to make grants towards local authority land purchases in such circumstances and on such scale as the Minister of Land may by regulations direct;

(ii) that the White Paper on the Bill should explain that assistance derived from the levy would be channelled to the local authorities in a manner to be discussed with them in the light of the current reviews of local government finance and of the consequent legislation;

(iii) that in the meantime we should avoid any commitment on either the manner or the amount of assistance that will be given to local authorities as a consequence of the establishment of the Land Commission.

(b) Private occupiers: crownhold

20. Our objectives, as stated in the Manifesto, were to provide for private housing a form of tenure to be called "crownhold", which would

(i) ensure that land could be made available cheaper; and

(ii) that the ownership of the land would remain with the Crown so that future development value would accrue to the community.

There are broadly two ways of doing this. One is to provide land either on a long lease or on a covenanted freehold the interest in which would be non-assignable. A covenanted freehold might involve a new form of tenure; a long lease would not. The Land Commission would have a right to repurchase on change of occupier, or if the land was required for redevelopment, on equitable terms, which would require further study but would probably include the payment to the crownholder of not less than the amount the house would fetch
on the market without prospects of further development, but also without threat of dispossession. The value of the original concession should be deducted from the compensation. The advantages of this scheme would be

(i) that it would enable the concession to be made to successive occupiers of the land; and

(ii) that it would ensure that the concession could not be turned into cash profit by the recipient.

It would have the disadvantage that it would be necessary for the Commission to repurchase on every change of occupier (because only so could the first occupier be prevented from obtaining the cash value of the concession from the private purchaser of the crownhold) and to select the next person to enjoy the concession. This would involve the Land Commission in considerable management functions, and would require the services of valuers and others who for some years to come are unlikely to be available in sufficient numbers.

21. The alternative would involve a new type of tenure, with features of both freehold and leasehold. The freehold would belong to the Land Commission, but the crownholder would have an interest which would last for the duration of the life of the house and would then come to an end. Meanwhile he would enjoy virtually all the rights and independence of a freeholder. The crownholder could dispose of the property in any way, but only subject to the ultimate right of the Land Commission to reacquire it for redevelopment. He would be entitled to call upon the Land Commission to reacquire the property from him if he could not sell it. The amount paid to the crownholder by the Land Commission on repurchase in either of these situations would be the value of the house for the remainder of its estimated natural life (that is, the estimated life of the building before it ceased to be habitable assuming there was no redevelopment). Owing to the limited and uncertain duration of the crownholder’s interest, its market value, except possibly in areas of acute shortage, would be less than that of the freehold. His interest would of course depreciate towards the end of the life of the house, but it would offer the advantage that he would obtain security for occupation at less cost, he would have no landlord and pay no rent, and he would be able to dispose of his interest or borrow on it. The advantage to the Land Commission would lie in this form of crownhold involving little or no management functions and the minimum of expense. Moreover, a crownhold nearer to freehold than to leasehold would be less inconsistent with the Government's policy of leasehold enfranchisement.

22. The second scheme would involve much less work for the Commission. Under either scheme it would be necessary for crownhold to be made available direct to the occupier because there would be no means of preventing a builder or developer from converting the concession into profit. The fact that the Commission would be dealing direct with occupiers, however, might lead to awkward questions of Ministerial and Parliamentary responsibility.
The Commission itself could engage, certainly at first, in the provision of houses only on a limited scale, because it would not have the resources to act both as a purchaser of land and as a large-scale manager of house property. Consequently it would have to work through agencies, perhaps local authorities and housing associations, operating itself in areas where local authorities were unwilling to play this part and no suitable housing association was available. The cash value of the concession the Commission would make would not be great in relation to the total cost of an owner-occupier house; perhaps £75–£150 depending on the price of the land. It is doubtful how many purchasers would wish to take advantage of such a scheme, though it might in time provide a useful percentage of private enterprise housing. Crownhold should be seen, however, as one of a number of measures adopted to help the owner-occupier and not as the sole solution to their problem.

23. The Ministerial Committee consider that either of these schemes might be an acceptable basis for crownhold. They recommend that the Bill should empower the Commission to make land available for owner-occupiers either through housing associations or local authorities or direct on crownhold terms, but the details of crownhold should be further considered before the Bill is introduced.

Interim arrangements

24. It is necessary to ensure that the Land Commission becomes effective as soon as possible with the minimum of disruption to the orderly process of development. How soon it will be practicable for the Commission to operate depends partly on whether the Bill can be passed this Session and partly on the availability of valuers, who will be required to make valuations for the purposes both of the levy and of purchases by the Commission. Valuers are still heavily engaged on appeals arising from the 1963 rating revaluation. The 1968 revaluation will have to be abandoned, but even so January 1967 is the earliest date at which sufficient valuers will be available to ensure that the initial stages of the Commission’s work are reasonably smooth. If the appointed day is earlier, we shall have to accept the risk of serious delays in the valuers’ work both for the Commission and for other Departments and local authorities. Even so, the earliest date which would be remotely possible would be July 1966.

25. During the interval between the introduction of the Bill and the appointed day fear of the Commission’s actions may cause builders to be reluctant to buy land, and small builders, who hold little or no stock of land but account for a high proportion of private enterprise housing, may switch to maintenance work, with a serious loss of houses. At the same time desire to reap development value before the levy operates will cause builders who have stocks of land to start as much building as possible. This could disrupt the construction industries and further reduce the output of completed houses.
26. The Ministerial Committee recommend:
   (a) that land transactions during the period between the introduction of the Bill and the appointed day should be disregarded for assessing levy;
   (b) that builders should be allowed to develop free of levy stocks of land for which there is planning permission which are in their possession or subject to a firm contract at the date of introduction. Further consideration will need to be given to the question whether this concession should be subject to a time limit.

Summary

27. The questions for consideration are:
   (i) Is the Land Commission to be given
       (a) wide functions and powers of compulsory purchase allowing little opportunity for objection (the comprehensive approach—paragraph 9 (i)), or
       (b) initially limited functions and less drastic powers of compulsory purchase (the limited approach—paragraph 9 (ii))? 
   (ii) If (b), should the wide functions and powers envisaged in the comprehensive approach be conferred in the Bill after a second appointed day fixed by order subject to Affirmative Resolution (paragraph 13)?
   (iii) Should the question of assistance to local authorities be dealt with as recommended in paragraph 19?
   (iv) Would either of the schemes proposed in paragraphs 20 and 21 be acceptable in principle as a basis for crownhold?
   (v) Are the interim arrangements recommended in paragraph 26 acceptable?

H. B.

Privy Council Office, S.W.1.
DEDUCTION OF UNION SUBSCRIPTIONS FROM PAY

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

The Union of Post Office Workers (U.P.W.) have asked the Post Office to agree to deduct union subscriptions from pay.

2. Until now the U.P.W. have been unable to persuade the other unions represented on the Staff Side of the National Whitley Council to join with them in making this request. The U.P.W. therefore felt free to act on their own and put a separate request to the Postmaster-General. This they have done on several occasions but it has always been refused. The situation has now changed. I understand that the Staff Side have recently decided to ask for the facility to be granted to any recognised Civil Service Staff Association which seeks it.

3. In the non-industrial Civil Service deductions from pay are already made free of charge for a limited number of purposes, notably for National Savings and for various Civil Service charities and welfare schemes. They are also permitted, for a fee of 2½ per cent, for life insurance premiums paid to insurance companies with a large volume of business with civil servants.

The case for meeting the request

4. The main arguments for meeting the request are:

(i) the facility would greatly benefit the U.P.W. and other large staff associations as it would solve the problem of collection in large branches covering several offices and with a membership working round the clock. It would prevent members from getting into arrears, help to maintain the membership and reduce losses from mismanagement. It would substantially reduce the cost of collection even allowing for the 2½ per cent charge which the unions are prepared to pay.

(ii) Management would benefit by saving the time wasted by local collectors “going their rounds”.

(iii) If management helps the unions in this way to improve their efficiency, it is better placed to press for Staff Side co-operation in joint productivity, etc.
The case against meeting the request

5. Earlier requests have been turned down on the following broad grounds:

(i) the scheme might be represented as putting pressure on people to join the unions.

(ii) There are political objections and administrative complications arising from the political levy.

(iii) The collection of union subscriptions is not generally regarded in this country as a proper job for management, and this is not a matter in which the Government should appear to be giving a lead to outside industry.

(iv) It would extend the principle of deductions from pay and weaken the case for continuing to resist the continual pressure which the Treasury is under to permit deductions for national charities, such as the Red Cross, and for subscriptions to professional bodies.

(v) It would favour recognised, as opposed to unrecognised, staff associations and make it more difficult for new associations to establish themselves.

(vi) It would put extra work on departmental accounts branches.

(vii) It would be very difficult to resist the pressure which the industrial trade unions might develop for the extension of the facility to industrial civil servants.

Comments

6. My comments on these objections (many of which have lost force in recent years) are as follows:

(i) There would be no improper pressure. All civil servants are at present encouraged to join a staff association or union. The scheme would be entirely voluntary. Refusal to authorise a deduction would not necessarily signify non-membership.

(ii) The political levy raises the major problems, and I deal with them below.

(iii) The practice of union deductions has existed for a considerable time in the B.B.C. and National Coal Board. It has recently been extended to British Railways and is growing in private industry. The Government would no longer be in the position of "giving a lead".

(iv) Pressure for further extension of the principle of deductions could be resisted, on the ground that these deductions relate closely to a person's employment.

(v) The element of discrimination against unrecognised associations would be slight, and in any event this objection is not a weighty one.

(vi) Mechanisation of payrolls makes this objection much less significant, and the 2½ per cent charge would cover the cost.
It must be accepted that if the facility were granted to non-industrials, it would have to be granted to any industrial unions who applied for it. In this case the question of the political levy would assume much greater importance. It is likely, however, that most industrial unions would continue not to ask for it, from fear that it would weaken them by diminishing the personal contact between their members and the collector. The Minister of Health anticipates that a demand for the facility would also result in the National Health Service both for non-industrial and industrial staff, and would have to be granted.

7. At present there are two unions represented on the Staff Side of the National Whitley Council which have a political levy, namely the U.P.W. and the Post Office Engineering Union. The problems arising from the political levy are:

(i) The Opposition would object that it is improper for the Government to operate a scheme which in practice would benefit the Labour Party alone among the political parties.

(ii) The scheme would involve the disclosure to departments of the political affiliation of some members of the Civil Service, and this would be said to be undesirable, even though it could occur only with the consent of the member concerned.

(iii) There would be problems of administration. In some schemes (e.g., that of the National Coal Board) deductions from wages are made at a standard rate, and those who authorise deductions but do not wish to pay the levy have to claim a rebate from the union at the end of the year. This arrangement is of doubtful legality and would clearly be unsatisfactory in the Civil Service. There would therefore have to be two rates of deductions, namely for those who wanted the full deduction and those who wanted the deduction net of the levy. The unions might well feel that the scheme would not be worthwhile if they had to collect the amount of the levy separately, so that any union member who did not want to disclose to his department that he was or was not paying the levy would have to decline to authorise the deduction and continue to pay his subscription to the collector; but he would, of course, be entirely free to do this.

8. From the standpoint of management of the Civil Service it has seemed in the past that none of the arguments for or against was decisive though on balance the arguments against were somewhat stronger. But some of these no longer have their original force, and there are now no serious management objections in principle or in practice to the introduction of the facility.

Conclusions

9. The arguments are fairly evenly balanced, but on the whole I think that there would be advantage in helping the staff
associations to improve their efficiency and that we should be prepared to grant the facility. I therefore recommend that when the expected request from the Civil Service National Staff Side is made, we should agree that any constituent association which seeks the facility (and any recognised industrial union or recognised union in the National Health Service who may later ask for it) should be granted it on condition that:

(i) the association will pay 2½ per cent to cover the costs of the deduction;

(ii) where there is a political levy, there will be two rates of deduction, namely for those who do and those who do not wish to pay the levy;

(iii) the deductions will be entirely voluntary and the unions will continue to collect subscriptions from those members who do not want them deducted from their pay.

(iv) the administrative details should be negotiated through the appropriate machinery for reaching collective agreements in the non-industrial and industrial Civil Service respectively.

L. J. C.

Treasury Chambers, S.W.1,
CABINET

THE NATIONAL ARMY MUSEUM

MEMORANDUM BY THE SECRETARY OF STATE FOR DEFENCE

I seek the agreement of my colleagues that the National Army Museum, now at Sandhurst, should be moved to a site at the Royal Hospital, Chelsea, and that the increased maintenance costs of the new Museum should be borne by public funds.

Background

2. The National Army Museum was founded by Royal Charter in 1960 "for the purpose of collecting, preserving and exhibiting objects and records relating to the history of the Army". It is governed by a Council whose Chairman is the Minister of Defence for the Army, and the cost of its administration is met from M.P.B.W. and Army Department votes. The Council includes both ex-officio and nominated Members, and the Museum itself is a registered Charity.

3. The Museum covers the period between the inauguration of the Militia in the 16th Century and 1914, spanning the gap between the Tower of London collection and that of the Imperial War Museum. The collection has grown rapidly both from the generosity of private donors and by the accession of much of the former R.U.S.I. Museum; it now contains many items of great value and some that are unique: uniforms, trophies, pictures, documents and relics. It has attained the status of a national collection, of interest and value well outside the Army itself: with the closing of the R.U.S.I. Museum there is indeed no comparable institution in the country.

Present situation

4. When the Museum was set up, the Treasury stipulated that it should not involve public funds in heavy building expenditure. The collection was therefore housed in the old riding school in the grounds of the Royal Military Academy Sandhurst. For this accommodation it is now far too large; it has overflowed into the
corridors and cellars of the Academy itself. Even so, only considerably less than half of the collection can be put on show and it is still growing rapidly. Moreover, its situation amidst the buildings of the Royal Military Academy makes it difficult of access. It is not practicable to enlarge the present building and removal to another site is thus urgently necessary. The Commissioners of the Royal Hospital, Chelsea, have offered, on terms which are acceptable to the Council of the Museum, the lease of a site in the Hospital grounds. The capital cost of the lease, and of the erection of a Museum, are expected to be about £1 million, which the Council intend to raise by public Appeal. Field-Marshal Sir Gerald Templer, who is a member of the Council, has campaigned tirelessly to this end, and has already secured promises of over £300,000. For this purpose and to secure planning permission architectural drawings (and a model) of a building have been prepared. In order to secure an option on the Chelsea site the sum of £500 a month has been paid since June 1964 with the consent of Ministers from private funds offered for this purpose.

The case for removal

5. The removal of the Museum to London raises two questions of policy. First there is the cost. The Museum in its present home has incurred no significant capital expenditure, and its running costs (including a small annual grant for the purchase and maintenance of exhibits) are about £40,000 a year. The capital cost of the move to London—the purchase of the lease and the erection of the building—is to be met from private sources; the running costs however will also rise. There will be the maintenance of the new building, and a larger staff to deal with the increased size of the Museum. The amount might be another £100,000 a year. The Chief Secretary has agreed that this is not an overriding factor, nor is the expenditure in immediate prospect; but before any public Appeal can be launched the Council of the Museum must be assured that public funds will meet the running costs of the new Museum.

6. The second question concerns the policy for the dispersal of cultural activities from London. This consideration was in the minds of the previous Administration; but that they did not regard it as overriding is shown by the fact that they allowed Sir Gerald Templer to make preparations for the Appeal which have involved approaching (admittedly without commitment) a number of outside interests and to pay for an option on the site. It would create an unfortunate impression if at this late stage the project were disallowed because of policy objections which should have prevailed at the start if they were to be urged at all.

7. I do not however consider that the argument here should turn merely on the interpretation of general policy. The case for moving the Museum to London depends on the availability now of a uniquely appropriate site: it is Chelsea or nothing. Both the Museum and the Royal Hospital will benefit from the association, and with the new Chelsea Barracks, will worthily display the history,
traditions and present life of the Army: it would be a matter for everlasting regret if we were to let slip this opportunity to put the site to such an imaginative use.

Conclusion

8. June 18th is the 150th Anniversary of the Battle of Waterloo. The Army will be much in the public mind then, and it will be a most advantageous moment to launch a public Appeal for the Museum. But if this is to be done, a decision to proceed is urgently necessary. I therefore invite my colleagues to agree:

(a) that there is no objection in principle to the move of the National Army Museum to Chelsea;
(b) that a public Appeal may now be launched to this end;
(c) that the running costs of the new Museum should be met from public funds.

D. W. H.

Ministry of Defence, S.W.1,
26th February, 1965.
CABINET

DOCTORS' PAY

Note by the Minister of Health

I attach a copy of the letter which the Chairman of the Review Body on Doctors' and Dentists' Remuneration has sent to the Prime Minister in response to the request for "clarification" of the report on the pay of general practitioners.

2. I will report orally to the Cabinet about this at their meeting on 2nd March, 1965.

K.R.

Ministry of Health, S.E.1.

26th February, 1965
Review Body on Doctors' and Dentists' Remuneration

We have been asked to state our intentions with respect to the effect of our Fifth Report, in the event of the medical profession being unable to agree to the schemes for direct reimbursement of certain practice expenses.

2. In that Report we recommended inter alia that:

(1) in 1965-66 and subsequent years payments to general medical practitioners by hospital authorities, local authorities and Government departments should be excluded from the pool and average net income for purposes of the pool calculation should relate to all the services for which payments are made to general practitioners by Executive Councils;

(2) from 1st April 1965 the average net income for Executive Council services credited to the pool for every principal under the age of seventy providing unrestricted general medical services should be £2,775;

(3) the additional money which these recommendations would make available in the pool should be drawn upon so far as necessary to make possible the introduction of schemes for the partial direct reimbursement to individual doctors of expenditure on ancillary help and on practice premises.

3. When we took the evidence on which our Fifth Report was based, we were informed that:

(1) a scheme had been agreed in principle between the Health departments and the profession's representatives for reimbursement direct to individual doctors of about two-thirds of their expenditure on ancillary help, and

(2) a fairer distribution of total reimbursements of expenditure on practice premises was agreed to be desirable and consideration was being given to a scheme for contributing direct to the expenses of individual doctors who incurred relatively heavy costs on practice premises.
4. The third of the recommendations set out in paragraph 2 was made on the assumption - indeed in the hope - that schemes would be agreed by the profession for introduction on 1st April 1965. If the schemes were not introduced, that recommendation could not take effect. All the other recommendations contained in our Fifth Report would stand.

5. We should, however, deplore it if the schemes for partial direct reimbursement were not introduced. We consider that these schemes would encourage doctors to employ more ancillary staff and would help those who use good practice premises, by adding to the gross remuneration of those who do so. Thus the schemes would be in the best interest of the profession and of patients. We see no practicable method, other than the one we proposed, of introducing these schemes without either over-drawing the pool or asking doctors to forego the final distribution of earlier pool balances and committing future pools or reducing capitation fees.

(Signed) KINDERSLEY
SOUNDPROOFING OF PRIVATE HOUSES NEAR LONDON (HEATHROW) AIRPORT

MEMORANDUM BY THE CHANCELLOR OF THE DUCHY OF LANCASTER

The purpose of this memorandum is to seek a decision on the question, on which the Home Affairs Committee have been unable to agree, whether the Airports Authority to be set up under a Bill now before Parliament should be enabled to pay grants of 50 per cent (up to £100) towards the cost of improving the sound insulation of three rooms in existing houses within a defined area near London (Heathrow) Airport. These proposals are similar to those made in 1962 by the Committee on the Problem of Noise under the chairmanship of Sir Alan Wilson, which were not accepted by the previous Administration.

The problem

2. Traffic at Heathrow is increasing steadily and an increasing proportion is carried in jet aircraft (44 per cent of all movements in 1964, 37 per cent of summer night movements). Noise has already increased since the studies on the basis of which the Wilson Committee reported that many people near Heathrow were subjected to a greater degree of noise than they could reasonably be expected to tolerate. Everything practicable has been done to reduce the noise of jet aircraft at source, and for the last three years restrictions have been imposed on the number of night flights by jets.* There is increasing pressure from the airlines and their Governments for an increase in the number of permitted night flights. It is estimated that

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*Summer† night jet flights at Heathrow:

<table>
<thead>
<tr>
<th>Year</th>
<th>11 p.m.</th>
<th>Increase on previous year</th>
<th>11.30 p.m. to 7 a.m.</th>
</tr>
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<tbody>
<tr>
<td>1962</td>
<td>3,000</td>
<td>—</td>
<td>N.A.</td>
</tr>
<tr>
<td>1963</td>
<td>4,800</td>
<td>+1,800</td>
<td>N.A.</td>
</tr>
<tr>
<td>1964</td>
<td>5,500</td>
<td>+700</td>
<td>4,200</td>
</tr>
<tr>
<td>1965</td>
<td>6,500†</td>
<td>+1,000†</td>
<td>3,200</td>
</tr>
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†1st April–31st October.
† Estimated.
by 1970, even if the present number of night services were maintained, the number of night jet flights would be doubled. If the growing demand for night tourist flights is to be met and, in addition, provision is to be made for an increase in all-freight services (which fly at night), by 1970 the airlines' requirements for night jet movements between 11.30 p.m. and 6.30 a.m. are likely to be about 10,000 compared with the 3,500 authorised for this year. The number between 11 p.m. and 7 a.m. would be much greater. It is not considered practicable to divert this traffic to Gatwick, or to Stansted (when constructed), because the airlines have their maintenance and handling facilities at Heathrow. Nor is it considered possible to allow an increase in night jet traffic on this scale unless measures are taken to reduce the impact of noise on householders in the area.

Proposals

3. It is proposed that a 50 per cent grant, subject to a maximum of £100, should be offered to owners or occupiers of houses erected before January, 1966, who by 31st December, 1970, install a specified system of sound insulation, consisting of double-glazing with a simple form of forced ventilation, in up to three rooms, e.g., two bedrooms and one living room. The grant would be available in respect of houses in wards lying within a particular "noise contour." If all those eligible for the grant claimed it, the cost would be £5 million, but it is thought that not more than 40 per cent would do so. This would reduce the amount of the grant to £2½ million which, if amortised over 20 years, would cost the Airports Authority £220,000 a year. It is suggested that the local authorities should be asked to administer the grant without charging administrative expenses in view of the benefit which they derive from the operation of the airport in the form of rates. If the proposal were approved, the necessary powers could be conferred on the new Airports Authority in the legislation currently before the House of Lords.

Arguments in favour of the proposals

4. In favour of these proposals it is argued that—

(a) it is economically unsound not to use to the full the facilities at Heathrow, and that the growth of traffic, both passenger and freight, would contribute considerably to the growth of the economy. In this air freight is particularly important. It is increasing rapidly and will reach 500,000 tons by 1970, 70 per cent carried in full freighters, many of which must be heavily laden noisy jets flying at night. Restrictions on this growth would be very detrimental to the economy;

(b) attempts to hold night flights at or near existing levels will involve increasingly difficult annual negotiations with airlines and strong representations from foreign Governments;
(c) in view of the increase which additional flights would produce in the level of noise which the Wilson Committee found to be more than many people could be expected to tolerate, it would be unreasonable to allow flights to increase without assisting householders to provide themselves with some measure of protection;

(d) with an unlimited increase in night jet flights the Airports Authority's revenue from landing fees would be £162,000 higher than if restrictions continued at their present level. To the extent that this would exceed the extra costs of night landings, the net revenue could be set against the cost to the Authority of making grants. In addition the Ministry of Aviation would receive £65,000 a year in navigational service charges. The Airports Authority will from the outset make a profit on its revenue account so that no part of the cost of servicing a loan for the purpose of the grant would fall on the tax-payer;

(e) Heathrow is unique in the level of noise which it is liable to generate, and a scheme there would not expose the Government to irresistible pressure for similar concessions elsewhere.

Arguments against the proposals

5. It is argued against the proposals that:

(a) The scheme would not prevent a public outcry against unrestricted operation of jet aircraft either from those who, at the expense of £100 of their own money, had reduced but not stopped the noise, or from those both within the specified area and outside who, without participating in the scheme, suffered from any increase in night flying. (The survey conducted by the Wilson Committee showed that large numbers of people outside the area covered by this scheme were also subjected to a greater degree of noise than they could tolerate.) It is therefore, unrealistic to suppose that assistance with soundproofing would pave the way to public acceptance of more night jets.

(b) If night jet operations are permitted to reach the levels contemplated for 1970, applications for grants in the Heathrow area are likely to be much greater than the estimated 40 per cent of householders, and the cost would therefore exceed £2½ million.

(c) Payment of grant by the Airports Authority would not relieve the Exchequer of the financial burden, since the Authority will require Exchequer loans for many years to come and would have to borrow a corresponding extra sum from the Exchequer to meet the cost of the grants. Although no part of the cost of servicing the loan would fall on the Exchequer, nevertheless it would be an
additional burden on the Exchequer to have to provide the loan, and this, in the present precarious financial situation, is not thought to be justified.

(d) Proposals have already been put forward for soundproofing some schools in the area. The scheme would expose the Government to pressure to agree to soundproofing other schools and probably hospitals.

(e) Once the principle of compensation for nuisance caused in the exercise of statutory functions was conceded, it would in practice be impossible to confine payment to persons living near Heathrow or disturbed by aircraft noise. There was an immediate danger of the demand spreading to military airfields where, although the noise level did not at present approach that at Heathrow, there was already complaint about low circuit flying at night, and noise might increase with the introduction of more powerful machines. Other civil airfields would also produce increasing noise with increasing traffic (it might, however, be assumed that houses built in the future near civil airfields would be designed with appropriate noise insulation). There was already considerable complaint about noise from overhead motorways which carried a substantial volume of heavy lorries through residential areas at night. The risk of expenditure to which the Exchequer might be exposed by a concession at Heathrow could therefore be very high.

Summary

The questions for consideration are:

(a) Should a scheme be introduced for the payment by the Airports Authority through local authorities of 50 per cent grants up to £100 for improvements in the sound insulation of houses built before 1st January, 1966, in a specified area near Heathrow?

(b) If so, should the necessary powers be conferred on the Airports Authority in the Bill currently before Parliament?

D. H.

Whitehall, S.W.1.

1st March, 1965.
CABINET

BRITISH IRON AND STEEL FEDERATION

MEMORANDUM BY THE ATTORNEY-GENERAL

The Ministerial Committee on Iron and Steel Nationalisation invited me to circulate a memorandum to the Cabinet on the British Iron and Steel Federation and its associated trading companies, with particular reference to the possibilities of making provision in the Bill nationalising iron and steel for taking part of the Federation's activities into public ownership or for restricting the ability of the Federation and its associated trading companies to frustrate the operations of the nationalised sector.

2. The organisation of the B.I.S.F. is extremely complicated but for the purposes of this memorandum the relevant facts are that the activities of the Federation, which is not itself a legal entity, are in practice controlled by an executive committee consisting of the leading steel masters acting in a personal, and not a representative, capacity; and that, acting through nominees and a holding company (the British Iron and Steel Corporation Limited), the Federation controls the operations of a number of companies which trade with the iron and steel producers. The most important of these in the present context is B.I.S.C. (Ore) Limited, which is responsible for the import and resale of iron and manganese ore.

3. An anomalous situation will, of course, be created if these trading companies are left wholly in private ownership, and subject to the control of the steel masters, when the bulk of the industry with which they trade has been nationalised; and the Ministerial Committee have expressed some concern at the prospect that the nationalised sector should be left at the mercy of the Federation in this way. The Committee accordingly took the view that our objective should be to ensure that the central trading activities of the Federation are transferred as soon as possible to the National Steel Corporation, subject to the important proviso that the services provided by the companies must continue without interruption for the benefit of the whole industry.

4. I assume that my colleagues will agree that there can be no question of the nationalisation Bill conferring power on the Minister to provide by regulations for the transfer of the central trading

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services to the National Steel Corporation. A transfer of this kind, and on this scale, involves matters of major principle which, in my view, must be dealt with in a Bill and not by subordinate legislation. On that assumption, two possibilities have to be considered. The first is that the Bill should contain provisions dealing specifically with the Federation or the trading companies or both; the second is that the Bill should contain provisions in general terms applying to the Federation or the companies without making specific reference to them.

5. The inclusion in a Bill in this session of any provisions dealing specifically with the Federation and its trading companies should, in my view, be ruled out at once. Provisions of this kind would have to be dealt with in accordance with the Standing Orders relating to Private Bills, the procedure under which gives considerable opportunity for obstruction and can be extremely slow. In particular, it would give an opportunity to the steel companies with which the Bill deals to claim a right to be heard by the Select Committee. Even if the House of Commons could be persuaded to suspend the operation of the relevant Standing Orders so as to avoid this result, there is, I understand, no possibility that the House of Lords would agree to do so.

6. We must also rule out any provisions in general terms dealing solely with the Federation. A provision which, without naming the Federation, applied to it and to no other trade association (and we should not want to deal with any other trade association in the same way) would have to be dealt with under the Private Bill procedure in the same way as if it expressly named the Federation.

7. There remains, therefore, the possibility of dealing with the central trading companies by provisions drawn in general terms. Such provisions would be extremely artificial (in that they would have to describe the activities of companies which could very easily be named) but, although this is not a matter upon which one can speak with any degree of confidence, I understand that it might be possible for them to be drawn in such a way as not to attract the Private Bill procedure.

8. There are, however, substantial objections to dealing with the problem in this way, largely because our knowledge of the ramifications of the organisation of the Federation and its subsidiaries is far from complete. The nationalisation Bill will confer powers of acquiring information that will enable us to improve our knowledge, but as the law now stands we cannot be sure that, if the Corporation acquired the companies, it would not also be acquiring liabilities about which we have at present no information. Even more to the point, we could not be sure that the acquisition of the trading companies would not interrupt the operation of the central trading services or even that it would effectively frustrate the activities of the Federation if its executive committee were minded to obstruct the operations of the nationalised sector. In short, we cannot be sure that a transfer of the central trading activities of the Federation at this stage would be effective; and it might well do some harm.
9. In these circumstances, it seems to me clear that it would be a mistake to attempt to deal with the Federation in a Bill in this session. Although, like my colleagues on the Ministerial Committee, I have come to this conclusion with reluctance, it should be borne in mind that the failure to deal with the Federation now will not necessarily lead to any harmful results. The Corporation will, after all, be the principal customer of the trading companies and it will have a strong position on the conferences which constitute the Federation itself; and, on the other hand, however suspicious we may be of the steel masters (and the events of 1951 give good grounds for suspicion) we have at this stage no positive evidence of any intention to use the Federation to frustrate the operations of the nationalised sector.

F. E. J.

Law Officers' Department,
CABINET

RHODESIA

MEMORANDUM BY THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

The Lord Chancellor and I have had 10 days' intensive discussions in Rhodesia and are satisfied that we have been able to gauge opinion amongst almost all sections of the European, African, Coloured and Asian communities. The situation is, we consider, grave. It can, unless most carefully handled, blow up at almost any time, with very serious consequences not only for Rhodesia herself but also for Britain and Zambia and many other Commonwealth and foreign countries.

2. We found on arrival almost a sense of desperation amongst the European community: little but self-interestedness and naivety among the Chiefs; and a firm expectation among the African Nationalists that we would pull their irons out of the fire for them.

3. There is still in Rhodesia a serious danger that the Smith Government may, at any time when they judge the moment ripe, make a unilateral declaration of independence. Mr. Smith spoke frankly to us of his Government's calculations and of the preparations they had made to take this step. As a result of our Prime Minister's warning statement of last October, there is some realisation on the part of White Rhodesians about what the consequences of unilateralism would be. Certainly a majority of Whites are not at present in favour of it. But there is a widespread belief among them that, however difficult a time they might have after unilateralism, it could not be worse than the fate which would befall them in the event of an early take-over of power by the African Nationalists.

4. This European attitude springs mainly from three causes. First, there was, before we arrived, an intense fear that the British Labour Government intended to impose majority rule under Mr. Nkomo or Mr. Sithole as soon as possible. Second, European Rhodesians have been much impressed by events in the Congo, by reports, often in exaggerated terms, of the anxieties of the Europeans.
remaining in Tanzania, Zambia and Kenya, and by the travellers’ tales of people leaving those countries. Third, White Rhodesians were shocked by the widespread intimidation and violence on the part of rival factions of African Nationalists before most of their leaders were detained or restricted, and now associate African Nationalism with arson, murder and brutality. For these reasons there has been a marked retreat from the high water-mark of European liberalism in 1961 when the predominantly White electorate approved by a two-thirds majority the present Constitution which provides for eventual majority rule in perhaps one or two decades.

5. The Lord Chancellor and I therefore conceived our most urgent task to be to prevent the Rhodesia Government from making a unilateral declaration of independence. To this end we first impressed upon the Cabinet and the Rhodesian Prime Minister that the British Government meant every word of the warning statement of last October; and we went further by saying that if Rhodesia imposed economic sanctions on Zambia (which Mr. Smith denied was intended unless Zambia took the initiative against Rhodesia) even worse results would follow, including perhaps a mandatory resolution in the Security Council providing for armed intervention. We also set out to reassure White Rhodesians about the intentions of the British Government and particularly that we did not propose either to violate the constitutional convention that the Parliament at Westminster does not legislate on matters within the competence of the Legislative Assembly of Rhodesia except with the agreement of the Rhodesia Government or to impose immediate majority rule. We deemed it necessary to emphasise these points in the public statement we made upon our departure from Salisbury. That statement may thus attract criticism from African Nationalists not only in Rhodesia but also in certain independent Commonwealth countries in Africa. But this is a risk we consider we had to take to lessen the dangers of unilateralism.

6. There remains the problem of finding a long-term solution to the Rhodesian political problem. This is made extremely difficult by the current polarisation of European and African attitudes. So far as we can judge, not only the Rhodesian Cabinet but most Europeans are unwilling to make any further concessions to the African Nationalists who repudiated their initial acceptance of the 1961 Constitution, boycotted it, and thus refused to take the first step towards political advancement which had been opened up for them. The Rhodesia Government feel strongly that if they start negotiating with us or with the African Nationalists they will be on a slippery slope and, therefore, their public attitude is one of complete intransigence.

7. The Chiefs are being built up by the Smith Government but they remain unimpressive. They are concerned primarily with their own prestige; it was quite evident that they had been schooled by the Government; they saw the only alternative as being independence now or the African Nationalists now; and though the Chiefs opted for independence they seemed to have little realisation
of its significance. We are doubtful about their capability of starting "a Chiefs' Party" with mass popular support such as has gained power in Northern Nigeria, Swaziland and Bechuanaland.

8. Mr. Nkomo, Mr. Sithole's second-in-command, Mr. Takawira, and those of their followers whom we met were buoyed up by the expectation that Britain would call a constitutional conference and impose, if necessary by force, a new Constitution on a one-man one-vote basis. There is quite strong evidence that both in repudiating the 1961 Constitution and in their subsequent actions they are jumping to the tune of their paymasters, who may include Ghana, the U.A.R., Algeria and possibly the Communists. We believe that, right up to the moment when they are completely convinced that no external pressure can give them what they want, they will go on making demands which there is no chance of White Rhodesians accepting. We believe we convinced them of our inability and unwillingness to solve their problems for them.

9. I am circulating this report for my colleagues' information at this stage. I am considering what we can now do to secure some improvement in what is undoubtedly a very difficult situation.

A. G. B.

Commonwealth Relations Office, S.W.1,

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CABINET

RAIL CLOSURES

MEMORANDUM BY THE MINISTER OF TRANSPORT

Backbench pressure for changes

I am being pressed by our backbenchers to do three things:

(a) to halt all passenger closures,
(b) to halt all freight closures,
   (in both cases at least until Lord Hinton's study is completed);
(c) to accept in some form Sir Alexander Spearman's Bill which
   would give me power to rescind consents already given to
   passenger closures.

2. This pressure, I am convinced, is based largely on a
misunderstanding of our policy and of the place of railways in a
modern, co-ordinated transport system. I recommend that it should
be resisted.

Current policy

3. As my colleagues are aware, I took the first opportunity of
this Parliament to make a statement of policy in the House on
4th November on the subject of passenger closures. The main points
of this statement were as follows:

(a) While regional transport plans were being prepared, I would
   not consent to any major closure, i.e., a closure likely to
   conflict with those plans;
(b) Even where I did consent, I would insist on the retention of
   the track except where I found that this was an
   unnecessary precaution;
(c) I instituted a new procedure for ensuring that "obvious
   non-starter" proposals were not, for the present, put
   forward by the Railways Board at all—and thus did not
   have to go through the full statutory machinery of
   T.U.C.C. hearing, etc., before being rejected;

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These safeguards would ensure that no irrevocable action could take place to prejudice our planning policies and would at the same time enable the railways and the country to achieve immediate financial savings wherever this was justified.

The statement was generally welcomed from our own side of the House and in the country as a whole.

4. This policy is consistent with the principles of our transport policy and with our plans for modernisation. It fits in with other action in this field, notably the establishment of regional planning machinery, the institution of a study on transport co-ordination, and the appointment of Lord Hinton as Special Adviser on Transport Planning. All these are steps towards fulfilling the main pledges on transport in our Manifesto.

Opposition to closures

5. Opposition to passenger closures has always existed. It stems in part from the local people (whether or not they use the trains) and from their Members, in the area of each particular closure proposal as it comes up; in part it comes from the railway employees affected. Even the modifications and restrictions which I announced have not significantly diminished it, but it has recently intensified because of two misconceptions over our own principles—

(a) the fact that closures are still going on in spite of our “pledge” (everyone regards his own line as “major”);
(b) my “failure” to prevent closures agreed by my predecessor from taking place or to take powers to rescind consents which he gave.

6. The attitude of those directly affected is natural and understandable; but this is not to say that it is in the national interest. Moreover, I think it is easy to exaggerate the support for these views in the country. I believe that informed public opinion accepts the case for modernising our railway system and pruning little-used lines.

Place of closure programme in railway modernisation

7. The closure programme is not just an end in itself, though we must not forget the very large financial advantages which it could bring; these were estimated in the Board’s 1963 Report at up to £40 million per annum, equal to more than half the cost to the Exchequer of the recently-announced increases in National Insurance benefits. The programme is even more important as an integral part of the reshaping of our railways. The present system is largely the result of unplanned, competitive private enterprise growth in Victorian times, and it needs drastic pruning and replanning for the needs of the second half of this century. Two examples are—

(a) the closure of 12 stations on the Shrewsbury–Aberystwyth line will assist rationalisation of the through services (enabling through trains to be speeded up by 20 per cent) and achieve annual savings of over £200,000;
(b) the network of coal depots, with an average radius of distribution of 2½ miles, was tailored to the age of the horse and cart. The result is that in 1960 60 per cent of the 5,031 depots were either totally or almost unused. With a 10-mile radius (perfectly feasible with motor lorries) 250 centres could serve the whole country.

8. Cutting out the waste and over-provision of both freight and passenger services will not only release resources for productive use but enable the railways themselves to carry out more effectively the jobs they are really fitted for—fast trainloads of freight and passengers over the longer distances, and commuter services.

**Implementation of closure policy**

9. On the passenger side, I am already holding up "major closures" in accordance with our election pledge; for instance, I have refused consent to the closure of the Manchester-Bury electric line, and the services on the Glasgow-Edinburgh line via Shotts. I am insisting that the East Lincolnshire services, particularly to the holiday resorts, should be maintained for the time being. And the Railways Board have decided to defer the Liverpool/Southport proposal. But there are certainly proposals to which I can properly give consent without causing serious hardship or prejudicing future planning.

10. Closures of freight lines and depots are quite another matter. Almost all the opposition to freight closures comes from the railway unions, who want to protect their members against redeployment. I have no power to intervene and, at present at any rate, I do not wish to have such power. The closures make very little difference to most customers. They are interested not in the route by which goods travel, but in the cost and speed of delivery. Rationalisation and re-routing enable the railways to carry the same traffic more efficiently and economically and so the customer benefits: all this leads to genuine co-ordination by enabling the train (long distance) and the lorry (short distance) each to do its appropriate job. It seems most unlikely that Hinton's study could produce results inconsistent with what the railways are doing.

**The Spearman Bill**

11. Acceptance of Spearman's Bill would re-open the 150 consents given in the last 18 months and create tremendous local agitation and anxiety during the necessarily long time that it would take to reassess each one; and it is most unlikely that a review would justify reversing more than a very few decisions, and perhaps none at all. Moreover, no future decision could ever be regarded as final, and this uncertainty would place the Board in an impossible position over the management and development of the railway system.

**Conclusions**

12. Our present policy is sound. We lean over backwards to protect the individual from hardship and to avoid prejudicing future
regional planning or the study on transport co-ordination. The Railways Board deal generously with their staff who are affected by offering other jobs (with transfer grants) or adequate redundancy compensation. I see our present rail policy as an integral part of the Government's plan for modernising the economy. Redeployment of labour is vital to our economic growth.

13. I recommend that we stand firm.

T. F.

Ministry of Transport, S.E.1,
8th March, 1965.
CABINET

STEEL NATIONALISATION

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER AND THE MINISTER OF POWER

At their meeting on 22nd October, 1964 (C.C. (64) 2nd Meeting, Item 3), the Cabinet took note that the Prime Minister would make arrangements for the preparation of a measure to nationalise the iron and steel industry. By direction of the Prime Minister, a Ministerial Committee on Iron and Steel Nationalisation was subsequently constituted under the Chancellor of the Exchequer. This Committee has worked out proposals for the nationalisation measure and a summary of the main features of these is at Annex I. Compensation is being dealt with separately.

2. The proposals follow the general lines of those in C. (64) 5 considered by the Cabinet on 22nd October last, except that they do not cover the British Iron and Steel Federation (B.I.S.F.) and its trading subsidiaries. The Committee's objectives have been to draw up proposals which would:

(a) Allow us to keep the Nationalisation Bill relatively short and simple and to avoid hybridity.

(b) Enable the National Steel Corporation to secure effective and speedy control of the main part of the industry without a difficult transition and without having to divert effort to the acquisition and direction of a large number of small companies outside the main core of the industry.

3. We invite attention to the following points:

(a) Scope

Nationalisation will embrace the 13 major groups (including Richard Thomas and Baldwins) which dominate the industry and own all 22 integrated steelworks in the United Kingdom. The nationalised sector will account for over 90 per cent of production of iron ore, pig iron, crude carbon steel, heavy products, sheet and tinplate, and will occupy a strong position in the other main products. An extension of nationalisation beyond the 13 major groups would cause disproportionate difficulties without significantly strengthening the position of the
nationalised sector. Necessary rationalisation of the remaining private sector should be brought about by competition among the private firms and between them and the nationalised sector, and by the expansion of the nationalised sector on a normal commercial basis.

(b) Engineering groups

The Chairman of G.K.N., Tube Investments and Vickers have proposed that their iron and steel interests, other than Tube Investments' Park Gate company, should be exempted from nationalisation. The Ministerial Committee rejected this proposal. The exclusion of these major units, which sell substantial quantities of steel on the open market, would prejudice rationalisation and orderly development of the main part of the industry and would weaken substantially the position of the nationalised sector in the alloy steels which are becoming increasingly important. These considerations outweigh the disadvantages which these Groups may experience by the breaking up of the intimate association between their steel and engineering interests: and we would take steps to ensure that the National Steel Corporation gives attention to the special requirements of these engineering concerns.

c) Diversification

The National Steel Corporation will have wide powers to diversify its activities. As a result of nationalisation by the transfer of shares, it will acquire all the diversified interests of the main steel companies as a base for further diversification. To retain an important element in this base, the Ministerial Committee propose the rejection of requests from Dorman Long and Lancashire Steel that nationalisation should be confined to their steel companies. There may, however, be a case for allowing these groups to hive off one or two of their bridge-building or general engineering subsidiaries which are remote from the steel industry. This case can be considered on merits if it is put forward.

d) Organisation

Initially, the company organisation will be preserved and this should ease transitional problems. The nationalisation measure, however, will leave open the long-term organisation of the nationalised sector but will require the National Steel Corporation to submit proposals about this to the Minister within 12 months of Vesting Day. We are sure that this is the only practicable course and that we should not be diverted from it by a vain search for a form of organisation which would render denationalisation impossible. The safeguard against denationalisation lies not in statutory provisions, which
can be reversed, but in the fact that the main part of the steel industry now consists of very large units and it is very doubtful whether another denationalisation effort could be mounted, in view of the amounts of money involved and the experience on the last occasion.

The British Iron and Steel Federation

4. The Cabinet were told in C. (64) 5 that the B.I.S.F. set-up was extremely complicated. It has, in fact, proved even more complicated than we had feared and appears to have been deliberately designed to make unravelling difficult. (Annex II describes the organisation of the B.I.S.F. and its trading subsidiaries.) We clearly cannot tolerate any longer than we must a situation in which the nationalised companies continue as members of the B.I.S.F., and B.I.S.F. trading companies control the import of essential raw materials required as to more than 90 per cent for the nationalised industry. A satisfactory solution would, however, almost certainly involve a hybrid Bill and at present we lack the information on which to frame such a measure with confidence. At the request of the Ministerial Committee, the Law Officers are examining this matter urgently and are submitting a separate report to Cabinet. Subject to any suggestions they may be able to make, we are, however, faced with a choice between deferring the introduction of the Bill, probably until next session, with no certainty that we could frame satisfactory provisions even at the cost of hybridity, or leaving the readjustment of functions between the B.I.S.F. and the Corporation to be dealt with in the first place by negotiation. If we choose the latter alternative, we could strengthen the negotiating position of the Corporation by making it clear during the parliamentary passage of the Nationalisation Bill that, if a satisfactory settlement is not agreed, we will introduce further legislation. This further legislation, which would almost certainly be hybrid, could be firmly based on information acquired by the Corporation through their ownership of the nationalised companies.

The Bill

5. Drafting of the Bill has made good progress on the basis of the decisions of the Ministerial Committee. Parliamentary Counsel is, wherever possible, reviving provisions of the Iron and Steel Act, 1949. This should enable him to keep the Bill to about 40 pages compared with 97 pages of the 1949 Act. A formula has been devised to include the companies mentioned in paragraph 3 (a) and to avoid hybridity. The House authorities are satisfied about this but a ruling will be sought from the Speaker before the Bill is submitted to Legislation Committee.

Conclusions

6. These proposals provide a basis for proceeding quickly with the nationalisation of the main part of the steel industry and we recommend to the Cabinet the general shape of the proposals as explained above, subject to the question of the British Iron and Steel
Federation. This last question will need to be considered by Cabinet in the light of such suggestions as the Law Officers can make (paragraph 4 above) and in relation to the question of timing and tactics. The alternatives before us seem to be to:

(i) Proceed with the introduction of the Bill in its present shape, probably this month, and leave the problem of the B.I.S.F. to be dealt with on the lines indicated at the end of paragraph 4, recognising that this may mean a second Bill.

(ii) Defer the introduction of the Bill in an attempt to deal with the B.I.S.F. question in the knowledge that this will almost certainly involve hybridity with consequent difficulty and delay in the passage of the Bill.

L. J. C.
F. L.

Treasury Chambers, S.W.1,
SUMMARY OF PROPOSALS OF MINISTERIAL COMMITTEE ON IRON AND STEEL NATIONALISATION

Scope and method of nationalisation
1. Nationalisation should be effected by the transfer to a National Steel Corporation of all the shares and securities of Richard Thomas and Baldwins, the holding companies of the Dorman Long and Lancashire Steel groups, the other seven major private steel companies(1) and the iron and steel subsidiaries of Guest, Keen and Nettlefolds, Tube Investments and Vickers.(2) Vesting Day should be nine months after the Royal Assent to the nationalisation measure or such earlier date as the Minister of Power may fix by an order not subject to Parliamentary procedure.

Organisation of the nationalised sector
2. The Corporation should consist of a chairman and from 10 to 16 other members appointed by the Minister of Power. The Corporation’s relationship to the Minister would be broadly similar to that between parent Ministers and the Boards which direct the other main nationalised industries. The Corporation’s relationship to its subordinate units would initially be that of a holding company but, as sole shareholder, it would be in a position either to undertake substantial regrouping of the assets of its subsidiaries while retaining a company structure or to draw in the assets of its subsidiaries to itself and establish a unitary organisation like that of the National Coal Board. The nationalisation measure should not lay down the substructure of organisation below the Corporation; but it should require the Corporation to submit a report on organisation to the Minister within 12 months of Vesting Day (or a longer period allowed by the Minister) and should empower the Minister to give the Corporation specific directions on organisation.

Powers and duties of National Steel Corporation
3. The Corporation should have the power to carry on iron and steel activities and any other activities which the nationalised companies are empowered to carry on by their memoranda of association. Diversification outside the iron and steel field should be subject to the Minister’s consent. The Corporation should also have (i) a power, subject to the Minister’s approval, to purchase land compulsorily and (ii) a power to obtain information from the central trade associations and trading companies of the industry.

4. The main duties of the Corporation specified in the nationalisation measure should be to promote the efficient and economic supply of iron and steel products; to avoid undue

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(1) Coivilles Ltd.; Consett Iron Co. Ltd.; John Summers & Sons Ltd.; South Durham Steel and Iron Co. Ltd.; Steel Company of Wales Ltd.; Stewarts and Lloyds Ltd.; United Steel Companies Ltd.

(2) G.K.N. Steel Co. Ltd.; Park Gate Iron and Steel Co. Ltd. and Round Oak Steel Works Ltd.; English Steel Corporation Ltd.
discrimination between customers; to promote the safety, health and welfare of employees and to set up machinery for negotiation and joint consultation; to promote exports and to promote research and development.

**The Iron and Steel Board and the private sector**

5. The Iron and Steel Board should be dissolved. Special statutory controls over the private sector should in general be abolished, but the Minister should have a reserve power to control major development projects in the basic fields of iron and steel-making. Relations between the nationalised and private sectors should be allowed to develop on a non-statutory basis. There should be a "little Neddy" or similar arrangement to provide for the participation of the whole industry in national economic planning.

**Advisory bodies**

6. (a) The nationalisation measure should provide for the establishment of a Consumer Council appointed by the Minister.

(b) The Minister should set up a non-statutory advisory council on research and development covering both the nationalised and private sectors.

**Other points**

7. (a) **Imports.** There should be no special provisions for the regulation of iron and steel imports. Such provisions would be contrary to the EFTA Convention and would give rise to difficulties under the GATT. There would be a danger of retaliation against our steel exports, the value of which is several times the value of our steel imports.

(b) **Iron ore in the ground.** It is not proposed to nationalise iron ore in the ground. An attempt to do this would involve extremely complicated provisions. The Bill for the Coal Act, 1938, which nationalised all coal in the ground, took about three years to prepare, ran to 97 pages and had to be preceded by the Coal (Registration of Ownership) Act, 1937. The omission of provisions to nationalise iron ore in the ground is not of practical importance. The companies to be nationalised account for 95 per cent of the United Kingdom production of iron ore and control 60 per cent of proved workable reserves. Most of the practical results to be gained from nationalising iron ore rights can be achieved through the Corporation's power to purchase land compulsorily which could be used against owners of either surface or mining rights.

ANNEX II
THE B.I.S.F. AND ITS TRADING SUBSIDIARIES

The Organisation of the B.I.S.F.

1. The British Iron and Steel Federation (B.I.S.F.) is the central trade association of the steel industry. It is not a legal entity, being registered neither as a company nor a friendly society. It is composed of 10 "conferences" representing sections of the industry on a product basis. Some of the conferences are composed of associations representing smaller sections. The steel-producing companies belong to the appropriate conferences or associations and not directly to the B.I.S.F. A company producing a wide range of products will belong to several conferences. The B.I.S.F. has not felt able to provide the Ministry with details of the constitutions of the conferences and local associations.

2. The governing body of the B.I.S.F. is its Council which consists of some 50 members elected by the conferences and four co-opted members. The centre of power, however, is the Executive Committee composed of about 30 members appointed by the Council on a personal, not a representative, basis. In practice, the Executive Committee consists of the leading steel masters. Of 59 Council members for 1965, 16 come from companies which will remain in private ownership and 2 from companies in which there will be a 50 per cent private interest. Of 32 Executive Committee members, 7 come from companies which will remain in private ownership and one from a company in which there will be a 50 per cent private interest.

3. The constitution of the B.I.S.F. can be amended and the B.I.S.F. can be dissolved by a special resolution of the Council requiring a three-quarters majority of those present and voting. On the basis of the 1965 composition of the Council, the nationalised sector would fall just short of controlling a three-quarters majority. In the event of dissolution by a special resolution, the surplus funds and property would be distributed among conferences in proportion to the respective values of their outputs and any deficit would be made good by a levy in the same proportions. On the other hand, a conference which withdraws voluntarily from the B.I.S.F. is not entitled to any share of the assets of the B.I.S.F. (1)

4. The B.I.S.F. performs the normal tasks of a trade association (representing the views of the industry to the Government, international organisations, other industries, etc.) but it also provides certain central services including imported iron-ore supplies. They include a central statistical service, operated in collaboration with the Iron and Steel Board; central arrangements for reviewing the short and long-term outlook for steel and the proposals of the

(1) The assets of the B.I.S.F. appear to consist of its directly-owned assets plus the assets of the British Iron and Steel Corporation Ltd., other than those held on Industry Fund account (see paragraph 11 below).
companies for major capital expenditure; central training arrangements and the making of grants to the British Iron and Steel Research Association.

Trading subsidiaries

5. The central services cover certain trading operations carried out for the industry as a whole through the British Iron and Steel Corporation Ltd. (B.I.S.C.) and its subsidiaries. B.I.S.C. Ltd. is a holding company, all the shares of which are held for the B.I.S.F. through nominees. It carries on some operations itself (though these direct operations are now on a small scale only) and controls the operations of its subsidiaries, which are described in paragraph 6. These trading operations are closely bound up with the Industry Fund, which is described in paragraphs 7-11.

6. The subsidiaries of B.I.S.C. are:

(a) **B.I.S.C. (Ore) Ltd.** (wholly owned) which is responsible for the central import of iron and manganese ore and its resale in the United Kingdom. B.I.S.C. (Ore) Ltd., acting as agents for B.I.S.C. Ltd. under an agreement which can be terminated at three months' notice on either side, has entered into long-term contracts for the purchase of overseas ore and long-term charters for the use of ore-carrying ships. The main United Kingdom users of foreign ore have given undertakings, subject to 12 months' notice on either side, to obtain all their requirements of imported ore from B.I.S.C. (Ore) Ltd. There are seven companies which have signed these undertakings which are not on the list for nationalisation. We have no figures of the extent of B.I.S.C. (Ore) Ltd.'s operations on behalf of these companies, but their total production of iron in 1963-64 was less than 700,000 tons and one of them is a fairly substantial producer of home ore. These figures may be compared with B.I.S.C. (Ore) imports of 14 million tons of ore in 1963 and the total United Kingdom production of iron of 16,100,000 tons in 1963-64.

(b) **B.I.S.C. (Salvage) Ltd.** (wholly owned) which is responsible for the purchase of scrap, mainly from ship-breaking, which is only available at a price above that agreed for scrap generally between the B.I.S.F. and the National Federation of Scrap Iron, Steel and Metal Merchants. The activities of this subsidiary are being run down, but at the end of 1963 it held stocks of scrap worth about £1·4 million and owed its parent company £1·6 million.

(c) **British Steel Corporation Ltd.** (wholly owned) owns the industry's investments in six ore shipping companies with a total fleet of 28 ships and the 20 per cent central interest in British Ore Investment Corporation Ltd. which invests in overseas ore fields. The remaining 80 per cent interest
in this concern is held by nine of the thirteen major groups.(1)

(d) British Magnesite Corporation Ltd. B.I.S.C. owns shares to the nominal value of £600 out of a total share capital of £1,000. The largest outside interest is that of Steetley's, the producers of refractory materials. The Corporation is responsible for the central import of magnesite and magnesite bricks for use as furnace lining.

The Industry Fund

7. The "Industry Fund" is a fund created to finance the central activities of the industry in respect of training and research, and also to provide the financial backing for B.I.S.C.'s trading operations. The Fund has no constitution as such, and is defined solely by the terms of separate but identical agreements entered into between individual steel producers and B.I.S.C. The current agreement "terminates", in the sense described in paragraph 10(b) below, on 31st March, 1965, and a new but substantially similar one is being negotiated for the three years to 31st March, 1968. The agreement provides for certain points to be settled by Producers' Meetings, composed of representatives of the steel producers who are party to the agreement. Decisions at Producers' Meetings have to be approved both by 80 per cent of the producers represented and by producers who produce 80 per cent of total crude steel production by members.

8. There are currently 33 producer signatories to the agreement, responsible for all the country's crude steel production, apart from a small tonnage of high-speed steels. Of the 33 signatories to the Industry Fund Agreement, 24 are companies, or subsidiaries of companies, which are to be nationalised. The Corporation would thus control the votes of producers accounting for 80 per cent of crude steel production but not the votes of 80 per cent of producers entitled to be represented at Producers' Meetings. It would be able to block resolutions it did not favour but not to force through resolutions opposed by the private companies.

9. Under the Industry Fund Agreement, steel producers pay levies to B.I.S.C. based on their steel production (the ingot levy) and on their usage of bought-in scrap (the scrap levy). The levies are reflected in the prices charged by the producers for their steel, and are thus ultimately borne by the consumer. The scrap levy, which in 1962 and 1963 produced about £12 million a year, is used to finance a self-balancing scheme known as the scrap levy/pig iron remission scheme which is designed to encourage development of iron-making capacity and to offset the advantage to scrap users of the artificially low prices maintained for United Kingdom scrap. The ingot levy, which in 1962 and 1963 produced about £2 million a year, is used to cover the following classes of expenditure:

(a) Routine Central Expenditure. This includes the administrative expenses of Industry Fund operations; expenditure

---

(1) Colvilles, Consett, Dorman Long, G.K.N. Steel, John Summers, South Durham Steel Company of Wales, Richard Thomas and Baldwins, United Steel.
on research (mainly contributions to the British Iron and Steel Research Association) totalling £870,000 in 1963; and expenditure on training totalling £140,000 in 1963.

(b) The Raw Materials Supplies Development Fund. This is used to repay the short-term borrowing by which the British Steel Corporation Ltd. finances its investments in ore shipping companies and overseas ore fields. The annual amounts set aside to the Fund are calculated at a rate which will repay each individual investment over a period of 10 years.

(c) Imports of iron and manganese ore. Up to 1958, substantial losses were incurred on the importation of iron and manganese ore, and these were paid for out of the Industry Fund. From 1958 to 1963, operations were carried out on the principle that they should involve neither a profit nor a loss in total, though there was cross-subsidisation in favour of the importers who had to take ores from more distant sources. Since 1st January, 1964, most ores have been sold at cost, but there is a surcharge to cover losses arising from past shipping charters, and to cover continuing subsidies on a few ores. In addition, under its agency agreement with B.I.S.C. (Ore) Ltd. (paragraph 6 (a) above), B.I.S.C. is liable to meet any financial deficiencies arising on B.I.S.C. (Ore) Ltd.’s operations and to repay all that company’s costs and administrative expenses. Such costs are met by B.I.S.C. out of the Industry Fund.

(d) Losses on other trading operations. Until the late 1950s, the Industry Fund carried heavy losses on the import of pig iron, scrap and semi-finished steel, so as to spread their costs over the industry and thus over consumers as a whole. Loss-spreaading operations through the Industry Fund have now been restricted to operations in high-cost scrap, which are now also being discontinued. As a result, expenditure under this heading fell from £60 million in the year ending March 1953 to £0·1 million in the calendar year 1963.

10. The following further points about the Industry Fund Agreement are important:

(a) The level of the levies is determined by the Executive Committee of the B.I.S.F.

(b) The new agreement, like the old, is drawn on the assumption that no new commitments will be entered into after a set date (31st March, 1968, in the new agreement) unless a Producers’ Meeting decides on the proposal of the Executive Committee of the B.I.S.F. to prolong the agreement. The Corporation would be in a position to block a resolution to prolong the agreement. Even if the agreement is not prolonged, producers’ obligations to meet possible deficits arising continue until all the
liabilities of the Fund have been discharged. In view of
the long period for which some shipping charters have
been entered into, some of these liabilities might not be
discharged for 10 years or more.

(c) Producers can only be released from their obligations under
the agreement by a decision of the other producers who
are parties to it. Such a decision requires the double
80 per cent majority (see paragraph 7 above).

(d) Producers are bound to require any purchaser of their
steelworks to observe the terms of the agreement. This
obligation would continue to rest on the nationalised
companies.

(e) If the agreement is terminated, any assets remaining after
all the liabilities have been discharged are to be divided
among the producers "in such fair and reasonable
proportions as the Executive Committee of the B.I.S.F.
may decide ".

is difficult to define, but B.I.S.C. regards certain of its assets and
liabilities as being held or incurred by it on Industry Fund account.
Among the assets so held are the Shares of the British Steel
Corporation (and, hence, B.S.C.'s investments in shipping companies
and overseas ore fields) and the loans made to B.I.S.C. (Ore) and
B.I.S.C. (Salvage) to enable those companies to carry on their
central trading operations. While B.I.S.C. owns these assets as a
principal, it owns them subject to the Industry Fund Agreement;
the assets do not therefore contribute to the net value of B.I.S.C.
to its shareholders, i.e., the B.I.S.F. The net book value of the assets
of the Industry Fund at the end of 1963 were, according to its
balance sheet, £5·1 million against a total net book value for B.I.S.C.
and its subsidiaries as a whole, including Industry Fund assets, of
£6·3 million; but the latter included £0·7 million reserves of B.S.C.
(Ltd.) which related to the Industry Fund but were not shown in
the Industry Fund Balance Sheet. Not all the remainder of B.I.S.C.'s
assets are the property of B.I.S.C.'s shareholders since a part of
them relates to the British Steel Exporters' Association and other
minor funds.

Other financial arrangements

12. The general administrative expenses of the B.I.S.F.,
including publicity and propaganda expenditure, are covered by
levies on the conferences in proportions fixed by the Executive
Committee or, in default of a decision, related to the value of their
output. If a conference defaults on its obligations to pay levies, the
member companies become liable.
On 24th March, 1965, a Conference of Doctors' Representatives will decide whether the undated resignations which have been sent in to the British Medical Guild (according to the British Medical Association by upwards of 60 per cent of general practitioners) should be sent in to take effect on 1st July. Unless the Conference takes a specific decision that the resignations should be withheld, they will be sent in. The decision will turn in large part on the terms of the letter which I shall be sending to the profession with comments on their 'Family Doctors Charter' and I should like to have my colleagues approval to the contents of this letter. A draft is annexed.

2. The call for resignations was provoked by the recent report on doctors' pay by the Review Body on Doctors' and Dentists' Remuneration. The profession also called for immediate discussions with the Government on a new contract and new methods of remuneration and as an essential preliminary to these negotiations they stipulated that the £5½ million pay increase recommended by the Review Body (which they regarded as totally inadequate) should be added unconditionally to the pool of doctors' remuneration.

3. The Review Body's clarification of their report left us no option but to do as the profession wished in regard to the £5½ million (C.C.(65) 13th Conclusions, Minute 1). The profession then submitted on 8th March their "Charter" for family doctor services, and I have had a series of meetings with their representatives about it. The Charter makes a number of suggestions of which advantage can be taken to secure a whole range of much needed improvements in general practice, and I have told the profession that it seems to me to provide a framework for negotiation on the terms of the doctor's contract and methods of remuneration. But it also contains specific proposals for a very big increase in the amount of remuneration and the method of assessing this and the demand that these matters should be negotiated direct with the Government and not referred to the Review Body. This part of the Charter is clearly quite unacceptable, but I saw some prospect of achieving a reasonable settlement by concentrating on the matters on which agreement seemed likely and going as far as possible, even at this early stage, in responding positively on these matters. This was in the belief that the leaders of the profession would then find themselves able to advise the rank and file not to resign, even though their proposals on amount of remuneration had not been accepted. In only one of these matters would it have been necessary to enter into a firm financial commitment at this stage. I followed this course because it was my view that, if the meeting on 24th March did not result in the submission of resignation, the doctors' position would become progressively weaker.
4. Discussion with those of my colleagues chiefly concerned, however, has revealed that not all of them see the matter in this light. They would wish me to be less forthcoming at this stage, before negotiations begin, and the annexed draft is therefore briefer and less specific than I should have wished. I am far from confident that the terms of this letter are such as to fortify the leaders of the profession sufficiently to advise the Conference on 24th March against resignation, or indeed to enable them to carry the day with the rank and file of the profession even if they did. I have made it clear that, if mass resignations are submitted by the British Medical Guild, I cannot continue to negotiate. If the resignations became effective, it would not, of course, be possible to continue to provide a comprehensive general medical service under the National Health Service.

K. R.


15th March, 1965
We have agreed that the £5 1/2 million increase in remuneration recommended by the Review Body should be added unconditionally to the Pool for 1965-66 and in accordance with your wishes it is to be distributed by increasing the capitation fee (at present 20s. 6d.) and the temporary resident fee (at present 21s.) to 22s. 6d. I am now writing, on behalf of the Secretary of State for Scotland and myself, in the light of our discussions in the last few days, to put on record my preliminary general reactions to the very far-reaching proposals in the "Family Doctors' Charter" which you presented to me only on 8th March.

It has been repeatedly stated that what is now needed in general practice more than anything else is a revision of general practitioners' terms of service and methods of remuneration. I have told you that your proposals for a new type of contract and flexibility in methods of remuneration seem to me to provide a perfectly possible framework for negotiation. During the course of negotiation I shall want to inject ideas of my own, but I believe that the Charter offers an opportunity, which we should all do well to seize, to improve the general practitioner service for doctor and patient alike.

I was at first concerned lest the proposal for limited liability for the individual doctor and a review of the Allocation Scheme implied a repudiation of the liability of the profession as a whole for the general medical care of the population as a whole, with continuous cover, but you have assured me that this is not so, subject to reasonable protection of the individual doctor against unreasonable demands on his services. On this basis I am prepared to discuss limitation of individual liability.

Perhaps I should deal first with the question of remuneration for services rendered under the new contract. I am prepared in principle to envisage alternative methods of remuneration according to circumstances, provided that suitable safeguards can be devised. As to the amount to be paid, by whatever method is applicable, we have an independent Review Body to advise on remuneration, and while I am content that the Government should discuss methods of remuneration direct with the profession, I am sure that we must continue to look to the Review Body for advice on levels of remuneration. The Review
Body was set up because the Royal Commission which reported in 1960 thought it "highly desirable in the interests of efficiency, good relations and mutual confidence to introduce some new machinery in place of direct negotiations for dealing with important financial changes", and a change on the introduction of a new form of contract is certainly important. I have suggested that the negotiation of the new contract will produce an entirely new situation for the Review Body to consider. In considering this situation, it will be open to the Review Body to take account of any method or combination of methods of assessing levels of remuneration which is put before them by the profession. We have so far been unable to reach a conclusion between us on how this matter of pricing a new contract should be handled.

Leaving this one matter aside, I think we can perfectly well negotiate on the matters covered by the Charter and I believe that it would be in everyone's interest that we should do so.

One of the suggestions in the Charter, for example, is that public finance should be made available for the provision of practice premises. I am interested in any idea likely to improve general practice and I should be very ready to consider with the profession how premises for practice can be provided in a manner most likely to bring maximum benefit to doctors and patients alike. I accept the need to help doctors with the provision of finance for practice premises, and I am prepared to discuss with you your particular suggestion for a separate publicly financed corporation, though, as I have explained to you, this would require legislation.

I entirely agree of course that family doctors should have access to proper diagnostic services and to hospital beds where appropriate, also that they should be able to work in concert with social and preventive services. I see all this as part of the development of general practice along lines that accord best with local needs.

For the rest also I think the Charter provides a framework for negotiation, for example on direct reimbursement of expenses on ancillary help and rent of premises, measures to try to bring about a significant reduction in certification, and revision on the Terms of Service and the disciplinary machinery.
To sum up: I hope we can reach agreement on a new type of contract and new methods of remuneration; we are ready to proceed with discussions on the provision of practice premises, and on the other matters covered by the Charter apart from the pricing of the new contract; and the negotiation of a new type of contract must precede its pricing. I have therefore suggested that we should now get down to detailed discussions on these matters.

These discussions are bound to take time, notwithstanding everyone's best endeavours, and I do not see how new arrangements can be brought into effect before 1st April, 1966. With good will on both sides I should hope we could have a new and priced contract ready to introduce then. Our joint aim must be to secure for the general practitioner the conditions he requires to give the best care to his patients and the greatest satisfaction to himself.
C. (65) 44

16th March, 1965

CABINET

FARM PRICE REVIEW

Memorandum by the Minister of Agriculture, Fisheries and Food

In accordance with the discussion at last Thursday's Cabinet meeting (C. C. (65) 15th Conclusions, Minute 8), I am circulating herewith for the information of my colleagues a copy of the final revise of the White Paper on the Annual Farm Price Review, which will be published tomorrow, together with the statement on it which I intend making in the House after Questions tomorrow.

I shall circulate in a day or two fuller notes on the way in which the settlement might be presented publicly, for the use of my colleagues when speaking in rural areas.

T. F. P.

Ministry of Agriculture, Fisheries and Food, S. W. 1.,
16th March, 1965
MINISTER'S STATEMENT IN PARLIAMENT

With your permission Mr. Speaker, and that of the House, I should like to make a statement on this year's Annual Agricultural Review.

One of the Government's aims in this Review has been to promote developments in agricultural policy which we believe must be made if the industry is to go on increasing productivity, and so improve its income while reducing its need for Exchequer support. One of agriculture's main problems is the wide differences between farms. There are many farm businesses which already provide a satisfactory full-time livelihood. But there are far too many others which, because they need better management or are too small in size, cannot do so at reasonable prices. Our objective is to create conditions in which such farmers can raise their standards.

In this Review we are making a start on these longer term developments by introducing a number of new production grants and revising some of the existing ones. We shall help the smaller farmer to improve his farm business by making better farm management the essential object and condition of a Small Farmer grant. At the same time we shall extend the upper limits of the schemes so as to make them available to many more farmers, particularly the smaller dairy farmer and livestock rearer.

We are also introducing wider agricultural credit facilities and providing grants for agricultural co-operative marketing. In addition, we are concentrating more help on the hill and upland areas. The hill sheep subsidy will be made an annual grant on a flat rate; the hill cow subsidy rate will be raised; and we are bringing in new winter keep arrangements. There will also be an urgent review of the more fundamental long-term problems in the hill and upland areas.

These measures will give help to those in special need who are willing and able to help themselves. But many of the smaller farm businesses, if they are to succeed, must also obtain the advantages which come from larger scale production or marketing. We are, therefore, planning measures to encourage an increase in the size of holdings on a voluntary basis and to extend further help to agricultural co-operation over a wider field.

Turning now to the present position of agriculture generally, actual farm income for this year is expected to be £472 million, a record figure and £63 million more than last year. Adjusted for normal weather conditions the forecast for this year is £456½ million - £30 million more than last year. Output is up substantially, and the growth in productivity has continued.
Coming to the commodities, let me deal first with milk. A number of producers are still giving up dairying, but the fall in the dairy herd now seems to have been checked, and production has risen slightly. Producers' prices have gone up appreciably. In view of the importance of the dairy herd not only for milk but also for beef, the Government have decided to increase the guaranteed price by 1d. a gallon. This change, together with increased distributive costs, will require the retail price to be raised by 1d. per pint with effect from 1st August.

After a temporary decline, the beef herd is now recovering. But, in view of future world prospects, we are encouraging expansion of home production by an increase in the guaranteed price of 4/- per cwt. At the same time we are widening the calf subsidy to bring in more calves and increasing the rate by 10/-. We are also increasing the Hill Cow Subsidy by £1. The sheep breeding flock continues to grow and no change will be made in the guaranteed price for fat sheep or for wool. The new flat rate subsidy for hill sheep will be 18/- compared with an average of 9/6d. over the last five years.

Pig numbers have considerably increased, and a further substantial rise is forecast. For much of the last year however the market for pigs has been reasonably strong, and, in view of this, the Government have decided to raise the middle band - in effect the standard quantity - by 900,000 pigs. We are also widening the middle band, and the steps on either side of it, so as to make changes in the guaranteed price less frequent. The decision first announced two years ago to abolish separate stabilising limits and to reduce the quality premiums will now be implemented. The combined effect of all these steps would considerably increase profitability and so run the danger of encouraging too high a level of pig production. As some offset, the basic guaranteed price will therefore be reduced by 1/7d. per score, but the immediate net effect will be that on average pig producers will be getting 1/1d. per score more than at present.

This year egg production has outrun demand. Although there are signs that production next year may be somewhat less, technical efficiency is still increasing. To try to avoid a return to surplus, the guaranteed price for eggs will be reduced by 1d. per dozen.

Cereals production has risen to a very high level this year. In consequence we are obliged under the cereals agreements on minimum import prices made by the previous Administration to take remedial action with the purpose of restoring a fair and reasonable balance between home grown and imported cereals. The standard quantities for wheat and barley will be increased to take account of the growth in consumption, but the guaranteed prices will be cut by 1/1d. and 1/4d. per cwt respectively. The guaranteed price of potatoes and sugar beet will be increased by 5/- and 2/6d. per ton respectively. The fertiliser subsidy will be reduced by £2 million, and the lime subsidy by £750,000.

The net effect of the Review decisions will increase the total value of the guarantees by over £10 million. This will mean that in the present circumstances of the national economy, the agricultural industry will, like others, be expected to absorb this year through their increasing productivity a large part of their increased costs of some £29 million. The present determinations will, however, give the industry the opportunity to improve its income, and a start has been made on policy developments of great importance to the industry in the longer term.
AGRICULTURE ACTS 1947 & 1957

ANNUAL REVIEW AND DETERMINATION OF GUARANTEES, 1965
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ANNUAL REVIEW AND DETERMINATION OF GUARANTEES, 1965

I. Developments in Agricultural Policy

1. Agriculture is one of our biggest industries, and, as such, must take its proper place in the national economic development plan which is now being prepared. The Government will therefore be considering in this context what contribution agriculture can best make to national economic growth. Nevertheless, the Government have reached conclusions on certain lines of agricultural development which they consider desirable, and the 1965 Annual Review of the economic condition and prospects of the agricultural industry has been conducted against this background.

2. The Government consider that the principles of the Agriculture Acts of 1947 and 1957 provide a sound framework for agricultural policy. These principles recognise that a stable and efficient agricultural industry must be maintained; that such an industry should be capable of producing such part of the nation's food and other agricultural produce as in the national interest it is desirable to produce in the United Kingdom; and that such production should be at minimum prices consistent with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested in the industry.

3. Stability for agriculture is provided in this, as in most other developed countries of the world, through a system of Government support. But the level of that support must be of crucial concern to any Government. If the industry is to become less dependent upon Exchequer assistance, while at the same time producing what is needed from home sources, the annual rate of growth in productivity, which has already been running at the high rate of 5 per cent. in recent years, must be maintained and, if possible, increased. The Government consider therefore that a primary objective of future agricultural policy must be to encourage this growth in productivity through:

(a) the maintenance of stability in the industry;
(b) the further progressive introduction of new technological improvements; better farm management; and improved marketing;
(c) encouragement to farmers generally to obtain the benefits of scale in production and marketing; and
(d) the consequential further release of resources for use elsewhere in the nation's economy.

4. Agricultural research and advice and the application of their results are basic to a further increase in productivity. With the complexity and rapid development of technology the need for these services is increasing. The Government intend to maintain them and have already strengthened the agricultural advisory services. One of the most important aspects of the work of these services is advice on farm management. Proper farm record keeping is essential for this work, and the Government are, in this Review,
taking a first step by introducing a pilot scheme to encourage farmers to keep such records (paragraph 53). They intend to develop this in future years.

5. In addition, the Government are determined to secure better control of animal diseases which still cost the industry many millions of pounds every year. A number of major diseases such as bovine tuberculosis, sheep scab, foot and mouth disease and swine fever have been eradicated or are now being brought progressively under control. We can now think of redeploying our veterinary resources so as to concentrate more on preventive medicine to reduce the incidence of disease in general. Regional and local Study Groups with farmer and veterinary representation are in the process of being set up. The primary object of these groups is to make sure that the results of research into prevention and treatment of animal diseases are known to farmers and are applied to their animals. The incidence of disease varies between regions, and in areas within regions, and these Study Groups should result in a better overall application of veterinary preventive medicine.

6. In deciding upon the best means of securing the objectives set out in paragraph 3, the Government have taken into account the complex and heterogeneous nature of our agriculture. Agriculture as a whole contains many diverse elements. Most of the output of the industry is produced by about a quarter of our 450,000 agricultural holdings. These holdings are, for the most part, those which, because they have taken advantage of technological progress, and because they have secured economies of scale through the size of their farm businesses, can be expected to have low costs of production. On the other hand half of our holdings produce only a very small part of the industry's output. These for the most part consist of small acreages of land which cannot provide their occupiers with a full-time livelihood at prices which could be considered consistent with an efficient agriculture. Almost all these occupiers already have some interest in other trades and occupations, or other sources of income outside farming. The remaining quarter of our holdings consist mostly of small and medium-sized farm businesses. Some of these provide a reasonable full-time livelihood to their occupiers. But many others, if they are to do so, need to be improved by better management, by the adoption of improved technological methods, and by improved marketing.

7. In addition, there are great differences in soil, climatic conditions, and accessibility to markets between holdings in different parts of the country. Geographical location must therefore be taken into account in the formulation of agricultural policy.

8. The Government consider that if farmers are to be able to earn proper remuneration on the basis of prices consistent with an efficient industry, more must be done to help those occupying holdings capable of providing a reasonable full-time livelihood who at present find it difficult to earn such a livelihood owing to the character or situation of their farm businesses. This can be done through some reorientation of support.

9. To this end the Government have in this Review extended the scope of the Small Farmer Schemes by raising substantially the upper limits of
eligibility, while at the same time changing the character of the Schemes so as to relate them more directly to the improvement of farm business management (paragraph 50). In addition, steps are being taken to improve agricultural credit facilities (paragraph 51), and to encourage the development of agricultural co-operative marketing (paragraph 52). All these measures will be of particular benefit to smaller farmers who are able and willing to help themselves to earn a reasonable livelihood. The Government also believe that consideration needs to be given to the possibility of widening still further the arrangements to promote more agricultural co-operative and group activity.

10. The Government have also paid particular attention in this Review to the hill and upland areas. Special measures are required here to overcome the handicaps imposed by remoteness, altitude and climate. Present subsidies for hill areas have been reviewed. It has already been announced that action is being taken in England, Wales, and Northern Ireland to convert the winter keep acreage payments into headage payments as supplements to the hill cow and hill sheep subsidies (paragraph 56). In addition, in this Review, greater stability is being given to hill sheep farming by converting the hill sheep subsidy from a payment which is uncertain and fluctuating into a flat rate which will be paid annually (paragraph 54). Lastly, the rate of the hill cow subsidy has been increased and some improvements have been made in the rate of stocking which limits eligibility for subsidy (paragraph 55).

11. The Government also consider that there should be a review of the more fundamental problems which need to be tackled in these hill and upland areas. There have been many reports by different bodies on these problems. These have indicated that two of the most important are the size of farms, which are often too small to support a reasonable livelihood, and the need to co-ordinate the planning of land use requirements. The Government will consider urgently what more should be done to make the best use of agricultural resources in such areas, having regard to the economic, social, and other factors involved.

12. But although by these measures it is hoped that many will be encouraged to strengthen and improve their individual enterprises there will be others who can never hope, even with this help, to secure a proper remuneration from agriculture alone. These are mostly those who have farm businesses which from their size and nature cannot yield a reasonable livelihood on the basis of prices consistent with a stable and efficient industry. The Government consider that there should be arrangements to encourage on a voluntary basis the amalgamation of such land into viable and well equipped holdings. Arrangements to help improve the structural efficiency of British agriculture must clearly be long-term in nature, but the Government intend to introduce them as quickly as possible.

13. The Government are pressing on rapidly with the consideration of the three matters referred to in earlier paragraphs, namely the further extension of agricultural co-operative and group activity (paragraph 9);
the development of upland areas (paragraph 11); and structural improve­
ment of agriculture (paragraph 12). As soon as sufficient progress has
been made with the working out of proposals, farming and other organisa­
tions concerned will be consulted.

14. The Government also believe that there is an urgent need to improve
the marketing of home-grown produce, particularly for certain commodities.
The encouragement of agricultural co-operative or group marketing is one
step. In the case of horticulture, the improvement and reorganisation of
markets, together with the better grading of produce are being pushed ahead.
Legislation to set up a Home-Grown Cereals Authority to operate in the
next cereal year starting on 1st July, should shortly be on the Statute
Book. Urgent consideration is being given to proposals for the establish­
ment of a Meat and Livestock Commission, which would be charged with
responsibilities for the improvement of meat marketing. These proposals
will be discussed with the main organisations concerned with the production
and marketing of meat.

15. While, as stated in paragraph 1, agriculture’s place in the national
economic development plan is being studied, the Government believe that
the development of agricultural policy in the directions proposed will assist
the agricultural industry to maintain and increase productivity and so to
improve its remuneration while reducing its dependence upon Government
financial support.

II. Economic Condition of the Agricultural Industry

The Course of Production

16. Agricultural net output increased substantially in 1964/65. With a
larger acreage and good yields the production of cereals is estimated to be
at the highest level ever attained. Sugar production from the 1964 crop is
also a record. The downward trend in the dairy herd and in the number of
beef breeding cattle has been checked, and the long-term expansion of
the sheep breeding flock has been resumed. Marketings of fat pigs are
expected to be nearly one million more than in 1963/64, and the production
of eggs some 8 per cent. higher. The index of agricultural net output
(average of 1954/55 to 1956/57 = 100) is forecast at 137 for 1964/65, com­
pared with 127 for 1963/64 and 125 for 1962/63 (Appendix I, page K,
page 31).

Income

17. Actual net income is estimated to have risen to £472 million. This
is the highest figure so far recorded, and compares with the revised estimate
for 1963/64 of £409 million. Part of this increase is due to the more
favourable weather; when adjusted to normal weather conditions the fore­
cast of net income for 1964/65 is £456½ million compared with the
revised estimate of £425½ million for 1963/64 (Appendix II, page A,
page 32).
Costs and Efficiency

18. There have been further increases in the prices of goods and services used in agricultural production (Appendix III, page 36). It is reckoned that these price changes would, at current levels of use, add in a full year a net total of about £29 million to the cost of Review commodities. The main item is a rise in agricultural wage rates. These increases in costs have been taken into account along with the continuing gain in efficiency which, as in previous years, has been taken at £25 million on Review commodities. This figure was last considered in 1960 and will be reconsidered before the next Review.

Cost of Agricultural Support

19. The Exchequer cost in 1963/64 was £294 million. In 1964/65 it is expected to be £270 million. The chief causes of the reduction were the strength of the meat market which resulted in higher market prices, and also higher grain prices towards the end of the 1963 crop year; these were partly offset by a marked increase in the Exchequer payments for eggs. The Estimates presented to Parliament for the coming year (which do not take into account the determinations made at this Review) show an increase to a figure of £295 million.

III. Determination of Guarantees

Long-Term Assurances

20. In accordance with the Agriculture Act 1957 the present determinations must be such as to maintain the total value of the guarantees* at not less than 97 1/2 per cent. of their total value in 1964/65 after allowing for cost changes that have occurred on Review commodities since the 1964 Annual Review. The value of the guarantees in 1964/65 is £1,519 million. 97 1/2 per cent. of this is £1,481 million. After taking account of the cost increase of £29 million, the maximum permissible reduction in the value of the guarantees would be about £9 million.

Milk

21. The dairy herd fell by over 4 per cent. between June 1962 and June 1964. But by December 1964 it was marginally higher than at December 1963, and the downward trend appears to have been checked. Production has increased and the output of milk for human consumption is expected to be 2,513 million gallons in the year ending 31st May 1965. This is about 35 million gallons more than in 1963/64 but well below the level reached in the two previous years. About one-third of the increase in output is expected to be absorbed by the rising demand for liquid milk (Appendix I, Table B, and Figure I, page 20). The amount of milk sold for manufacture is expected to rise but will be less than in the period 1960/61 to 1962/63.

* The total value of the guarantees is the sum of (i) the value of the price guarantees (calculated for each commodity by multiplying the guaranteed price by the quantity of output qualifying for the guarantee) and (ii) the value of the relevant production grants.
22. The 1964 Annual Review White Paper (Cmnd. 2315) announced a total increase of 2¼d. a gallon in the guaranteed price, of which ¼d. was to help improve compositional quality. This, coupled with the significant drop in sales of milk for manufacture in recent years, has led to an appreciable improvement in the average producer price (the pool price) which is estimated at 3s. 1¼d. for 1964/65 compared with a range of 2s. 9d. to 2s. 10¼d. in the three previous years. Nevertheless the number of milk producers continues to fall and by March 1965 it is expected that there will be less than 125,000 registered milk producers compared with about 150,000 five years ago. This reduction is partly a reflection of the general tendency to increased specialisation in agriculture. But among the other factors responsible is the increasing preference shown by farmers and workers for tasks not involving the long hours and weekend ties of milk production. The maintenance of the dairy herd is important not only for milk but also for beef (paragraph 25). Returns from milk represent a very substantial proportion of farmers’ incomes.

23. In these circumstances the Government have decided to raise the guaranteed price by 1d. per gallon. They consider that a larger increase is unnecessary, and undesirable in the interest of the consumer, and moreover would involve a risk of unduly stimulating production. The arrangements for financing the Milk Boards’ schemes for improving compositional quality will continue unchanged. The standard quantities will be increased to reflect the increases in sales for liquid consumption.

**Fat Cattle**

24. Home production of beef in 1964/65 has been running below the level in 1963/64. At the same time there has been some increase in imports, and total supplies have been only slightly below the previous year’s level (Appendix I, Table D and Figure II, pages 22–24); but, within the total volume of imports, the proportion of chilled beef has declined and that of frozen beef has risen. In 1964/65 demand has been exceptionally strong and, while future world supply and demand cannot be forecast with certainty, this may continue.

25. At home the beef breeding herd contracted between June 1963 and June 1964 but is now recovering; and as already mentioned the decline of the dairy herd, which is the source of some two-thirds of our home-fed beef, has been checked. But in view of world market prospects, the Government consider that some further encouragement should be given to a moderate expansion of home production of beef. This is given in this Review by a combination of measures: first an increase in the guaranteed price of fat cattle of 4s. 0d. per live cwt.; second an extension of the calf subsidy together with an increase of 10s. 0d. in the subsidy rates (paragraphs 57 and 58); and third an increase of £1 in the rate of the hill cow subsidy (paragraph 55).

26. The extension of the calf subsidy will enable cattle hitherto excluded from the scheme, and in particular heifers of the dairy breeds, to qualify for the subsidy if they have in fact produced acceptable beef carcases satisfying the requirements of the Fatstock Guarantee Scheme. It should
give further encouragement to the retention of calves for beef and thereby benefit our home-fed beef supplies.

27. The Government accept the view expressed in the 1963 Annual Review White Paper (Cmnd. 1968) that, while livestock producers should be encouraged to seek further improvements in quality, the market and not the Government should decide on quality, and reward it in the market price. As announced in the 1964 Annual Review White Paper, the quality differential between Grade I and Grade II cattle will therefore be discontinued from 29th March 1965.

28. As foreshadowed in the 1964 Annual Review White Paper, changes will be made from the same date in the seasonal scale of standard prices for cattle to bring it more closely in line with the pattern of market prices. The scale of abatements and supplements under the graduated deficiency payments scheme will also be adjusted in the light of changed market conditions since the arrangements were introduced in 1964. Details of all these changes in the guarantee arrangements are given in Appendix VI, Part II, page 46.

**Fat Sheep and Wool**

29. Home-fed supplies of mutton and lamb in the fatstock year (April/March) 1964/65 have been a little above the level in 1963/64, while imported supplies have shown a small decrease due to rephasing of imports from New Zealand. Market prices in 1964/65 have been firm, reflecting the strength of the meat market generally.

30. After a check in 1963 due to weather conditions, the long-term expansion of the breeding flock has been resumed. This reflects, in the Government's view, the continuing profitability of home production, and no change will be made in the guaranteed price of fat sheep.

31. Adjustments will be made to the seasonal scale of standard prices (as foreshadowed in the 1964 Annual Review White Paper). Adjustments will also be made to the scale of abatements and supplements under the graduated deficiency payments scheme. Details are given in Appendix VI, Part II, page 46.

32. Market prices for the 1963 wool clip were relatively high, and with some prospect of this situation continuing, the guaranteed price was raised at the 1964 Annual Review. Since then prices have fallen, but the Government have decided to leave the guaranteed price for wool unchanged.

33. In addition, to provide greater stability for hill sheep farming, the Government have decided to place the hill sheep subsidy on a flat rate basis at a rate which compares favourably with the average of the variable payments in recent years (paragraph 54).

**Fat Pigs**

34. In the fatstock year 1964/65 rather more than 12½ million pigs will have been certified for guarantee. For much of the year the market has been reasonably strong, but it has recently weakened under pressure of heavy
supplies. In 1965/66 certifications are expected to be considerably higher than in 1964/65, and this is likely to lead to a weaker market over the year as a whole.

35. The present level of the middle band in the flexible guarantee arrangements is $11^{1/2} - 11^{3/4}$ million pigs, and the Government have decided that it should now be raised in order to reflect the present market situation. They have also decided to increase the width of the middle band, together with the steps either side of it at which price adjustments are made, and the adjustments themselves. These changes should lead to smoother working of the arrangements in that greater movements in forecast pig numbers may take place without automatic price adjustments. The new middle band will be at $12 - 12.8$ million pigs; other details of the new arrangements are given in Appendix VI, Part II, page 47.

36. The 1963 Annual Review White Paper stated that quality in fat pigs should be determined and rewarded by the market, and that it was intended to discontinue quality premiums for "bacon pigs". It also foreshadowed the ending of the separate stabilising arrangements for "bacon pigs" and "other pigs", which had proved unsatisfactory in many respects. The distinction which these arrangements have attempted to draw between different classes of pigs has become increasingly artificial and has led to growing inequity between different sectors of the industry and to misplaced expenditure of public money.

37. The 1964 Annual Review White Paper stated that, before this action was taken, there would be an examination with producers and the trade to see whether provisions were necessary, either within or outside the pigs guarantee, to influence or regulate the production of bacon in order to keep it at the levels allocated to the United Kingdom by the bacon market sharing understanding. It was also agreed to discuss the practicability of a scheme for encouraging long-term contracts for the supply of pigs both to bacon factories and to other purchasers of pigs by deadweight. A comprehensive examination of these subjects has taken place since the last Review. The Government are not convinced that, with adequate supplies of pigs in prospect and the greater market stability provided by the market sharing understanding, any special measures would be justified.

38. The Government have therefore decided that, as a step towards elimination of the quality premiums, the payments for both Grade AA+ and Grade AA pigs will be reduced by 1s. 0d. per score. They have also decided that the separate stabilising arrangements for "bacon pigs" and "other pigs" will be replaced by a stabilising arrangement for all pigs. But in order to limit fluctuations in producers' returns and to facilitate contracting, the stabilising limits will be set at 3s. 0d. above and 2s. 0d. below the standard price.

39. These changes in the basis of the guarantee have a bearing on the level of producers' returns, and have had to be taken into account in the Government's determination of the guaranteed price. The combined effect of raising the middle band and reducing the value of the quality premiums would be equivalent to a net increase in the guaranteed price for all pigs of
1s. 7d. per score. The Government consider that, with the high level of production already in prospect, such an increase is not justifiable. In deciding, however, that the basic guaranteed price must therefore be reduced by 1s. 7d. per score, the Government have taken into account that, at the current forecast level of production, the effect of the changes they have made will be an immediate improvement on average in producers’ returns of 1½d. per score.

**Eggs**

40. An increase in the laying flock and higher yields per hen have led to a considerable increase in production in 1964/65. Home production fills nearly the whole of the market for shell eggs and egg products taken together (Appendix I, Table E and Figure III, page 25). The oversupply of the market throughout the financial year 1964/65 means that the British Egg Marketing Board’s average selling price will be lower than in 1963/64 and again below the “indicator price” of 3s. 2d. per dozen. This has resulted in a fall in producers’ returns. At the same time the Exchequer bill in 1964/65 will be substantially higher.

41. On the evidence of current returns of chick placings some fall in the size of the national flock seems probable in 1965/66 (though yields per hen should continue to increase) and a closer balance between supplies and demand than in 1964/65 is in prospect. Nevertheless, the increase in yields and other improvements in method, occurring with most classes of egg producers, should ensure a continuing reduction in costs of production, and accordingly there remains the risk of over-production in future. The Government are therefore reducing the guaranteed price by 1½d. per dozen.

**Cereals**

42. The total area under cereals has continued to show a strong upward trend and in 1964 increased by over 400,000 acres to reach a level of nearly 8½ million acres. The wheat acreage recovered after a fall in 1963 and the barley acreage showed a further considerable gain; the acreage sown to oats continued to decline. Yields in 1964 were good. Total production in 1964/65 is considerably above the previous highest level attained, in 1962/63, and the combined production of wheat and barley is estimated to be some 1½ million tons in excess of the standard quantities. Market prices this year have been lower than in 1963/64. The Exchequer cost of support in 1965/66, notwithstanding the operation of the standard quantities, is expected to rise to £76 million compared with £63 million in 1964/65.

43. Despite the continued increase in the consumption of cereals by livestock, imports of cereals will decline sharply in the current year. Under the terms of the Agreements with overseas suppliers on minimum import prices, there is an obligation to ensure a proper balance between home production and imports, and to provide overseas suppliers as well as domestic producers with an opportunity to share in the growth of the market in a fair and reasonable way. In particular an undertaking was given by the previous Government that if there is, or threatens to be, a significant reduction in imports below the level of the 3 year average up to 30th June 1964 (9 million tons) effective remedial action would be taken. Imports are expected to fall below this level by about 800,000 tons.
44. In 1965/66 consumption of cereals is expected to increase further and, in accordance with the statement in the 1964 Annual Review White Paper, the Government have decided to increase the standard quantities for wheat from 3.3 to 3.4 million tons and for barley from 6.5 to 6.75 million tons. At the same time, having regard to the trend of production, the obligations under the Agreements negotiated by the previous Government with the overseas suppliers, and the cost of the Exchequer subsidy, the guaranteed prices for wheat and barley will be reduced by 1s. 1d. and 1s. 4d. respectively.

45. There will be an increase in the target indicator price for wheat (Appendix VI, Part II, page 47). The increase takes account of the new Home-Grown Cereals Authority which will be in operation for the 1965/66 crop year.

**Potatoes**

46. The United Kingdom acreage in 1964 was 778,000 acres which, assuming a reasonable distribution between early and main crop varieties, is about the acreage needed to meet the current level of demand, given normal yields. There are, however, some indications of a slight fall in acreage for the 1965 crop and the Government have decided to increase the guaranteed price by 5s. 0d. per ton.

47. The yield per acre from the 1964 crop was, in fact, somewhat above normal, and the crop seems likely to give rise to a surplus over and above requirements for human consumption. In view of the possibility that the guaranteed price might not be realised for the season as a whole, the Government have authorised the use of the joint Market Support Fund for support buying.

**Sugar Beet**

48. In view of the termination of the South African Sugar Agreement on 31st December 1964 the contract acreage was reviewed in September 1964 and the acreage to which the guarantee will apply in 1965 was increased by 7,500 acres to 442,850. This followed an increase of 20,750 acres for 1964. The increase in acreage, rounded up to 443,000 acres, will be continued for the 1966 crop; and, in order to maintain production, the price for the 1965 crop for beet of 16 per cent. sugar content will be increased by 2s. 6d. a ton.

**Production Grants**

49. The Government have reviewed the production grants. They have decided to introduce a number of new ones and to make important changes in existing grants. The object is to give greater emphasis to the improvement of management and productivity. In particular, more help will be given to small farmers whose holdings are capable of providing a reasonable full-time livelihood and to farmers in hill and upland areas.

50. **Small Farmer Schemes.** As explained in paragraph 9 above, the Government wish to give further encouragement to improving the business management of small farms, and have therefore decided to revise the Small Farmer Schemes which have been basically unchanged since their inception in 1959. The revised Schemes will come into operation in the early
autumn. Farm Business Plans submitted in the meantime will continue to be dealt with under the present Schemes. Payment of grant under the revised Schemes will depend upon the farmer submitting and implementing a three-year farm management programme to increase the productivity and profitability of the business. An essential part of the programme will be the keeping and using of farm records as a basis for farm management decisions. Farmers will be eligible for grants at the end of each of the three years of the programme at rates varying with the acreage of crops and grass on the farm. The maximum total grant for any one farm business will be £1,000. The upper limits of eligibility for farm businesses under the revised Schemes will be increased to 125 acres of crops and grass (as compared with 100 acres at present) and a standard labour requirement of 600 standard man-days (as compared with the present 500). The man-day figures, however, will be calculated on a more up-to-date basis to take account of the rise in labour productivity since the original Schemes were introduced. (On this basis 600 standard man-days is roughly equivalent to 700 standard man-days on the present basis of calculation.) As a result of these extensions the additional number of farm businesses eligible in the United Kingdom is estimated to be about 40,000. It is intended that the revised Schemes should be available for those farm businesses which have not already benefited under the present Schemes.

51. Agricultural Credit. The Government have decided to extend to agriculture the provision already made for horticulture under section 9 of the Agriculture and Horticulture Act 1964. Certain financial institutions will be offered financial backing so that they may more readily give guarantees to the banks for the repayment in due course of short and medium-term bank loans made to farmers and also to farmers' co-operatives and groups to the extent that they are marketing primary farm produce. As a result of these guarantees the banks would be likely to accept a larger number of applicants of sound credit status who may lack the more tangible forms of security. It is a feature of guarantee arrangements of this kind that a small grant-in-aid can support a considerable volume of new lending.

52. Agricultural Co-operation. The Government are extending to agriculture the provision already available to horticulture under section 4 of the Agriculture and Horticulture Act 1964 for one-third grants to co-operatives and groups marketing primary farm produce to help them add to their working capital so as to expand their business. The creation of new marketing co-operatives and groups will also be aided in this way. It will be a condition that the members must subscribe at least an equal amount of new capital of their own. Under these arrangements and those in paragraph 51 the groups eligible will be those with a co-operative type of constitution.

53. Farm Business Recording Scheme. In order to extend encouragement for record-keeping to farmers who are not eligible for the revised Small Farmer Schemes the Government also propose to pay grants to farmers for a period of three years to encourage the keeping of farm business records. The rate proposed would be equivalent to 75 per cent. of the estimated cost of keeping records, subject however to a maximum grant of £100. It is intended to introduce pilot schemes in certain limited areas during 1965 and to extend them in the following year. Details will be announced as soon as possible.
54. Hill Farming. The Government intend to give more aid to farmers in the hill areas. Under present arrangements, a variable hill sheep subsidy is paid in some years and not in others, in accordance with assessments made each year of the economic circumstances of hill sheep farmers in the preceding year. The Government have decided to put the scheme on a flat rate basis. Subsidy will be paid each year, at a rate sufficient to cover the normal variations in weather conditions from year to year. The rate will be 18s. per eligible ewe compared with an average of 9s. 6d. over the last 5 years.

55. The hill cow subsidy will be increased to £13 per eligible hill cow and, as an incentive to hill farmers to continue to improve the stocking capacity of their land, the maximum stocking ratio introduced in the 1964 schemes for England, Wales and Northern Ireland is being raised from one cow per six acres to one cow per five acres of eligible land.

56. As already announced, the present Winter Keep Scheme in England, Wales and Northern Ireland will be replaced by arrangements for paying winter keep grants in the form of supplements to the hill cow and hill sheep subsidies. These supplements will be at the rate of £5 for hill cows and 3s. 6d. for hill ewes. Scotland will retain the existing Winter Keep Scheme, which is on an acreage basis, but in order to ensure comparability with other areas in the United Kingdom the acreage payment will be supplemented by a grant of 2s. 0d. per hill ewe.

57. Calf Subsidy. The existing Calf Subsidy Scheme will be replaced as soon as possible by new arrangements under which subsidy can be claimed either as at present when the animal is still a calf (Stage A) or after the finished animal has been slaughtered for beef (Stage B). Subsidy at Stage A will be subject to the same conditions of breed, sex and age as the present calf subsidy, but at Stage B any steer or heifer born in the United Kingdom will be eligible provided it is certified on a deadweight basis as eligible for the fatstock guarantee, and provided that payment has not already been made on it at Stage A.

58. The rates of calf subsidy (Stage A of the new arrangements) will be increased by 10s. 0d. a head in respect of calves born on or after 1st January 1965. Payments at Stage B cannot begin until later this year, and an announcement of the starting date will be made in due course. The intention is to pay the same rate per head whether the subsidy is claimed on a calf or on a beef carcase.

59. Fertiliser Subsidy. The consumption of fertilisers has continued to increase and at the present rates of subsidy the Exchequer cost is forecast to rise in the financial year 1965/66 to about £32.3 million. The Government have decided to abate the rates of subsidy from 1st June 1965 so as to reduce the total annual subsidy by an estimated £2 million.

60. Lime Subsidy. The former percentage grant system was replaced last August by the flat rates of contribution specified in the schedules to the Agricultural Lime Scheme 1964. The annual cost to the Exchequer under the new Scheme has continued to be about £9 million (Appendix V, Table A, page 39). The Government have decided to amend the rates of contribution so as to reduce the total annual subsidy by an estimated £1 million.
61. Market Development Scheme. Subject to Parliamentary approval, this is to be extended for a further three years from 31st March 1965, with a view to making use of that part of the original allocation (£11½ million) so far unallocated. There will be a new provision for payment of a higher rate of grant for certain projects initiated by the Agricultural Marketing Development Executive Committee (which supervises the operation of the Scheme).

62. Other Grants. The qualifying age of grass for the higher rate of ploughing grant (i.e. £12 per acre) will in future remain constant at 12 years, but land on which this grant has previously been paid will be ineligible. The closing date for applications for grant under the Silo Subsidy Scheme will be extended for one final year to 31st July 1966.

63. Northern Ireland Special Assistance Grant. Since the decontrol of the marketing of agricultural produce in 1954 the Government of Northern Ireland have received an annual payment (special assistance grant) from the United Kingdom Exchequer to offset the financial disadvantage which Northern Ireland farmers suffer because of their remoteness from the main markets in Great Britain. The special assistance grant was last reviewed in 1962 and fixed at £1½ million a year. The Government propose to review the grant again during the coming year.

64. The Ministry of Agriculture for Northern Ireland are giving further consideration to ways of using the special assistance grant and will shortly be consulting the Ulster Farmers' Union on proposals for setting up an Agricultural Trust, to be financed from the special assistance grant, with the object of promoting greater efficiency in marketing and of expanding the home and export markets for Northern Ireland produce.

IV. Effect of Determinations

65. The determinations now made will add rather more than £10 million to the total value of the price guarantees and production grants.

66. In reaching their conclusions the Government have had in mind the marked improvement in the industry's income since 1963/64, both actual and on a normal weather basis. It is recognised that this year cost increases have been substantial, but the Government consider that, in the present circumstances of the national economy, the industry should, like others, be expected to absorb a large part of its increased costs through its increasing productivity. The net income of the industry depends on many other things besides the level of the price guarantees and production grants, but, in the Government's view, the present determinations will give the industry the opportunity of improving its income in the coming year.

67. The Government have given careful consideration to the needs of the different commodities and in this connection have taken fully into account their international obligations. They have also looked carefully at the various sectors of the industry, and believe that their decisions will give help where it is most needed.
68. Finally, the contribution which agriculture can best make to national economic growth will be considered as part of the national economic development plan. But through their decisions, the Government have made a start on the longer-term agricultural developments described in Part I. They believe that these, together with the further measures which are to be considered for improving the structural efficiency of agriculture, developing hill and upland areas, and widening agricultural co-operation are of great importance for the future. As these measures come into effect they should enable the industry to improve still further its productivity and so its remuneration.
NOTE. Some of the figures given in this Appendix differ from those in previous White Papers on Annual Reviews because of later information, changes in the scope and nature of the available data and improvements in statistical methods. Forecast figures for 1964/65 are as at mid-January, 1965.

**Table A**

_Crop Acreages and Livestock Numbers at June in the United Kingdom (i)_

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>1,856</td>
<td>2,052</td>
<td>2,217</td>
<td>2,208</td>
<td>1,929</td>
<td>2,102</td>
<td>1,827</td>
<td>2,256</td>
<td>1,928</td>
</tr>
<tr>
<td>Rye</td>
<td>16</td>
<td>33</td>
<td>63</td>
<td>23</td>
<td>14</td>
<td>19</td>
<td>19</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>Barley</td>
<td>929</td>
<td>2,211</td>
<td>2,226</td>
<td>2,755</td>
<td>3,059</td>
<td>3,372</td>
<td>3,528</td>
<td>3,987</td>
<td>4,713</td>
</tr>
<tr>
<td>Oats</td>
<td>2,403</td>
<td>3,567</td>
<td>2,840</td>
<td>2,217</td>
<td>2,012</td>
<td>1,974</td>
<td>1,733</td>
<td>1,319</td>
<td>1,205</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>87</td>
<td>458</td>
<td>304</td>
<td>381</td>
<td>232</td>
<td>293</td>
<td>147</td>
<td>125</td>
<td>98</td>
</tr>
<tr>
<td>Potatoes</td>
<td>723</td>
<td>1,423</td>
<td>985</td>
<td>821</td>
<td>816</td>
<td>820</td>
<td>703</td>
<td>737</td>
<td>768</td>
</tr>
<tr>
<td>Sugar beet</td>
<td>335</td>
<td>436</td>
<td>415</td>
<td>439</td>
<td>434</td>
<td>436</td>
<td>427</td>
<td>424</td>
<td>423</td>
</tr>
<tr>
<td>Total tillage</td>
<td>8,908</td>
<td>13,300</td>
<td>12,304</td>
<td>11,165</td>
<td>10,912</td>
<td>11,182</td>
<td>10,871</td>
<td>11,077</td>
<td>11,199</td>
</tr>
<tr>
<td>Temporary grass (iii)</td>
<td>4,180</td>
<td>5,679</td>
<td>5,803</td>
<td>6,351</td>
<td>6,848</td>
<td>6,899</td>
<td>7,084</td>
<td>7,022</td>
<td>7,012</td>
</tr>
<tr>
<td>Total arable (iii)</td>
<td>13,088</td>
<td>18,980</td>
<td>18,107</td>
<td>17,516</td>
<td>17,760</td>
<td>18,051</td>
<td>17,955</td>
<td>18,099</td>
<td>18,212</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy cows</td>
<td>3,284</td>
<td>3,608</td>
<td>3,882</td>
<td>3,850</td>
<td>3,165</td>
<td>3,245</td>
<td>3,290</td>
<td>3,247</td>
<td>3,144</td>
</tr>
<tr>
<td>Beef cows</td>
<td>563</td>
<td>885</td>
<td>828</td>
<td>764</td>
<td>816</td>
<td>823</td>
<td>827</td>
<td>802</td>
<td>742</td>
</tr>
<tr>
<td>Heifers in calf</td>
<td>8758</td>
<td>9,629</td>
<td>10,444</td>
<td>10,956</td>
<td>11,291</td>
<td>11,771</td>
<td>11,936</td>
<td>11,859</td>
<td>11,716</td>
</tr>
<tr>
<td>Sows for breeding</td>
<td>335</td>
<td>221</td>
<td>699</td>
<td>802</td>
<td>705</td>
<td>725</td>
<td>773</td>
<td>857</td>
<td>876</td>
</tr>
<tr>
<td>Total pigs</td>
<td>4,410</td>
<td>5,553</td>
<td>5,565</td>
<td>6,485</td>
<td>5,984</td>
<td>5,724</td>
<td>6,042</td>
<td>6,722</td>
<td>6,839</td>
</tr>
<tr>
<td>Ewes</td>
<td>14,419</td>
<td>8,394</td>
<td>8,717</td>
<td>10,322</td>
<td>10,715</td>
<td>11,232</td>
<td>11,505</td>
<td>11,829</td>
<td>11,832</td>
</tr>
<tr>
<td>Sheep and lambs</td>
<td>26,401</td>
<td>20,358</td>
<td>22,455</td>
<td>26,165</td>
<td>27,612</td>
<td>28,871</td>
<td>28,067</td>
<td>29,498</td>
<td>29,344</td>
</tr>
<tr>
<td>Total poultry</td>
<td>78,163</td>
<td>67,117</td>
<td>92,119</td>
<td>99,724</td>
<td>106,605</td>
<td>103,005</td>
<td>114,289</td>
<td>109,030</td>
<td>112,175</td>
</tr>
</tbody>
</table>

(i) The table relates to agricultural holdings exceeding one acre in extent in Great Britain and, from 1954, of one acre or more in Northern Ireland. Until 1954, figures for Northern Ireland included holdings of one quarter acre or more. Numbers of livestock in Northern Ireland are collected from all owners irrespective of the size of the holding, and also from landless stock-holders, and these numbers are included in the table.

(ii) Average 1936-38.

(iii) Owing to changes in the definition of "Temporary grass" in the Agricultural Census, figures from 1959 onwards for this item and for "Total arable" acreage are not directly comparable with those for the preceding years.
### Table B

**Output and Disposal of Milk in the United Kingdom**

<table>
<thead>
<tr>
<th>June/May Years</th>
<th>Pre-war Average(i)</th>
<th>1946/47</th>
<th>1955/56</th>
<th>1956/57</th>
<th>1957/58</th>
<th>1958/59</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liquid consumption (ii)</strong></td>
<td>991</td>
<td>1,446</td>
<td>1,628</td>
<td>1,614</td>
<td>1,610</td>
<td>1,625</td>
</tr>
<tr>
<td><strong>Used for butter (iii)</strong></td>
<td>271</td>
<td>96</td>
<td>141</td>
<td>194</td>
<td>239</td>
<td>137</td>
</tr>
<tr>
<td><strong>Used for cheese (iii)</strong></td>
<td>102</td>
<td>47</td>
<td>172</td>
<td>251</td>
<td>261</td>
<td>200</td>
</tr>
<tr>
<td><strong>Used for other products (iii)</strong></td>
<td>192</td>
<td>64</td>
<td>224</td>
<td>252</td>
<td>230</td>
<td>244</td>
</tr>
<tr>
<td><strong>Total output for human consumption</strong></td>
<td>1,556</td>
<td>1,653</td>
<td>2,165</td>
<td>2,311</td>
<td>2,340</td>
<td>2,206</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liquid consumption (ii)</strong></td>
<td>1,644</td>
<td>1,659</td>
<td>1,691</td>
<td>1,705</td>
<td>1,727</td>
</tr>
<tr>
<td><strong>Used for butter (iii)</strong></td>
<td>159</td>
<td>258</td>
<td>314</td>
<td>307</td>
<td>197</td>
</tr>
<tr>
<td><strong>Used for cheese (iii)</strong></td>
<td>225</td>
<td>265</td>
<td>263</td>
<td>247</td>
<td>239</td>
</tr>
<tr>
<td><strong>Used for other products (iii)</strong></td>
<td>263</td>
<td>263</td>
<td>269</td>
<td>286</td>
<td>315</td>
</tr>
<tr>
<td><strong>Total output for human consumption</strong></td>
<td>2,291</td>
<td>2,445</td>
<td>2,537</td>
<td>2,545</td>
<td>2,478</td>
</tr>
</tbody>
</table>

(ii) Including farmhouse consumption.
(iii) Including farmhouse manufacture.

### Figure I

**Output and Disposal of Milk in the United Kingdom**

![Graph showing output and disposal of milk](chart.png)
### TABLE C

**Home Manufacture and Imports of Milk Products in the United Kingdom (i)**

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
</tr>
<tr>
<td>Butter</td>
<td>47</td>
<td>480</td>
<td>18</td>
<td>205</td>
<td>29</td>
<td>288</td>
<td>30</td>
<td>404</td>
<td>49</td>
</tr>
<tr>
<td>Cheese</td>
<td>45</td>
<td>142</td>
<td>20</td>
<td>191</td>
<td>90</td>
<td>150</td>
<td>96</td>
<td>143</td>
<td>114</td>
</tr>
<tr>
<td>Other products</td>
<td>240</td>
<td>109</td>
<td>97</td>
<td>161</td>
<td>224</td>
<td>87</td>
<td>370</td>
<td>96</td>
<td>412</td>
</tr>
<tr>
<td>Total</td>
<td>332</td>
<td>731</td>
<td>135</td>
<td>557</td>
<td>343</td>
<td>525</td>
<td>496</td>
<td>643</td>
<td>575</td>
</tr>
</tbody>
</table>

(i) June/May years for home production; July/June years for imports. Home manufacture includes farmhouse manufacture.

(ii) Average June/May years 1936/37–1938/39 for home manufacture. Average calendar years 1934–38 for imports.
### TABLE D

**United Kingdom Meat Supplies (i)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>578</td>
<td>600</td>
<td>550</td>
<td>398</td>
<td>653</td>
<td>336</td>
<td>717</td>
<td>394</td>
<td>712</td>
<td>393</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>191</td>
<td>341</td>
<td>135</td>
<td>29</td>
<td>285</td>
<td>37</td>
<td>440</td>
<td>14</td>
<td>439</td>
<td>16</td>
</tr>
<tr>
<td>Pork</td>
<td>209</td>
<td>60</td>
<td>15</td>
<td>29</td>
<td>29</td>
<td>17</td>
<td>29</td>
<td>10</td>
<td>289</td>
<td>9</td>
</tr>
<tr>
<td>Bacon and ham</td>
<td>159</td>
<td>383</td>
<td>87</td>
<td>156</td>
<td>227</td>
<td>296</td>
<td>228</td>
<td>329</td>
<td>191</td>
<td>386</td>
</tr>
<tr>
<td>Poultry meat</td>
<td>89</td>
<td>22</td>
<td>70</td>
<td>27</td>
<td>101</td>
<td>17</td>
<td>229</td>
<td>10</td>
<td>258</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>1,226</td>
<td>1,406</td>
<td>857</td>
<td>1,037</td>
<td>1,443</td>
<td>1,000</td>
<td>1,812</td>
<td>1,190</td>
<td>1,821</td>
<td>1,177</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>772</td>
<td>401</td>
<td>865</td>
<td>342</td>
<td>896</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>241</td>
<td>381</td>
<td>251</td>
<td>334</td>
<td>249</td>
</tr>
<tr>
<td>Pork</td>
<td>441</td>
<td>22</td>
<td>471</td>
<td>29</td>
<td>517</td>
</tr>
<tr>
<td>Bacon and ham</td>
<td>193</td>
<td>391</td>
<td>208</td>
<td>406</td>
<td>224</td>
</tr>
<tr>
<td>Poultry meat</td>
<td>307</td>
<td>6</td>
<td>346</td>
<td>4</td>
<td>340</td>
</tr>
<tr>
<td>Total</td>
<td>1,954</td>
<td>1,201</td>
<td>2,141</td>
<td>1,106</td>
<td>2,226</td>
</tr>
</tbody>
</table>

(i) Excludes offal. July-June years except for home production of poultry meat, which are estimates for June-May years. The "home-fed" bacon and ham figures represent commercial home-cured production. Other figures for "home-fed" are estimates of total commercial production for all purposes and include meat from animals bred in the Irish Republic and fattened in the United Kingdom. Figures for imported meat include meat from animals imported fat from the Irish Republic and slaughtered on arrival, but exclude meat imported from all sources in a preserved or manufactured state (e.g. canned products).

(ii) Average June-May years 1936/37-1938/39 for all home-fed supplies. Average calendar years 1934-38 for all imported supplies. Imported poultry meat includes canned poultry meat.
FIGURE II
United Kingdom Meat Supplies

TOTAL SUPPLIES

THOUSANDS OF TONS

FORECAST

PRE-WAR AVERAGE

1946/47

53/54

51/59

59/60

60/61

61/62

62/63

63/64

64/65

IMPORTED

HOME-FED

BEF AND YEAL

THOUSANDS OF TONS

FORECAST

PRE-WAR AVERAGE

1946/47

53/54

51/59

59/60

60/61

61/62

62/63

63/64

64/65

IMPORTED

HOME-FED
FIGURE II (continued)

United Kingdom Meat Supplies

**MUTTON AND LAMB**

![Bar chart showing mutton and lamb supplies from pre-war to forecast years.](image)

**PORK AND BACON**

![Bar chart showing pork and bacon supplies from pre-war to forecast years.](image)
# Table E

**Home Supplies and Imports of Eggs and Egg Products in the United Kingdom** (i)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Supplies (iii)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sold in shell</td>
<td>n.a.</td>
<td>433</td>
<td>646</td>
<td>649</td>
<td>601</td>
<td>621</td>
<td>609</td>
<td>615</td>
<td>688</td>
<td></td>
</tr>
<tr>
<td>Processed</td>
<td>n.a.</td>
<td>17</td>
<td>44</td>
<td>60</td>
<td>25</td>
<td>42</td>
<td>50</td>
<td>78</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>Other home supplies</td>
<td>n.a.</td>
<td>314</td>
<td>330</td>
<td>260</td>
<td>417</td>
<td>430</td>
<td>433</td>
<td>462</td>
<td>466</td>
<td></td>
</tr>
<tr>
<td><strong>Total home supplies</strong></td>
<td>545</td>
<td>451</td>
<td>764</td>
<td>1,020</td>
<td>1,095</td>
<td>1,093</td>
<td>1,092</td>
<td>1,155</td>
<td>1,246</td>
<td></td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shell eggs</td>
<td>257</td>
<td>55</td>
<td>126</td>
<td>18</td>
<td>17</td>
<td>46</td>
<td>28</td>
<td>34</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>Egg products</td>
<td>79</td>
<td>59</td>
<td>62</td>
<td>50</td>
<td>34</td>
<td>39</td>
<td>41</td>
<td>34</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total imports</strong></td>
<td>346</td>
<td>154</td>
<td>188</td>
<td>68</td>
<td>51</td>
<td>85</td>
<td>69</td>
<td>68</td>
<td>46</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total supplies</strong></td>
<td>891</td>
<td>605</td>
<td>952</td>
<td>1,688</td>
<td>1,128</td>
<td>1,128</td>
<td>1,152</td>
<td>1,160</td>
<td>1,201</td>
<td>1,287</td>
</tr>
</tbody>
</table>

(i) June/May years for home production; July/June years for imports.
(iii) Hen eggs produced for human consumption only; includes output from units under one acre.
(iv) Includes second quality eggs. No information is available on the utilisation of such eggs before 1964 but it has been assumed that about 40-50 per cent of them were processed each year.
(v) Whole dried, frozen and liquid egg as shell egg equivalent. Excludes albumen and yolk. (Figures before 1953/54 include some imports of yolk which were not separately distinguishable).

**Figure III**

Home Supplies and Imports of Eggs and Egg Products in the United Kingdom

- **Imports**
- **Home Supplies**

**Breakdown for Home Output**

- **Pre-war Average**
  - 1946/47
  - 1953/54
  - 1958/59
  - 1959/60
  - 1960/61
  - 1961/62
  - 1962/63
  - 1963/64
  - 1964/65 Forecast

---

**Notes**

- Hen eggs produced for human consumption only; includes output from units under one acre.
- Includes second quality eggs. No information is available on the utilisation of such eggs before 1964 but it has been assumed that about 40-50 per cent of them were processed each year.
- Whole dried, frozen and liquid egg as shell egg equivalent. Excludes albumen and yolk. (Figures before 1953/54 include some imports of yolk which were not separately distinguishable).
| TABLE F  
Home Production and Imports of Crops in the United Kingdom (i) |

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Grain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Home Imports</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Wheat (iii)</td>
<td>1,651</td>
<td>5,631</td>
<td>1,967</td>
<td>4,575</td>
<td>2,664</td>
<td>3,853</td>
<td>2,711</td>
<td>5,216</td>
<td>2,785</td>
<td>4,397</td>
<td></td>
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</tr>
<tr>
<td>Rye</td>
<td>10</td>
<td>6</td>
<td>39</td>
<td>2</td>
<td>66</td>
<td>1</td>
<td>21</td>
<td>8</td>
<td>13</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Barley</td>
<td>765</td>
<td>889</td>
<td>1,963</td>
<td>83</td>
<td>2,521</td>
<td>1,255</td>
<td>3,170</td>
<td>1,123</td>
<td>4,016</td>
<td>815</td>
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<td></td>
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<tr>
<td>Oats</td>
<td>1,940</td>
<td>117</td>
<td>2,903</td>
<td>165</td>
<td>2,821</td>
<td>82</td>
<td>2,138</td>
<td>182</td>
<td>2,187</td>
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<td></td>
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<tr>
<td>Mixed corn</td>
<td>76</td>
<td>—</td>
<td>350</td>
<td>—</td>
<td>845</td>
<td>—</td>
<td>275</td>
<td>—</td>
<td>259</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Maize</td>
<td>—</td>
<td>3,234</td>
<td>—</td>
<td>289</td>
<td>—</td>
<td>1,413</td>
<td>—</td>
<td>2,771</td>
<td>—</td>
<td>3,086</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Sorghum</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>28</td>
<td>—</td>
<td>639</td>
<td>—</td>
<td>555</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>7,222</td>
<td>5,106</td>
<td>3,917</td>
<td>6,622</td>
<td>2,915</td>
<td>9,936</td>
<td>9,260</td>
<td>8,887</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Potatoes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Home Imports</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early potatoes</td>
<td>375</td>
<td>(v)</td>
<td>1,031</td>
<td>16</td>
<td>895</td>
<td>179</td>
<td>632</td>
<td>347</td>
<td>682</td>
<td>317</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Main crop potatoes</td>
<td>4,498</td>
<td>(vi)</td>
<td>9,115</td>
<td>98</td>
<td>7,365</td>
<td>4</td>
<td>4,924</td>
<td>402</td>
<td>6,234</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>4,873</td>
<td>206</td>
<td>10,166</td>
<td>114</td>
<td>8,260</td>
<td>183</td>
<td>6,916</td>
<td>326</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sugar (vii)</strong></td>
<td></td>
<td></td>
<td>415</td>
<td>2,170</td>
<td>593</td>
<td>1,570</td>
<td>783</td>
<td>3,253</td>
<td>761</td>
<td>2,966</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(i) Crop years for home production—July/June years for imports.
(ii) Average 1936/37—1938/39 for home production and calendar years 1934-38 for imports.
(iii) Imports include flour as wheat equivalent.
(iv) Based on known sales through the guarantee scheme. The corresponding estimate based on average yield was 2,992 thousand tons.
(v) Imports include shipments from Channel Islands.
(vi) Breakdown not available.
(vii) Raw equivalent basis.
Figure IV
Home Production and Imports of Grain in the United Kingdom

Imported (including flour as wheat equivalent)

Home-grown

Millions of Tons

Production of Coarse Grains

Imports of Coarse Grains


Imported Other
Imported Barley

Imported Other
Imported Maize
Imported Barley

Millions of Tons
Note.—The graph for sugar shows sugar-in-beet per crop acre. The graph for milk shows the yield of milk per dairy type cow per annum; figures in this series are not available before 1954/55. The graph for eggs shows the number of eggs produced per adult fowl per annum (all flocks).
### TABLE G

**Estimated Purchases and Consumption of Concentrated Feedingstuffs on Farms in the United Kingdom (i)**

<table>
<thead>
<tr>
<th>June/May years</th>
<th>1960/61</th>
<th>1961/62</th>
<th>1962/63</th>
<th>1963/64</th>
<th>1964/65 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Farmers’ purchases</td>
<td>10.7</td>
<td>11.3</td>
<td>11.9</td>
<td>11.4</td>
<td>12.0</td>
</tr>
<tr>
<td>2. Home-grown concentrated feeds retained on farm of origin</td>
<td>2.9</td>
<td>3.2</td>
<td>3.2</td>
<td>3.4</td>
<td>3.8</td>
</tr>
<tr>
<td>3. Total consumption on farms</td>
<td>13.6</td>
<td>14.5</td>
<td>15.1</td>
<td>14.8</td>
<td>15.8</td>
</tr>
<tr>
<td>4. Current home crop production for feed (ii)</td>
<td>7.2</td>
<td>7.2</td>
<td>8.7</td>
<td>8.6</td>
<td>10.0</td>
</tr>
<tr>
<td>5. Balance of farmers’ purchases to be met mainly from imported supplies (iii)</td>
<td>6.4</td>
<td>7.3</td>
<td>6.4</td>
<td>6.2</td>
<td>5.8</td>
</tr>
</tbody>
</table>

(i) Purchases and consumption, by occupiers of holdings of over one acre, of concentrated feeds, including purchases of home-grown cereals, pulse, etc., previously sold off farms to manufacturers and merchants. In trade terms, concentrated feeds consist of cornpounds, provenders, mixtures and straights. The quantities shown exclude the weight of minerals and other supplements, and sacks.

(ii) Including by-products from home-grown grains, dried sugar beet pulp, etc.

(iii) Including by-products from imported grains, etc. and from the fishing industry. The quantities shown for this item differ from actual production of by-products and supplies of imports as shown in Table H mainly because of (a) the exclusion from Table G of quantities consumed on holdings of less than one acre; (b) the inclusion of home-produced fish meal and meat and bone meal; (c) wastage and other losses in the course of processing and distribution; (d) changes in the level of stocks held by processors, distributors and other agents.

### TABLE H

**Imports of Concentrated Feedingstuffs and Production of By-Products from Imported Grains and Seeds**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Imports of concentrated feedingstuffs (i)</td>
<td>6.1</td>
<td>6.9</td>
<td>6.2</td>
<td>5.9</td>
<td>5.6</td>
</tr>
<tr>
<td>2. By-products from imported grains and seeds</td>
<td>2.0</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

(i) Including feed wheat and molasses but excluding imports of coarse grains for human consumption and industrial purposes.
### TABLE J
**Numbers of Agricultural Workers at June in the United Kingdom**

<table>
<thead>
<tr>
<th>Year</th>
<th>Full-time (i) Males</th>
<th>Full-time (i) Females</th>
<th>Part-time (ii) Males</th>
<th>Part-time (ii) Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-war average (iii)</td>
<td>615</td>
<td>80</td>
<td>88</td>
<td>42</td>
<td>825</td>
</tr>
<tr>
<td>1946 ...</td>
<td>599</td>
<td>96</td>
<td>197</td>
<td>84</td>
<td>976</td>
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<tr>
<td>1947 ...</td>
<td>611</td>
<td>91</td>
<td>201</td>
<td>77</td>
<td>980</td>
</tr>
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<td>1948 ...</td>
<td>625</td>
<td>90</td>
<td>139</td>
<td>78</td>
<td>932</td>
</tr>
<tr>
<td>1949 ...</td>
<td>645</td>
<td>85</td>
<td>135</td>
<td>69</td>
<td>934</td>
</tr>
<tr>
<td>1950 ...</td>
<td>639</td>
<td>79</td>
<td>136</td>
<td>64</td>
<td>918</td>
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<tr>
<td>1951 ...</td>
<td>621</td>
<td>70</td>
<td>129</td>
<td>52</td>
<td>882</td>
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<td>1952 ...</td>
<td>594</td>
<td>70</td>
<td>132</td>
<td>73</td>
<td>869</td>
</tr>
<tr>
<td>1953 ...</td>
<td>578</td>
<td>68</td>
<td>128</td>
<td>68</td>
<td>842</td>
</tr>
<tr>
<td>1954 ...</td>
<td>563</td>
<td>64</td>
<td>121</td>
<td>67</td>
<td>815</td>
</tr>
<tr>
<td>1955 ...</td>
<td>535</td>
<td>60</td>
<td>119</td>
<td>74</td>
<td>788</td>
</tr>
<tr>
<td>1956 ...</td>
<td>510</td>
<td>56</td>
<td>113</td>
<td>75</td>
<td>754</td>
</tr>
<tr>
<td>1957 ...</td>
<td>502</td>
<td>55</td>
<td>116</td>
<td>77</td>
<td>750</td>
</tr>
<tr>
<td>1958 ...</td>
<td>488</td>
<td>50</td>
<td>114</td>
<td>78</td>
<td>730</td>
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<tr>
<td>1959 ...</td>
<td>480</td>
<td>47</td>
<td>112</td>
<td>80</td>
<td>719</td>
</tr>
<tr>
<td>1960 ...</td>
<td>462</td>
<td>43</td>
<td>111</td>
<td>77</td>
<td>693</td>
</tr>
<tr>
<td>1961 ...</td>
<td>439</td>
<td>41</td>
<td>107</td>
<td>75</td>
<td>662</td>
</tr>
<tr>
<td>1962 ...</td>
<td>420</td>
<td>39</td>
<td>103</td>
<td>71</td>
<td>633</td>
</tr>
<tr>
<td>1963 ...</td>
<td>407</td>
<td>37</td>
<td>98</td>
<td>69</td>
<td>611</td>
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<tr>
<td>1964 ...</td>
<td>391</td>
<td>34</td>
<td>97</td>
<td>72</td>
<td>584</td>
</tr>
</tbody>
</table>

(i) Comprises regular whole-time workers and includes members of the Women's Land Army and Prisoners of War in earlier years.

(ii) Comprises workers returned in the Agricultural Censuses as regular part-time, seasonal or temporary workers.

(iii) Average 1936-38.

### FIGURE VI
**Numbers of Agricultural Workers at June in the United Kingdom**

- **Males**
  - Full-time (including Prisoners of War and members of the Women's Land Army in earlier years)
- **Females**

![Graph showing the numbers of agricultural workers from 1946 to 1964](image-url)
TABLE K

Index of Agricultural Net Output in the United Kingdom (i)

Average 1954/55-1956/57 = 100

Years beginning 1st June

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
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<tbody>
<tr>
<td>1953/54</td>
<td>103</td>
</tr>
<tr>
<td>1954/55</td>
<td>95</td>
</tr>
<tr>
<td>1955/56</td>
<td>98</td>
</tr>
<tr>
<td>1956/57</td>
<td>107</td>
</tr>
<tr>
<td>1957/58</td>
<td>105</td>
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<tr>
<td>1958/59</td>
<td>102</td>
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<td>1959/60</td>
<td>112</td>
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<td>119</td>
</tr>
<tr>
<td>1961/62</td>
<td>116</td>
</tr>
<tr>
<td>1962/63</td>
<td>125</td>
</tr>
<tr>
<td>1963/64 (provisional)</td>
<td>127</td>
</tr>
<tr>
<td>1964/65 (forecast)</td>
<td>137</td>
</tr>
</tbody>
</table>

Note (i). Includes estimated production from units under one acre.

Note (ii). The index measures year to year changes in the value added at constant prices by farmers, landowners and farm workers to all the goods and services purchased from outside the agricultural sector. It is based on the average of the years 1954/55 to 1956/57. Details of the method of calculation of this index were given in the March, 1960 issue (No. 77) of “Economic Trends”, published by Her Majesty’s Stationery Office.

FIGURE VII

Index of Agricultural Net Output in the United Kingdom

Average 1954/55-1956/57 = 100
APPENDIX II
Aggregate Farming Net Income in the United Kingdom

NOTE. The revised figures given in Tables A and C of this Appendix for the year 1963/64 replace the forecasts which were published in last year’s White Paper when the outcome for the latter part of that year was not known. In addition new statistical information which has become available affects the figures for 1963/64 and earlier years. Forecasts for 1964/65 are as at mid-January, 1965.

<table>
<thead>
<tr>
<th>Table A</th>
<th>“Departmental” Calculation</th>
<th>Adjusted to normal weather conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>£ million</td>
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<tr>
<td>1937/38</td>
<td>...</td>
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</tr>
<tr>
<td>1946/47</td>
<td>...</td>
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</tr>
<tr>
<td>1947/48</td>
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<td>1963/64</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>1964/65 (Forecast)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Table B</th>
<th>“Raised Sample” Calculation</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>£ million</td>
</tr>
<tr>
<td>1937/38</td>
<td>...</td>
</tr>
<tr>
<td>1946/47</td>
<td>...</td>
</tr>
<tr>
<td>1947/48</td>
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<td>1963/64</td>
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<tr>
<td>1964/65</td>
<td>...</td>
</tr>
</tbody>
</table>

*Note (i).* The estimates of aggregate farming net income in Tables A and B are arrived at after making provision for depreciation. Net income can be defined as the reward for the manual and managerial labour of the farmer and his wife, and for the use of the occupier's investment.
Note (ii). These two series of aggregate farming net income are calculated in fundamentally different ways. The "Departmental" estimate is built up from the statistics of income and expenditure for the whole "national" farm, whereas the "raised sample" is based on some 3,700 actual farm accounts, which are expanded or "raised" to give an aggregate for all farms in the United Kingdom. There are a number of reasons why the levels of aggregate net income shown in these two series should vary but it is difficult to make a quantitative assessment of the individual causes. Both series are of value in indicating the general trend in the level of income.

Note (iii). The figures for aggregate net income in Table A include as profit in recent years about £8 million on the production of food for consumption in the farm household. In other industries the corresponding sums are not treated as profit and are relatively much smaller (in many cases non-existent).

Note (iv). From the figures for aggregate net income in Table A certain sums should have been appropriated by farmers to cover the excess of replacement cost over original cost of certain assets (slaughter stock, cultivations, growing crops, etc.) used up in the course of the year's production and trade. These sums are:

<table>
<thead>
<tr>
<th>Year</th>
<th>£ million</th>
<th>Year</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937/38</td>
<td>1½</td>
<td>1955/56</td>
<td>27</td>
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<tr>
<td>1946/47</td>
<td>23</td>
<td>1956/57</td>
<td>30</td>
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<tr>
<td>1947/48</td>
<td>23½</td>
<td>1957/58</td>
<td>31¼</td>
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<tr>
<td>1948/49</td>
<td>17</td>
<td>1958/59</td>
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<tr>
<td>1949/50</td>
<td>29½</td>
<td>1959/60</td>
<td>20½</td>
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<tr>
<td>1950/51</td>
<td>41½</td>
<td>1960/61</td>
<td>27½</td>
</tr>
<tr>
<td>1951/52</td>
<td>40</td>
<td>1961/62</td>
<td>25½</td>
</tr>
<tr>
<td>1952/53</td>
<td>24½</td>
<td>1962/63</td>
<td>28</td>
</tr>
<tr>
<td>1953/54</td>
<td>14</td>
<td>1963/64</td>
<td>28</td>
</tr>
<tr>
<td>1954/55</td>
<td>18½</td>
<td>1964/65</td>
<td>28 (forecast)</td>
</tr>
</tbody>
</table>

Figure I
Aggregate Farming Net Income in the United Kingdom: "Departmental" Calculation
### Table C

**Details of the "Departmental" Calculation of Net Income for 1963/64 (revised) and for 1964/65 (forecast)**

<table>
<thead>
<tr>
<th>Farm Sales</th>
<th>1963/64 (revised) £ million</th>
<th>1964/65 (forecast) £ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk and milk products</td>
<td>372½</td>
<td>400½</td>
</tr>
<tr>
<td>Fatstock</td>
<td>537½</td>
<td>569½</td>
</tr>
<tr>
<td>Cattle</td>
<td>270½</td>
<td>283</td>
</tr>
<tr>
<td>Sheep</td>
<td>83½</td>
<td>86½</td>
</tr>
<tr>
<td>Pigs</td>
<td>183½</td>
<td>200</td>
</tr>
<tr>
<td>Eggs</td>
<td>169½</td>
<td>166</td>
</tr>
<tr>
<td>Poultry</td>
<td>74½</td>
<td>81½</td>
</tr>
<tr>
<td>Grain</td>
<td>183½</td>
<td>206½</td>
</tr>
<tr>
<td>Other farm crops</td>
<td>117</td>
<td>127</td>
</tr>
<tr>
<td>Horticultural products</td>
<td>163½</td>
<td>176</td>
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<tr>
<td>Other</td>
<td>48</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,666</td>
<td>1,781</td>
</tr>
<tr>
<td>Production grants, sundry receipts and other credits</td>
<td>112½</td>
<td>112</td>
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<tr>
<td>Increase in the value of farm stocks and work in hand</td>
<td>40½</td>
<td>43</td>
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<tr>
<td><strong>Total</strong></td>
<td>1,819</td>
<td>1,936</td>
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### Farm Expenses

<table>
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<tr>
<th>Farm Expenses</th>
<th>1963/64 (revised) £ million</th>
<th>1964/65 (forecast) £ million</th>
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</thead>
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<tr>
<td>Labour</td>
<td>312½</td>
<td>314</td>
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<tr>
<td>Rent and interest</td>
<td>128</td>
<td>141½</td>
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<tr>
<td>Machinery</td>
<td>226</td>
<td>235½</td>
</tr>
<tr>
<td>Feedingstuffs</td>
<td>402</td>
<td>425½</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>120</td>
<td>125½</td>
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<tr>
<td>Other</td>
<td>221½</td>
<td>222</td>
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<tr>
<td><strong>Total</strong></td>
<td>1,410</td>
<td>1,464</td>
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**Net Income**

<table>
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<tr>
<th>Net Income</th>
<th>409</th>
<th>472</th>
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<td></td>
<td>1,819</td>
<td>1,936</td>
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</table>
**FIGURE II**

Farm Sales and Expenses for 1964/65 in the United Kingdom

(Based on the "Departmental" forecast for 1964/65 shown in Table C opposite)

**Sales** £1,781 million

**Expenses** £1,464 million
APPENDIX III

Aggregate Cost Changes Taken into Account at the Annual Review

(a minus sign denotes a cost decrease)

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<th>All Products £ million</th>
<th>Review Products £ million</th>
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<tr>
<td>Labour</td>
<td>21.93</td>
<td>17.01</td>
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<tr>
<td>Rent and Interest</td>
<td>9.93</td>
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<td>Machinery expenses</td>
<td>2.47</td>
<td>1.92</td>
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<td>Feedingstuffs</td>
<td>0.01</td>
<td>-0.38</td>
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<td>Seeds</td>
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<td>-2.88</td>
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<tr>
<td>Fertilisers</td>
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<td>0.26</td>
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<tr>
<td>Haulage and Marketing</td>
<td>3.03</td>
<td>2.28</td>
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<td>Miscellaneous</td>
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<td>3.11</td>
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<td></td>
<td><strong>37.11</strong></td>
<td><strong>29.02</strong></td>
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</table>

*Note (i).* These estimates are made on the assumption that any increase (or decrease) in the cost of an item of expenditure will continue for a full year and that there will be no change from the current usage of that item.

*Note (ii).* The figures given above exclude an increase of approximately £1.69 million in respect of changes in feedingstuffs costs which are dealt with automatically by the feed formulae relating the guarantees for pigs and eggs to the cost of standard rations.

*Note (iii).* The expression "Review Products" means the commodities, of the grades and descriptions for which guaranteed prices are provided, listed in Tables A and B in Part I of Appendix VI.
### Specimen Net Incomes for Different Types of Farming (i)

<table>
<thead>
<tr>
<th></th>
<th>Average net income per farm (for an identical sample in the two years)</th>
<th>Average net income per farm 1963/64 (ii)</th>
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<tr>
<td></td>
<td>1962/63</td>
<td>1963/64</td>
</tr>
<tr>
<td><strong>England and Wales</strong></td>
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<td></td>
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<tr>
<td>Dairying</td>
<td>123</td>
<td>1,386</td>
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<tr>
<td>Livestock</td>
<td>160</td>
<td>1,342</td>
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<tr>
<td>Arable</td>
<td>246</td>
<td>3,391</td>
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<tr>
<td>Crops and livestock</td>
<td>261</td>
<td>3,479</td>
</tr>
<tr>
<td>Mixed</td>
<td>259</td>
<td>2,605</td>
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<tr>
<td><strong>Scotland</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upland rearing</td>
<td>162</td>
<td>831</td>
</tr>
<tr>
<td>Livestock with arable</td>
<td>167</td>
<td>1,284</td>
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<tr>
<td>Cropping</td>
<td>254</td>
<td>3,141</td>
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<tr>
<td>Dairy</td>
<td>155</td>
<td>1,141</td>
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<tr>
<td><strong>Northern Ireland</strong></td>
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<td></td>
</tr>
<tr>
<td>Dairying</td>
<td>76</td>
<td>923</td>
</tr>
<tr>
<td>Dairying with pigs</td>
<td>55</td>
<td>892</td>
</tr>
<tr>
<td>Mixed</td>
<td>81</td>
<td>918</td>
</tr>
</tbody>
</table>

(i) These figures are a selection of those examined at the Annual Review. The average size of the sample farms for each type-group illustrated is rather larger than the average size of all farms of that type in the country as a whole.

(ii) Size groups based on total farm acreage (including rough grazing).

(iii) Small farms are those with a labour requirement of 230-749 standard man-days; medium with 750-1,499; and large with over 1,499 standard man-days.
### TABLE A

#### Estimated Cost of Exchequer Support to Agriculture

**Financial years beginning 1st April**

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<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Wheat and rye</td>
<td>15.8</td>
<td>22.2</td>
<td>19.3</td>
<td>20.4</td>
<td>18.1</td>
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<tr>
<td>Barley</td>
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<td>17.1</td>
<td>23.5</td>
<td>25.2</td>
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<tr>
<td>Oats and mixed corn</td>
<td>1.4</td>
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<td>9.8</td>
<td>12.8</td>
<td>11.7</td>
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<tr>
<td>Potatoes</td>
<td>0.5</td>
<td>6.7</td>
<td>6.9</td>
<td>1.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Eggs, hen and duck</td>
<td>33.7</td>
<td>45.8</td>
<td>33.7</td>
<td>33.1</td>
<td>22.5</td>
</tr>
<tr>
<td>Cattle</td>
<td>36.1</td>
<td>34.1</td>
<td>12.5</td>
<td>3.4</td>
<td>12.3</td>
</tr>
<tr>
<td>Sheep</td>
<td>8.4</td>
<td>11.7</td>
<td>11.7</td>
<td>25.3</td>
<td>13.9</td>
</tr>
<tr>
<td>Pigs</td>
<td>30.2</td>
<td>36.8</td>
<td>20.9</td>
<td>22.2</td>
<td>20.0</td>
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<tr>
<td>Milk</td>
<td>21.3</td>
<td>12.9</td>
<td>10.1</td>
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<td>10.8</td>
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<tr>
<td>Wool</td>
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<td>1.5</td>
<td>6.3</td>
<td>2.8</td>
<td>2.9</td>
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<tr>
<td>Total I</td>
<td>156.4</td>
<td>200.7</td>
<td>154.7</td>
<td>154.7</td>
<td>151.2</td>
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</table>

<table>
<thead>
<tr>
<th>II. Farming grants and subsidies</th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilisers</td>
<td>19.8</td>
<td>22.8</td>
<td>25.8</td>
<td>29.4</td>
<td>32.2</td>
</tr>
<tr>
<td>Lime</td>
<td>9.3</td>
<td>10.4</td>
<td>9.2</td>
<td>11.0</td>
<td>8.7</td>
</tr>
<tr>
<td>Ploughing</td>
<td>10.0</td>
<td>10.0</td>
<td>9.2</td>
<td>9.4</td>
<td>10.9</td>
</tr>
<tr>
<td>Grassland renovation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Field drainage</td>
<td>2.0</td>
<td>2.0</td>
<td>1.9</td>
<td>2.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Water supply</td>
<td>0.9</td>
<td>0.9</td>
<td>0.8</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Livestock rearing land</td>
<td>1.6</td>
<td>1.4</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Winter keep</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Marginal Production</td>
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<td>2.4</td>
<td>2.2</td>
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<td>1.0</td>
</tr>
<tr>
<td>Tuberculosis eradication</td>
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<td>8.0</td>
<td>8.5</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Calves</td>
<td>11.4</td>
<td>12.9</td>
<td>14.3</td>
<td>16.5</td>
<td>17.6</td>
</tr>
<tr>
<td>Hill cattle and hill cows</td>
<td>2.7</td>
<td>2.9</td>
<td>3.1</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Hill sheep</td>
<td>1.1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
</tr>
<tr>
<td>Silos</td>
<td>—</td>
<td>1.3</td>
<td>1.0</td>
<td>1.4</td>
<td>0.9</td>
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<tr>
<td>Farm improvements</td>
<td>—</td>
<td>0.2</td>
<td>3.3</td>
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</tr>
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<td>Small farmers</td>
<td>—</td>
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<td>—</td>
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<tr>
<td>Other grants</td>
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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
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<td>Total II</td>
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<tr>
<td></td>
<td>231.9</td>
<td>280.7</td>
<td>240.6</td>
<td>255.7</td>
<td>261.8</td>
</tr>
</tbody>
</table>

| III. Trading subsidies in implementation of price guarantees |         |         |         |         |         |
| Home produced eggs                   | 6.6     | 0.9     | —       | —       | —       |
| Potatoes                             | 0.7     | 1.6     | —       | —       | —       |
| Total III                            | 7.3     | 2.5     | —       | —       | —       |

<p>| IV. Other services                   |         |         |         |         |         |
| Payment from U.K. Exchequer for the benefit of agricultural producers in Northern Ireland | — | 0.9 | 0.8 | 1.2 | 1.1 |</p>
<table>
<thead>
<tr>
<th>Total estimated cost of agricultural support</th>
<th>239.2</th>
<th>284.1</th>
<th>241.4</th>
<th>256.9</th>
<th>262.9</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>22.0</td>
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<td>30.3</td>
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<td>37.3</td>
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<tr>
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**£ million**

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<td>Total estimated cost of agricultural support</td>
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Note (i). The figures for years up to and including 1963/64 represent actual expenditure recorded in the Appropriation Accounts. The figures for 1964/65 are the latest estimates (Hansard, 5th February, 1965, cols. 339-340) of cash expenditure in the United Kingdom (Civil Estimates Class V, votes 3, 4, 5 and 6). The figures for 1965/66 are based on the Civil Estimates now before the House of Commons and do not take account of the determinations in this White Paper (see however Note (viii)).

Note (ii). Payments in respect of cereals, potatoes and wool relate partly to the crops or clip of the year indicated and partly to the crops or clips of the preceding year or years.

Note (iii). Figures for milk exclude expenditure on school and welfare milk. Following the 1962 Annual Review the retail price of milk was arranged so that neither a deficiency nor a surplus will arise, taking one year with another, from the implementation of the price guarantee.

Note (iv). Expenditure on Tuberculosis Eradication relates to Bonus Payments under the Attested Herds Scheme only and excludes compensation payments for slaughtered reactors.

Note (v). The item “other grants” includes grants to producers in the Scottish Islands, rabbit clearance societies, improvement of livestock, bracken eradication and machinery syndicates.

Note (vi). The following are relevant production grants for the purposes of the Agriculture Act, 1957, and the Annual Review:

- Fertiliser subsidies.
- Lime subsidies.
- Ploughing grants.
- Grassland renovation.
- Winter keep.
- Field drainage grants for ditching and moling (estimated cost £0.6 million in 1964/65; figure in the Table includes expenditure on tiling schemes).
- Marginal Production Assistance grants.
- Bonus payments under the Tuberculosis (Attested Herds) Scheme.
- Calf subsidy.
- Hill cattle and hill cow subsidies.
- Hill sheep subsidy (as from the 1965 Annual Review).
- Silo subsidies.
- Grants to small farmers.
- Grants to producers in the Scottish Islands.
- Grants to rabbit clearance societies.
- Arrangements for the benefit of agricultural producers in Northern Ireland financed from the U.K. Exchequer.
- Grants for agricultural marketing development (estimated cost in 1964/65—£0.2 million).

Note (vii). The Table excludes the grants for agricultural marketing development projects mentioned in Note (vi) above. It also excludes grants to horticulturalists.

Note (viii). On the basis of the original assumptions as to output and market prices the estimated effect of the determinations set out in this White Paper, together with the proposed increase in the retail price of milk, is a net reduction of about £11m. in the total estimated cost (£294.1m.) of agricultural support by the Exchequer in 1965/66. This net reduction is the result broadly of decreases of £1m. on wheat, £5m. on barley, £3m. on eggs and £1.4m. on production grants and increases of £5m. on cattle and £4m. on pigs.

The figures do not include the effect on deficiency payments of any changes in output during the year which may be ascribed to Review changes.

The net effect of the determinations on the Estimates differs from the effect on the value of the guarantees for several reasons; the more important are that the price guarantee arrangements for some commodities do not involve Exchequer payments and that the payment periods for some items do not correspond with the financial year.
FIGURE I

Estimated Cost of Exchequer Support to Agriculture

- Other commodities
- Cereals
- Fatstock and wool

Price Guarantees
Production Grants
Admin. Expenses

£ Million

## Table B

**Fatstock Guarantee Schemes and Cereals Deficiency Payments Schemes: Relationship between Unit Subsidy and Total Returns**

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<td>75 70</td>
<td>1 02</td>
<td>71 71</td>
<td>1 14</td>
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<td>1 11</td>
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<td>10 24</td>
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<td>6 2</td>
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<td>47 92</td>
<td>45 104</td>
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**Note (i).** The figures for fatstock relate to animals certified under the Fatstock Guarantee Schemes. The unit subsidy for fat pigs includes quality premiums and adjustments under the flexible guarantee and feed price arrangements.

**Note (ii).** The figures for cereals are in respect of grain taken into account in the Cereals Deficiency Payments Schemes and relate to crop years. For 1957/58 onward the market value for barley is related to all barleys; in the previous year it related only to the lower priced barleys defined in the 1956 Scheme.

**Note (iii).** The figures for unit subsidy do not include agricultural production grants nor administrative expenses.
Figure II

Fatstock Guarantee Schemes and Cereals Deficiency Payments Schemes:
Relationship between Unit Subsidy and Total Returns

FAT CATTLE

WHEAT

FAT SHEEP

BARLEY

FAT PIGS

OATS

Unit Subsidy
Average Market Value

TOTAL RETURN
APPENDIX VI
Guaranteed Prices determined in the light of the Annual Review, 1965

PART I. PRICE TABLES

For the bases of the prices given in the tables and other particulars of the guarantee arrangements see Part II of this Appendix.

**TABLE A**

*Guaranteed Prices for Livestock and Livestock Products*

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<td>Fat Cattle (per live cwt.) (a)</td>
<td>170s. 0d.</td>
<td>+4s. 0d.</td>
<td>174s. 0d.</td>
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<td>Fat Sheep and Lambs (per lb. estimated dressed carcase weight) (a)</td>
<td>3s. 2d.</td>
<td>No change</td>
<td>3s. 2d.</td>
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<tr>
<td>Fat Pigs (per score deadweight) (a) (b)</td>
<td>46s. 1d. related to a feed price of 27s. 7d. per cwt. On the basis of the current feed price of 27s. 11d. per cwt. this guaranteed price is equivalent to 46s. 4d.</td>
<td>-1s. 7d.</td>
<td>44s. 9d. related to a feed price of 27s. 11d. per cwt.</td>
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<td>Eggs—hen (per dozen)</td>
<td>3s. 8·86d. related to a feed price of 26s. 8d. per cwt. On the basis of the current feed price of 27s. 5d. per cwt. this guaranteed price is equivalent to 3s. 9·36d.</td>
<td>- 1d.</td>
<td>3s. 8·36d. related to a feed price of 27s. 5d. per cwt.</td>
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<tr>
<td>Eggs—duck (per dozen)</td>
<td>2s. 5·79d. related to a feed price of 26s. 8d. per cwt. On the basis of the current feed price of 27s. 5d. per cwt. this guaranteed price is equivalent to 2s. 6·29d.</td>
<td>No change</td>
<td>2s. 6·29d. related to a feed price of 27s. 5d. per cwt.</td>
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<td>Wool (per lb.)</td>
<td>4s. 7·25d.</td>
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<td>4s. 7·25d.</td>
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<td>Milk (average per gallon)</td>
<td>3s. 4·85d. (c)</td>
<td>+ 1d.</td>
<td>3s. 5·85d. (c)</td>
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### TABLE B

**Guaranteed Prices for Crops**

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<th>Commodity</th>
<th>Guaranteed Prices for 1964 Harvest determined after the Annual Review, 1964</th>
<th>(ii) Price change compared with the 1964 Annual Review Guarantee</th>
<th>Guaranteed Prices for 1965 Harvest determined after the Annual Review, 1965</th>
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<tbody>
<tr>
<td>Wheat (per cwt.) <em>(a)</em></td>
<td>26s. 6d.</td>
<td>− 1s. 1d.</td>
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<td>Barley (per cwt.) <em>(d)</em></td>
<td>26s. 8d.</td>
<td>− 1s. 4d.</td>
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<td>Oats (per cwt.)</td>
<td>27s. 5d.</td>
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<td>27s. 5d.</td>
</tr>
<tr>
<td>Rye (per cwt.)</td>
<td>21s. 7d.</td>
<td>No change</td>
<td>21s. 7d.</td>
</tr>
<tr>
<td>Potatoes (per ton)</td>
<td>280s. 0d.</td>
<td>+ 5s. 0d.</td>
<td>285s. 0d.</td>
</tr>
<tr>
<td>Sugar Beet (per ton, 16-0 per cent. sugar content)</td>
<td>128s. 0d.</td>
<td>+ 2s. 6d.</td>
<td>130s. 6d.</td>
</tr>
</tbody>
</table>

### Notes on Price Tables

(a) The guaranteed prices for fat cattle, fat sheep and wheat are average prices subject to variation seasonally; the guarantee payments for some fat pigs are subject to variation according to quality; and the method of calculating the fat pigs guarantee payments involves an element of estimation. Because marketings and prices of fatstock and wheat may vary from those forecast, producers' average returns under the guarantees for those products in any year may differ slightly from the guaranteed prices.

(b) The guaranteed price for pigs is subject to the flexible guarantee arrangement described in Part II of this Appendix.

(c) The guaranteed price for milk includes 0.25d. per gallon special assistance for compositional quality.

(d) The guaranteed price for barley is subject to arrangements whereby, to encourage a more even spread of marketings over the season, the deficiency payments are subject to premiums for barley delivered, after sale, in the later months of the cereal year and deductions for barley delivered in the early months of the year.
PART II. ADDITIONAL DETAILS OF GUARANTEES

1. The guaranteed prices shown in Part I of this Appendix for livestock and livestock products in 1965/66 and for crops of the 1965 harvest will be on a similar basis to those for the previous year except as stated in the following paragraphs.

Milk

2. The provisional standard quantity for each area in 1965/66 will be calculated as follows:

<table>
<thead>
<tr>
<th>Provisional Standard Quantity, 1964/65</th>
<th>Provisional Standard Quantity, 1965/66</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million gallons</td>
<td>Million gallons</td>
</tr>
<tr>
<td>England and Wales</td>
<td>1,772.3</td>
</tr>
<tr>
<td>Main Scottish Area</td>
<td>186.9</td>
</tr>
<tr>
<td>Aberdeen and District</td>
<td>20.0</td>
</tr>
<tr>
<td>North of Scotland</td>
<td>9.9</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>99.3</td>
</tr>
<tr>
<td></td>
<td>plus 19.9</td>
</tr>
<tr>
<td></td>
<td>plus 0.7</td>
</tr>
<tr>
<td></td>
<td>plus 0.1</td>
</tr>
<tr>
<td></td>
<td>no change</td>
</tr>
<tr>
<td></td>
<td>plus 0.9</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,088.4</td>
</tr>
<tr>
<td></td>
<td>plus 22.6</td>
</tr>
<tr>
<td></td>
<td>2,111.0</td>
</tr>
</tbody>
</table>

3. The final figures for the standard quantities for 1964/65 for each of the five milk marketing areas are as follows:

<table>
<thead>
<tr>
<th>Million gallons</th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Wales</td>
</tr>
<tr>
<td>Main Scottish Area</td>
</tr>
<tr>
<td>Aberdeen and District</td>
</tr>
<tr>
<td>North of Scotland</td>
</tr>
<tr>
<td>Northern Ireland</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Fat Cattle

4. **Ending of Quality Differential.** The differential of 5s. 0d. per live cwt. between the rates of guarantee payment for Grade I and Grade II cattle will be discontinued with effect from 29th March, 1965.

5. **Adjustment of Seasonal Scale.** With effect from 29th March, 1965 the seasonal scale of weekly standard prices will be adjusted so as to reduce the level of prices by up to 3s. 0d. per live cwt. over the period December to early June. Compensating increases will be made over the rest of the year so as to maintain a guaranteed price of 174s. 0d. per live cwt.

6. **Graduated Deficiency Payments Scheme.** With effect from 29th March, 1965, the scale of abatements and supplements will be adjusted. If the average market price for a week is below the standard price for the same week, and the deficiency is within the range 8s. 0d.—12s. 0d. per live cwt., a guarantee payment of the amount of this deficiency will be paid in respect of the week: but if the deficiency in the week exceeds 12s. 0d. per cwt., or is less than 8s. 0d. per cwt., the guarantee payment will be subject to abatement or supplement in accordance with scales determined at the Review, which are being published separately.

Fat Sheep

7. **Adjustment of Seasonal Scale.** With effect from 29th March, 1965, the seasonal scale of weekly standard prices will be adjusted so as to reduce the level of prices by 1d. per lb. over the period August to mid-November. Compensating increases will be made over the rest of the year so as to maintain a guaranteed price of 3s. 2d. per lb. estimated dressed carcase weight.

8. **Graduated Deficiency Payments Scheme.** With effect from 29th March, 1965, the scale of abatements and supplements will be adjusted. If the average market
price for a week is below the standard price for the same week, and the deficiency is within the range 2d.-4d. per lb. estimated dressed carcase weight, a guarantee payment of the amount of this deficiency will be paid in respect of the week: but if the deficiency in the week exceeds 4d. per lb. or is less than 2d. per lb., the guarantee payment will be subject to abatement or supplement in accordance with scales determined at the Review, which are being published separately.

Fat Pigs

9. Flexible Guarantee Scale. The flexible guarantee scale (set out in paragraph 17 of Appendix VI, Part II of the 1964 Annual Review White Paper) will be modified and with effect from 29th March, 1965, the scale will be as follows:—

```
<table>
<thead>
<tr>
<th>Forecast level of certifications</th>
<th>Adjustment to the basic guaranteed price</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.4 million or more but less than 10.8 million</td>
<td>+ 3s. 6d.</td>
</tr>
<tr>
<td>13.2 ,, ,, ,, ,, ,, ,, 13.6 ,, ,, ,, ,, ,, ,, 14.0 ,, ,, ,, ,, ,, ,, 14.4 ,, ,, ,, ,, ,, ,,</td>
<td></td>
</tr>
<tr>
<td>13.6 ,, ,, ,, ,, ,, ,, 14.0 ,, ,, ,, ,, ,, ,, 14.4 ,, ,, ,, ,, ,, ,,</td>
<td></td>
</tr>
<tr>
<td>14.0 ,, ,, ,, ,, ,, ,, 14.4 ,, ,, ,, ,, ,, ,,</td>
<td></td>
</tr>
</tbody>
</table>
```

There will be a further adjustment of 1s. 3d. for each complete 0.4 million or part thereof by which the forecast annual level of certifications falls below 10.4 million or exceeds 14.4 million.

10. Stabilising Arrangements. With effect from 29th March, 1965, stabilising arrangements for “bacon pigs” and “other pigs” will be discontinued and the stabilising limits which will apply in calculating the average return to producers for all pigs will be 3s. 0d. per score above and 2s. 0d. per score below the standard price.

11. Quality Premiums. With effect from 29th March, 1965, the rates of quality premium will be reduced to 2s. 0d. per score for pigs graded AA+ and 1s. 0d. per score for pigs graded AA.

Hen and Duck Eggs: Indicator Price System

12. In 1965/66 the indicator prices provided for by Article 4 of the Eggs (Guaranteed Prices) Order, 1963 (1963 No. 569) as amended by the Eggs (Guaranteed Prices) (Amendment) Order, 1964 (1964 No. 462) will be 3s. 2d. per dozen for hen eggs and 2s. 2d. per dozen for duck eggs. If, during 1965/66, the British Egg Marketing Board’s average selling price for hen or duck eggs is below the appropriate indicator price, the proportion of the difference to be met by the Exchequer will be reduced from 50 per cent. to 40 per cent. in accordance with the arrangements set out in the above mentioned Orders.

Cereals

13. Standard quantities. The standard quantities for wheat and barley will be as follows:

```
<table>
<thead>
<tr>
<th></th>
<th>Change</th>
<th>Standard Quantity for 1965 Harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>+ 100</td>
<td>3,400</td>
</tr>
<tr>
<td>Barley</td>
<td>+ 250</td>
<td>6,750</td>
</tr>
</tbody>
</table>
```

14. Target Indicator Prices. The target indicator prices for wheat and barley will be as follows:

```
<table>
<thead>
<tr>
<th></th>
<th>Change</th>
<th>Target Indicator Price for 1965 Harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>+ 6d.</td>
<td>20s. 6d.</td>
</tr>
<tr>
<td>Barley</td>
<td>No change</td>
<td>19s. 0d.</td>
</tr>
</tbody>
</table>
```

47
If a change should be made in the course of the cereal year in the relevant minimum import prices, an identical change would be made in the target indicator price, and an average target indicator price for the cereal year would be used throughout the calculations.

15. *Escalator arrangement.* The escalator arrangement will operate within a range of production of 3·2 to 3·4 million tons for wheat and 6·3 to 6·75 million tons for barley (subject to any adjustments consequent on the crop adjustment formula).

**Sugar Beet**

16. For the 1965 crop the maximum acreage to which the guarantee will apply will be 427,250 acres in England and Wales and 15,600 acres in Scotland. The maximum acreage for the 1966 crop will be the same as in 1965 except that the acreage for England and Wales will be rounded up to 427,400 acres.
16th March, 1965

CABINET

RENT BILL: DRAFT WHITE PAPER

Memorandum by the Secretary of State for Scotland and the
Minister of Housing and Local Government

We circulate for the consideration of the Cabinet the annexed
draft of a White Paper on the Rent Bill, which we proposed should be
published with the Bill on Tuesday, 23rd March.

We will report orally to the Cabinet the outcome of the
discussions which are still continuing with the National Union of
Agricultural Workers about the provision which might be made in the
Bill on agricultural tied cottages (paragraph 18 of the annex).

W. R.
R. H. S. C.

Whitehall, S. W. 1.
15th March, 1965
RENTS AND SECURITY OF TENURE: THE RENT BILL

1. In The Queen's Speech at the Opening of Parliament, the Government promised legislation to restore control of rents. The purpose of this White Paper is to summarise the considerations the Government have had in mind in preparing the Rent Bill which has now had its First Reading in the House of Commons.

2. The Bill has two objects - first to restore the security of tenure undermined by the Rent Act of 1957; and second to lay the foundation for a better relationship between the landlord and the tenant of rented property, by introducing a new and flexible system of rent regulation.

BACKGROUND

3. Ever since World War I, a long series of measures of rent restriction has been forced upon successive Governments. The cause has always been the same - the chronic shortage of rented housing. Although there have been plenty of the more expensive sorts of houses and, more recently, of new luxury flats - so that rents at this level could be left to be fixed by the laws of supply and demand - the situation at the other end of the social scale has been very different. Here not only has there been no freedom of choice, but basic security of tenure has been threatened by an acute shortage of houses to rent within the means of those who need them. The two groups which have suffered worst have been lower paid workers with families and retired persons on small fixed incomes.

4. In the inter-war years - despite the housing boom of the 1930s - the amount of new rented accommodation either privately or publicly built was not sufficient to overcome this scarcity; and the rent controls which were first designed as a wartime expedient never completely disappeared. During World War II the shortage of rented houses was intensified not merely by the interruption of normal building but by the additional factor of widespread air-raid damage. Full scale rent control was reimposed on the outbreak of war; and continued in the post-war years along with other forms of rationing, as the only means of preventing exploitation of an essential commodity in short supply.
5. In the 1950s, the supply of houses in England and Wales began to increase fast as the drive for owner-occupation got under way. By 1957, the comparison of the number of houses available with the number of households requiring separate homes suggested the comfortable conclusion that the housing shortage was well nigh overcome.

6. But for the purpose of measuring the freedom of choice open to the householder of moderate means, or the family man moving to a new job and in search of a house to rent, national figures have little relevance. What matters is whether the accommodation he needs is available within reasonable reach of the place where he works, and whether the rent is within his means. The ever increasing growth of employment in the cities, and the failure to match it with corresponding provision of houses, have between them concentrated the acute demand in and around half a dozen large conurbations. In these areas the shortage of moderately priced rented accommodation has become an endemic social crisis.

7. In these conurbations - and particularly in London - all the achievements in house-building since the war have scarcely eased this desperate scarcity. Although the 1961 census showed that in England and Wales there were already 60,000 and in Scotland 18,000 more homes than households it also showed that the number of houses of all kinds in London was sufficient only for 95.7 per cent of households. The corresponding percentages for Birmingham were 93.6, for Liverpool 94.1, for Manchester 96.4 and for Glasgow 98.3. These percentages do not give a complete picture since they do not reveal the state of the housing stock nor the full pressure of demand for better housing; and it is the pressure of total demand which drives rents up and exacerbates relations between landlords and tenants.

8. The growth of owner-occupations has not eased the situation; in some ways it has made it worse - notably by encouraging landlords to sell off rented property at inflated prices and reducing the already dwindling pool of rented houses. Indeed a striking feature of the last 14 years is that the growth in owner-occupation has not been accompanied by any growth in privately rented housing; on the contrary this has steadily shrunk.

-2-
Decontrol under the 1957 Act

9. It is only against this background that the consequences of the Rent Act of 1957 can be appreciated. The then Government held that bloc de-control of rented accommodation, carried out by stages, would help to end the housing shortage by discouraging under-occupation and that ultimately rents would settle down. It was also expected that de-control would give landlords an incentive to relet instead of selling and would enable them to maintain their properties in good repair.

10. It was with these expectations that the Rent Act was passed. But the first phase of block de-control - which altered the limits of rent control from £100 rateable value in London, £90 in Scotland and £75 elsewhere to £40, £40 and £30 respectively - made it clear that under scarcity conditions a return to the free market was not providing the much heralded benefits to the tenant. In view of the widespread alarm, block de-control was taken no further. Creeping de-control, however - under which control ceases when a tenancy comes to an end, e.g. through the departure or death of the tenant - was allowed to continue.

11. It is now possible to make an objective judgment on the effects of de-control. Already in 1960, the report of an inquiry into the working of the Rent Act showed that optimistic expectations were being disappointed. In the great conurbations, the scarcity of cheap rented property grew worse and the density of occupation changed little; indeed there was an actual increase in under-occupation. Moreover, one unpredicted effect of the Rent Act - which was accentuated by a vigorous slum clearance programme - was the increase in the rate at which the pool of privately rented dwellings was declining. Whereas immediately prior to the 1957 Act they numbered something over 5 million, this number had sunk by mid-1964 to an estimated 3½ million. Finally there was no evidence that de-control had encouraged landlords to improve their properties and not much sign of increase in the rate of repairs.

Report of the Milner Holland Committee

12. It is probably true - as the authors of the Rent Act assumed - that when rents are controlled landlords are likely to prefer selling to reletting; i.e. that de-control did something to encourage reletting. But it is also true that in conditions of scarcity rents can easily be
forced up to intolerable levels. Complaints of exploitation, harassment and actual homelessness caused by de-control led the previous Government to appoint an independent Committee under the Chairmanship of Sir Milner Holland, C.B.E., Q.C., to make a survey of rented accommodation and of the relations between private landlords and tenants in Greater London.

13. The Committee's Report (Housing in Greater London, Cmd. 2605) was published on 11th March. The Committee were not asked to make formal recommendations, but their report, which is largely based on surveys specially carried out for them, contains a thorough examination of housing and social conditions in Greater London, and makes a number of stimulating suggestions about possible improvements. The Committee comment particularly on several aspects of post-war housing policy as applied to Greater London - for example, the need to encourage housing societies to produce houses at cost-rents; the working of the provisions in the Housing Act 1964 on houses in multiple occupation (which includes houses let in lodgings); policy on improvement grants; the allocation of council houses and housing subsidy policy. Most of these matters are already under review. The Government are now examining the report in detail and it will be of the greatest value to them in preparing the further action, additional to the Rent Bill, which will certainly be necessary.

14. The report fully confirms the Government's view that in the conditions of shortage found in Greater London and in the other main centres of population - though information about conditions outside Greater London is less specific - legislation is urgently required to restore security of tenure and to regulate rents.

THE RENT BILL

Security of tenure

15. The Rent Bill is designed to repair the damage caused by the de-control provisions of the Rent Act, 1957 and to give to every tenant a reasonable security of tenure; full security where shortage makes that necessary, and protection against arbitrary eviction for all. The Government see this as one of the basic rights of every human being.
16. Full security, accompanied by rent regulation, will apply to all rented properties (except those referred to in the next paragraph) of rateable value up to £400 in London and £200 elsewhere. This should restore control over substantially the field which was covered before 1957. It may be that in some parts of the country there is now no real scarcity and the Bill enables the Government to release areas from control when they are satisfied that this is no longer necessary. But in the absence of adequate information about the position of tenants the Government believe it right to apply full security and rent regulation everywhere at the outset; relaxing this only when experience shows that it is safe to do so.

Basic protection for those not covered by rent regulation

17. The provision for full security and rent regulation will not apply universally. It will not for example apply to tenants of properties outside the rateable value limits defined in the Bill or to tenants in various forms of publicly-owned property. Further, as explained, control may be lifted from some areas as this proves possible. It is still necessary to provide some basic protection against eviction which will apply to all tenants; the same protection is given by the Bill to service licensees.

18. As a temporary measure the Protection from Eviction Act 1964, which was timed to expire at the end of 1965, made it an offence for the owner of a property within the jurisdiction of the county court - i.e. having a net annual value of £400 or less - to enforce his right to possession without an order from that court. That Act provided lengthened protection by the simplest means: by extending up to 12 months the court’s discretion to grant suspension of orders for possession. This, which was intended only to bridge the gap pending enactment of the Bill now introduced, will be discontinued. The new Bill prohibits eviction without a court order from premises of any value. This will become a permanent part of the law of landlord and tenant. Special provisions are included to deal with the circumstances of agricultural employees who occupy premises under the terms of their employment. Tenants of local and other public authorities will be protected like others against arbitrary eviction; but in view of the considerable increase in work which might be thrown on the county
courts, particularly in some large towns, local authorities will be allowed for the time being to retain their present right to seek possession through the magistrates' courts. In Scotland the law already provides that any landlord, whether a private person or a local authority, cannot evict a tenant without an order from the Sheriff.

**A fair rent**

19. Full security requires rent regulation. In drawing up a new scheme for regulating rents the Government have sought to avoid the rigidity and anomalies of the old control and have aimed at a method of rent-fixing which, given security of tenure, will result in rents which are fair to both landlord and tenant and will enable rents to be reviewed from time to time. The definition of a fair rent where the normal process of free negotiations is inhibited by scarcity is obviously a difficult matter. The Government considered relating rents to the new gross values for rating, but rejected this because the gross values do not give an accurate indication of the rent appropriate for particular tenancies and cannot be kept up-to-date. It would not be satisfactory simply to relate permitted rents to the general level of rents passing in the area since this would perpetuate high rents which have been inflated by scarcity. Accordingly the Government have decided to rely on a formula designed to enable a fair rent to be settled without regard to the effect of scarcity on existing rent levels. Clause 21 provides that in determining a fair rent account is to be taken of all the circumstances, including in particular the age, character and locality of the house, and its state of repair. Consideration of scarcity is to be eliminated by assuming, in the fixing of the rent, that the number of people seeking similar accommodation in the area is not substantially greater than the amount of such accommodation which is available for letting.

**Rent Officers**

20. The immediate need is to get decontrolled rents reviewed and those that are exorbitant reduced to fair levels; and to ensure that future lettings are arranged on a fair basis. The Government are anxious to give landlords and tenants every encouragement to agree a fair rent themselves. The Bill will strengthen the tenant's negotiating position by giving him full security of tenure and forbidding any increase in his existing rent save for specified reasons. With
landlord and tenant thus placed on something like equal terms it is perhaps not too much to hope that agreement will become the normal practice. But to help the parties in reaching agreement where they need help, the Government propose, with the assistance of local authorities in England and Wales, to establish local rent officers who will be a first point of reference for landlords and tenants who cannot reach agreement unaided. The function of the rent officer will be to bring the parties together and help them to settle the proper rent for any tenancy in the light of the provisions in the Bill. Rent officers in Scotland will be employed directly by the Secretary of State. In England and Wales, where the amount of work is bound to be much larger and to need a large number of rent officers to deal with it, the service will be provided through the councils of counties and county boroughs, and in London on the councils of the London boroughs. The cost will be reimbursed by the Exchequer and the responsibility of authorities will be limited to the provision of the service; they will have no function in determining what constitute fair rents.

Rent assessment committees

21. Where the parties are unable to accept the view taken by the rent officer the issue between them will be referred to the rent assessment committee for the area. These committees, which are to be appointed by the Minister concerned, will be a form of local rent tribunal. A committee will normally consist of three people, including as a rule a valuer and a lawyer. The parties will be able to state their cases, quite informally if they wish (though there will be no objection to legal representation), and the committee will come to a final determination of a fair rent for the property, against which there will be no appeal save on a point of law.

Registration of rents

22. Rents which are thus settled - by the parties' acceptance of the rent officer's findings, or, in the last resort, by the rent assessment committee - will be registered; and it is to be expected that landlords and tenants who reach agreement unaided will also have their agreements registered. A registered rent will not be open to alteration, except on grounds specified in the Bill, for a period of three years from the effective date of registration. The same machinery will apply to the fixing of rents for newly let premises.

-7-
Existing control

23. Rent control in its pre-1957 form is still in operation over nearly 2½ million tenancies, though owing to the creeping de-control provisions of the 1957 Act the number of tenants enjoying its protection has been steadily diminishing. For the future, vacation of a property previously controlled will result not in de-control but in transfer, on re-letting, to the new scheme. The Bill will, for the time being, maintain for the properties still under the existing control the rent limits laid down in the 1957 Act. It enables the Government to apply the new rent regulation machinery to review of old controlled rents; but the first call on the new machinery must be to settle fair rents for tenancies not at present under control, and the intention is to bring controlled rents under review at different times in different areas as the machinery becomes free to handle the additional work.

Furnished lettings

24. Furnished lettings will continue to be subject to the jurisdiction of the present furnished houses rent tribunals. On referring to a tribunal, tenants of furnished lettings can already get security for up to three months and the tribunals have power to extend this security by fresh periods of up to three months. The maximum period will in both cases be raised to six months; otherwise the present general arrangements will be maintained. But the Bill provides that when this security expires the tenant should like all other tenants enjoy protection against arbitrary eviction; it would be quite wrong to allow landlords

RENT BILL: DRAFT WHITE PAPER

Revised paragraph 25

"Harassment"

25. The Protection from Eviction Act made it an offence to evict, without a court order, a tenant whose right to go on living in his home had already expired. Clause 24 of the Bill makes it an offence to intimidate a tenant who is still legally entitled to occupy his present home. Anyone who interferes with the peace and comfort of a tenant with the object of persuading him to give up possession or to refrain from exercising his legal rights will be liable on summary conviction to a fine up to £100 (or £500 for a second offence) or six months' imprisonment or both. The provisions follow closely those in the New York Police Statute to which attention was drawn in the report of the Milner Holland Committee (Cmd. 2605)."
Existing control

23. Rent control in its pre-1957 form is still in operation over nearly 2½ million tenancies, though owing to the creeping de-control provisions of the 1957 Act the number of tenants enjoying its protection has been steadily diminishing. For the future, vacation of a property previously controlled will result not in de-control but in transfer, on re-letting, to the new scheme. The Bill will, for the time being, maintain for the properties still under the existing control the rent limits laid down in the 1957 Act. It enables the Government to apply the new rent regulation machinery to review of old controlled rents; but the first call on the new machinery must be to settle fair rents for tenancies not at present under control, and the intention is to bring controlled rents under review at different times in different areas as the machinery becomes free to handle the additional work.

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24. Furnished lettings will continue to be subject to the jurisdiction of the present furnished houses rent tribunals. On referring to a tribunal, tenants of furnished lettings can already get security for up to three months and the tribunals have power to extend this security by fresh periods of up to three months. The maximum period will in both cases be raised to six months; otherwise the present general arrangements will be maintained. But the Bill provides that when this security expires the tenant should like all other tenants enjoy protection against arbitrary eviction; it would be quite wrong to allow landlords who let furnished premises to be the only ones who could evict their tenants without obtaining a court order. As mentioned in paragraph 18, a court order is already necessary in Scotland. The Bill also puts a stop to the practice by which landlords can avoid reference to a tribunal by serving a notice to quit.

Harassment

25. Harassment of tenants is made a criminal offence. Anyone who interferes with the peace and comfort of a tenant with the object of persuading him to give up possession or to refrain from exercising his legal rights is to be liable on summary conviction for a fine or imprisonment or both.
CONCLUSION

26. The Bill will bring immediate relief to tenants who are at present suffering from the terror of insecurity, and will enable those who are paying excessive rents to get them reduced. The Government believe that it will also lay a lasting foundation for a better relationship between landlord and tenant. It is not, however, a complete solution of this relationship, and in their further study of the Milner Holland report the Government will particularly examine the question whether more general aspects of the law of landlord and tenant, which fall outside the ambit of the Bill, should be the subject of further legislation. If Parliament approve proposals which are now before them in the Law Commissions Bill, the Commission may well be prepared to give priority to an examination of the existing law in England and Wales which is badly in need of comprehensive review.

27. Still less is the Bill a solution of the housing shortage. Its main purpose is to give tenants full security and regulated rents in the peculiar conditions of scarcity now prevailing. To remedy this scarcity is the first priority in the Government's housing policy.
CONCLUSION

26. The Bill will bring immediate relief to tenants who are at present suffering from the terror of insecurity, and will enable those who are paying excessive rents to get them reduced. The Government believe that it will also lay a lasting foundation for a better relationship between landlord and tenant. It is not, however, a complete solution of this relationship, and in their further study of the Milner Holland report the Government will particularly examine the question whether more general aspects of the law of landlord and tenant, which fall outside the ambit of the Bill, should be the subject of further legislation. If Parliament approve proposals which are now before them in the Law Commissions Bill, the Commission may well be prepared to give priority to an examination of the existing law in England and Wales which is badly in need of comprehensive review.

27. Still less is the Bill a solution of the housing shortage. Its main purpose is to give to tenants essential protection until there are enough rented houses. What is required is an all-out effort greatly to increase rented accommodation, let at moderate rents, in the areas where it is needed. The Government will set themselves to meet this need for more and better rented housing, which they see as the first priority in their housing policy.
CABINET

RENT BILL: DRAFT WHITE PAPER

Memorandum by the Secretary of State for Scotland and the Minister of Housing and Local Government

Recent discussions with representatives of the National Union of Agricultural Workers have led to an understanding about the nature of the special provisions to be included in the Rent Bill about tied agricultural cottages. The square brackets enclosing the sentence on this point in paragraph 18 of the draft White Paper annexed to C. (65) 45 should therefore now be deleted.

On further consideration of the paragraph in the annex about harassment (paragraph 25), it seems desirable to explain the nature of the new offence in greater detail. We would also like to make drafting amendments in the concluding paragraph.

Revised versions of paragraphs 25 and 27 are attached.

W.R.
R.H.S.C.

Whitehall, S.W.1.
16th March, 1965
Revised paragraph 25

"Harassment"

25. The Protection from Eviction Act made it an offence to evict, without a court order, a tenant whose right to go on living in his home had already expired. Clause 24 of the Bill makes it an offence to intimidate a tenant who is still legally entitled to occupy his present home. Anyone who interferes with the peace and comfort of a tenant with the object of persuading him to give up possession or to refrain from exercising his legal rights will be liable on summary conviction to a fine up to £100 (or £500 for a second offence) or six months' imprisonment or both. The provisions follow closely those in the New York Police Statute to which attention was drawn in the report of the Milner Holland Committee (Cmd. 2605)."

Revised paragraph 27

"27. Still less is the Bill a solution of the housing shortage. Its main purpose is to give tenants full security and regulated rents in the peculiar conditions of scarcity now prevailing. To remedy this scarcity is the first priority in the Government's housing policy."
CABINET

PRICES AND INCOMES

Note by the First Secretary of State and Secretary of State for Economic Affairs

My colleagues will wish to know of the progress that has been made with the third stage of the development of our policy for prices and incomes.

2. I have discussed with the T. U. C. and with the four national employers' organisations what should be the criteria governing the behaviour of prices and incomes and what should be regarded as the incomes "norm" - i.e. the average annual rate of increase in money incomes which is consistent with the aims of the Joint Statement of Intent and which should be exceeded only in exceptional circumstances. After lengthy and at times quite difficult negotiations, I have reached agreement with the leaders on both sides on the memorandum attached which I circulated to my colleagues on E. D. (P. I.) last week E. D. (P. I.) (65) 327.

3. This memorandum was discussed at a special meeting of the National Economic Development Council on 22nd March when it was approved (without textual amendment) and the various interests undertook to recommend it for endorsement by their governing bodies.

4. The memorandum will now be submitted for approval by the governing bodies of the Trades Union Congress and the National Association of British Manufacturers on 24th March, and of the Federation of British Industries, the British Employers' Confederation and the Association of British Chambers of Commerce on 7th April. It will also come before a special conference of Trade Union Executives on 30th April.

5. If, as I confidently expect, the memorandum is approved by the five governing bodies, I propose to announce the fact in a statement in the House of Commons on 8th April and to publish the text in a White Paper.

6. It can fairly be said that the memorandum in its final form begs some questions and ignores others. I think however that the important thing is to have reached agreement in a relatively short space of time on a document which:-
(a) sets out the main considerations which we believe to be relevant;

(b) sets a strict limit on arguments which can be advanced in support of claims for exceptional treatment for either prices or incomes;

(c) enunciates an agreed incomes "norm" at a level (3-3½ per cent) which reflects current economic realities.

It is intended that the considerations set out in the document should help all concerned with determining prices and incomes to act in a manner consistent with the national interest and I hope that both sides of industry will give the widest publicity to the document when it is published. I am sure it will also provide a useful starting point for the work of the National Board for Prices and Incomes and will serve as a foundation on which a body of case-law can be built up.

G. B.

Department of Economic Affairs, S.W.1.

23rd March, 1965
PRICES AND INCOMES POLICY
Memorandum by the Department of Economic Affairs

INTRODUCTION

In the Joint Statement of Intent on Productivity, Prices and Incomes, representatives of the T.U.C. and the employers' organisations have accepted that major objectives of national policy must be:

to ensure that British industry is dynamic and that its prices are competitive;

to raise productivity and efficiency so that real national output can increase, and to keep increases in wages, salaries and other forms of incomes in line with this increase;

to keep the general level of prices stable.

2. They have also agreed with the Government's proposals, set out in the White Paper on Machinery of Prices and Incomes Policy (Cmnd. 2577) that:

(i) the National Economic Development Council should keep under review the general movement of prices and of money incomes of all kinds; and

(ii) a National Board for Prices and Incomes should be set up to examine particular cases in order to advise whether or not the behaviour of prices or of wages, salaries or other money incomes is in the national interest as defined by the Government after consultation with Management and Unions.

Trends in national productivity

3. The figure for the growth of the economy between 1964 and 1970 which is being assumed in the preparation of the Government's plan for economic development is 25%. This gives an average annual rate of growth of rather less than 4%. In calculating the long-term annual rate of growth of national production per head of the working population allowance has to be made for the growth of the total national output due to increases in the numbers of the working population and for short-term variations in the rate of growth which result from fluctuations in the level of demand and the level of employment. The most recent forecasts indicate that between 1964 and 1970 the labour force may grow, as the result of the natural increase in the population of working age
and the continuance of rising trends in the proportions working or seeking work, by no more than $1\%$ over the whole period. Some further increase in the numbers employed should result from the more vigorous regional policies to which the Government is committed.

4. These assumptions imply an average annual rate of growth in output per head of something approaching $3\%$. During the early years of the Plan period the underlying rate of growth will inevitably be below the average for the period as a whole; in addition the rate of increase may be slowed down by reductions in working hours and extension of holidays. By comparison the underlying rate of growth per head in the nineteen-fifties averaged about $2\%$ a year. It is now probably about $3\%$.

Considerations of the national interest

5. Against this background the Government have now drawn up, after consultation with Management and Unions, a statement of considerations which should be taken into account if the pricing policy of individual enterprises and increases in money incomes are to conform to the national interest and in particular to achieve the objectives set out in paragraph 1 above. These considerations are outlined below. They will help all those concerned with determining prices and incomes to act in a manner consistent with the national interest. They are also intended to guide the National Board for Prices and Incomes in its examination of particular cases.

Considerations affecting prices

6. The development of an effective policy for keeping the general level of prices stable will call for considerable efforts on the part of management generally to increase efficiency, avoid cost increases and wherever possible to stabilise or reduce prices. The rate of change of the average level of prices over any period of time is determined by differing movements of a very large number of individual prices. Even when the average level of prices is rising, there are many prices which fall. It would be impossible to lay down detailed rules which would cover all the circumstances which individual enterprises face when deciding the prices to ask for their products. On the other hand, unless some general guidance is given on the circumstances in which it might be appropriate to raise or reduce prices, there will be no basis for deciding whether individual price decisions are consistent with the national objectives. The considerations set out in paragraphs 9-10 are for the guidance of all concerned with the determination of prices.
7. It is not intended that the considerations set out in paragraphs 9-10 should inhibit the structural changes that will be necessary in the interests of faster economic growth. These take account of the fact that competition has an important part to play in stimulating economic expansion, and are consistent with the smooth working of a competitive system. It should be a normal part of enterprising business behaviour to increase efficiency, keep down costs and hold prices at a level compatible with its long-term growth. This would speed up the replacement of old techniques and out-of-date equipment by new techniques and modern equipment. Moreover, the considerations recognise not only that an enterprise must make sufficient profit to secure the capital necessary to meet home and overseas demand, but also that the vigorous and efficient enterprise can reasonably expect a higher level of profit than one that is not.

8. These considerations apply equally to the prices of goods and services whether provided by private or public enterprise. The Government regard the nationalised industries as being under the same obligations as private enterprises to contribute to the general objective of price stability, while taking account of their financial and social obligations.

Criteria for price behaviour

9. To keep the general level of prices stable, it is vital that price increases should be avoided where possible and that prices should be reduced wherever circumstances permit. Enterprises will not be expected to raise their prices except in the following circumstances:

(i) if output per employee cannot be increased sufficiently to allow wages and salaries to increase at a rate consistent with the criteria for incomes stated in paragraph 15 below without some increase in prices, and no offsetting reductions can be made in non-labour costs per unit of output or in the return sought on investment;

(ii) if there are unavoidable increases in non-labour costs such as materials, fuel services or marketing costs per unit of output which cannot be offset by reductions in labour or capital costs per unit of output or in the return sought on investment;

(iii) if there are unavoidable increases in capital costs per unit of output which cannot be offset by reductions in non-capital costs per unit of output or in the return sought on investment;
10. Enterprises will be expected to reduce their prices in the following circumstances:

(i) if output per employee is increasing faster than the rate of increase in wages and salaries which is consistent with the criteria for incomes stated in paragraph 15 below, and there are no offsetting and unavoidable increases in non-labour costs per unit of output;

(ii) if the costs of materials, fuel or services per unit of output are falling and there are no offsetting and unavoidable increases in labour or capital costs per unit of output;

(iii) if capital costs per unit of output are falling and there are no offsetting and unavoidable increases in non-capital costs per unit of output;

(iv) if profits are based on excessive market power.

Considerations affecting incomes policy

11. The development of an effective policy for keeping increases in money incomes in line with increases in real national output will call for considerable efforts on the part of unions and management and all others concerned with the determination of incomes. The object must be to increase productivity and efficiency as rapidly as possible in order to raise real incomes and to avoid, wherever possible, increases in money incomes that push up costs and prices. An important step will be to lay down a "norm" indicating the average rate of annual increase of money incomes per head which is consistent with stability in the general level of prices. In present circumstances the appropriate figure for this purpose is 3-3½ per cent. This would be subject to re-examination by the Government in the light of reviews to be conducted from time to time by N.E.D.C.

Employment incomes

12. Wages and salaries are determined by many factors, including changes in the supply and demand for different kinds of labour, trends in productivity and profits, comparisons with levels or trends of incomes in other employments and changes in the cost of living. The weight given to these different factors varies with circumstances. They are also influenced by the policies which
the Government pursue in relation to the distribution of incomes. The Government in the Joint Statement of Intent on Productivity, Prices and Incomes have affirmed that their social objective is to ensure that the benefits of faster growth are distributed in a way that satisfies the claims of social need and justice. It is in that context that the following considerations are set out for the guidance of all those concerned with the determination of wages and salaries.

13. If wages and salaries per head are to keep in step with the long-term rate of increase in national productivity, less weight than hitherto will have to be given to the factors mentioned in paragraph 12 and more weight will have to be given to the incomes norm. Moreover, in applying the norm to wages and salaries, it will be necessary to take into account not only increases in wage and salary rates, but also increases in costs resulting from reductions in working hours without loss of pay, from higher rates of pay for overtime or shift work and from improvements in fringe benefits.

14. It would be impracticable and undesirable to lay down detailed rules so as to provide an indication of what changes in wages and salaries were warranted case by case. Nor would it be desirable to inhibit the structural changes necessary in the interests of faster growth. However, experience has shown that in conditions of full employment the normal processes of collective bargaining both at national and local level can result in pay increases which are inflationary in effect. It is accordingly important to ensure that increases in wages and salaries above the norm should be confined to cases in which exceptional treatment can be shown to be required in the national interest. These exceptional increases should be kept to a minimum, bearing in mind that they will need to be balanced by lower than average increases to other groups if the increase in wages and salaries over the economy as a whole is to be kept within the norm.

15. Exceptional pay increases should be confined to the following circumstances:-

(i) where the employees concerned, for example by accepting more exacting work or a major change in working practices, make a direct contribution towards increasing productivity in the particular firm or industry. Even in such cases some of the benefit should accrue to the community as a whole in the form of lower prices;
(ii) where it is essential in the national interest to secure a change in the distribution of manpower (or to prevent a change which would otherwise take place) and a pay increase would be both necessary and effective for this purpose;

(iii) where there is general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living;

(iv) where there is widespread recognition that the pay of a certain group of workers has fallen seriously out of line with the level of remuneration for similar work and needs in the national interest to be improved.

Non-employment incomes

16. Some types of non-employment incomes, for example those of farmers and landlords, are to a considerable extent determined by Government policy. The Government will, in accordance with its general objective of price stability, have regard to the fact that increases in incomes of this type have a direct effect on the prices of goods and services. The income of nationalised industries, local authorities, etc. accrues directly to the community, but this does not mean that the prices charged by such undertakings should not be susceptible to the general considerations outlined above. The incomes of self-employed persons are an important category of personal incomes. They differ from those of employees in some respects, and allowance must be made for these differences. Nevertheless, those who are responsible for determining or are capable of influencing the incomes of self-employed persons should be guided by the considerations relating to the settlement of incomes and, where appropriate, to the criteria for price behaviour. Increases in these incomes may therefore be referred to the National Board. The other main category of non-employment income is profits, a part of which is distributed in the form of personal income to shareholders. An effective policy for avoiding price increases and securing price reductions wherever possible should ensure that increases in profits arise from increased efficiency. Where the growth of profits or dividends is based on excessive market power this could indicate scope for price reductions and such cases would be referred to the National Board for Prices and Incomes for examination.

General considerations

17. The requirement that total money incomes should rise in line with the growth of real national output does not mean that all
forms of income should increase at the same rate. It is necessary not only to create the conditions in which essential structural readjustments can be carried out smoothly but also to promote social justice. The general review of money incomes of all kinds to be carried out by the National Economic Development Council will involve not only the assembly of the facts about the movement of the main categories of income - wages, salaries, income from self-employment, profits (distributed and undistributed) and rent - but also an appraisal of the way the distribution of the national income is developing under the impact of the prices and incomes policy. The Government have pledged themselves to use their fiscal powers or other appropriate means to correct any excessive growth in aggregate profits as compared with the growth of total wages and salaries, after allowing for short-term fluctuations.

Department of Economic Affairs,
Storey's Gate,
LONDON S.W.1.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

I attach, for the information of my colleagues, a paper describing our proposal to establish an Atlantic Nuclear Force (A.N.F.).

FOREIGN OFFICE, S.W.1.

M. S.

OUTLINE OF HER MAJESTY'S GOVERNMENT'S PROPOSAL

Objectives

In proposing a reorganisation of the nuclear arrangements of the Atlantic Alliance Her Majesty's Government have the following objectives:

(a) We want a solution which will foster the strength and unity of the alliance as a whole by taking account of the position of those non-nuclear members who want to exercise greater influence on nuclear planning, policy and strategy. In particular we want as far as possible to take account of the political and military requirements of Germany.

(b) As far as possible the nuclear forces committed to the North Atlantic Treaty Organisation (NATO) should be united under a single unified control system, forming an integral part of the defence structure of the alliance as a whole. The control system should be closely linked with NATO, though not in such a way as to enable members of NATO not taking part in the force to exercise a veto on it. It should also be open-ended and allow for new participants to join, particularly France if she does not join from the start.

(c) In addition we want to promote increasing consultation within the alliance on the policy of the Western Powers with regard to nuclear weapons in any part of the world.
Although the present nuclear Powers are committed to consult the North Atlantic Council if time permits before they use nuclear weapons anywhere, there is no continuous consultation about deployment of nuclear weapons or situations which might require their use. The European countries however have almost as great an interest in the use of the United States strategic nuclear forces as in nuclear forces committed to NATO.

Proposal

2. Her Majesty's Government would like to propose that to meet these objectives an Atlantic Nuclear Force (A.N.F.) should be established with the following components:

(a) The British V-bomber force, except for those aircraft which are needed for existing commitments (primarily conventional, but, in certain circumstances, nuclear) outside the NATO area; and a British fleet of Polaris submarines when available.

(b) At least an equal number of United States Polaris submarines; and possibly some Minuteman missiles in the United States.

(e) Some kind of mixed-manned and jointly-owned element or elements in which the existing non-nuclear Powers could take part.

(d) Any forces which France may decide to subscribe.

3. The inclusion of a mixed-manned element would allow the non-nuclear countries to take part in a meaningful way. This would leave open the possibility that some weapon systems, e.g., bombers or Minuteman missiles, provided from national sources, could be mixed-manned and possibly included in the mixed-manned element itself.

4. The elements contributed to the A.N.F. by individual countries would be committed to it for as long as NATO continued to exist. All elements, whether contributed from national resources or mixed-manned, should be collectively owned.

5. The whole Force would be under a single Authority on which all countries taking part in the Force would be entitled to be represented. All members of the Authority would have equal rights, without any discrimination between them, over all elements in the Force. Thus, any country contributing elements from its national resources and any country participating in the mixed-manned element would be equally entitled to exercise a veto over the use of the entire Force and over any changes which might at any time be proposed in the control system. This does not exclude the possibility that provision could be made for the control arrangements to be reviewed later, for example if the major nations of Europe achieve full political unity, in such a way as to enable the European vote to be cast as one. The European unit exercising a single European vote would have the same veto rights as individual Governments taking part in the Force.
6. The Authority would consist of the Permanent Representatives to NATO of the countries concerned and would be located at NATO Headquarters. Since the President of the United States would be retaining control of the bulk of the nuclear weapons capable of being used in the defence of NATO, it is for consideration whether the Ambassadors at Washington of the countries concerned should also be formed into a special consultative committee through which the President could obtain advice in an emergency. In addition to this permanent machinery, there would be advantage in periodic meetings of Ministers of Defence to consider such things as targeting policy, nuclear weapons developments, nuclear dispersal plans, and future force structure.

7. The functions of the Authority, who would act on instructions from Governments, would be:

(a) To provide the Force Commander with political guidance.

(b) To approve the Force Commander’s targeting and operational plans for the use of all weapons of the Force, which should be drawn up in close consultation with the Strategic Air Command at Omaha.

(c) To take the decision to release nuclear weapons to the Force Commander and to authorise him to execute agreed plans for their use.

(d) To develop doctrine on the role of all types of strategic and tactical nuclear weapons.

(e) To consult and discuss possible contingencies anywhere in the world which might give rise to the possibility of nuclear weapons being used, while ensuring that the views of all interested allies are taken into account in drawing up whatever unified plans may be necessary to meet these contingencies.

8. The targeting of the A.N.F. would be co-ordinated with the targeting of all United States forces in the Atlantic area, i.e., there should be close co-ordination between the targeting of weapons primarily intended for the defence of Europe and strategic weapons in the United States, whether or not their primary purpose is Atlantic defence.

Non-dissemination

9. In order to ensure that the new arrangements could not result in, or be accused of leading to, dissemination of nuclear weapons, it would be desirable to incorporate in the Charter of the Force clauses whereby the nuclear members would undertake not to disseminate nuclear weapons and the non-nuclear members would undertake not to acquire them or control over them. Moreover, in order to comply with the principles of non-dissemination, there should be a prohibition on nuclear weapons passing into the ownership or control not only of individual non-nuclear countries but also of a group of such countries. A suggested text of a passage on these lines for inclusion in the Charter of the Force is at Annex to this paper.
British contribution

10. We are prepared to commit immediately to the A.N.F. eight V-bomber squadrons (64 aircraft). Over the period 1968–70 these will be replaced by the British fleet of Polaris submarines. We are prepared to contemplate mixed-manning within those V-bomber squadrons which are fully committed to the A.N.F.

11. We are proposing that there should be at least an equal number of United States Polaris submarines in the Force, so that we are in practice thinking of a combined fleet of either six or eight boats, with a total armament of 96 or 128 missiles.

Mixed-manned component

12. We accept that the mixed-manned element is the only way in which the existing non-nuclear countries can be enabled to take part as members of the Authority in ownership and manning of nuclear weapons systems within the Force, without transgressing the principles of non-dissemination. We recognise that the United States will have to take part in the mixed-manned element in order to make its composition consistent with the principles of non-dissemination. But for our part we should not wish to contribute to a surface ship component over and above our contribution to the Force from British national resources; we could however consider contributing to a land-based component based on weapons already existing or programmed.

13. The creation of a new strategic force of surface ships armed with Polaris weapons is the least desirable way of applying the mixed-manned principle.

14. The strategic forces available to the alliance are already adequate for the purpose of deterring Soviet aggression. The missile ship force could only be used in the context of the general strategic exchange when all the other strategic forces available in support of the alliance were also committed; it would thus be superfluous to the requirements of the alliance. It would also unnecessarily increase the number of nuclear weapons to the possible detriment of East-West relations; it would add to the risks of incidents at sea; and it would increase the total financial and manpower burden of the alliance.

15. In our view, therefore, the mixed-manned element of the A.N.F. should consist of existing or already planned weapons systems. Our first choice would be existing Minuteman missiles on United States soil. These are strategic missiles in the purest sense and therefore particularly appropriate to the kind of A.N.F. being proposed. The joint ownership of a force of such weapons based in the United States would epitomise the American-European link; it would not (as with the seaborne force) mean creating a new force in a new environment and would thus have attractions vis-à-vis the manpower and financial aspects and in the context of arms control discussions, since it would not, in effect, be adding to the overall missile potential of the West. If such a concept would present insuperable difficulties to the United States Government, then we
should like consideration to be given to land-based aircraft and missiles in Europe on the lines of the British proposals put forward during last year. We realise, however, that the inclusion of tactical interdiction weapons of this kind would have implications for the character of the Force and the command arrangements appropriate to it.

Permissive action links

16. In the event of the alliance, and thus the Force, coming to an end, submarines and bombers and their related missiles and warheads would revert to the national ownership of the country which had originally contributed them. Missiles and warheads in the mixed-manned element would also be returned to the supplying country. Permissive action links designed to make operational command more effective could be installed in all elements of the Force, provided they did not prevent this reversion to national control if the alliance came to an end.

Command arrangements and relations with NATO

17. There are two solutions to the Command problem—to place the A.N.F. with its own Commander under SACEUR or under a new and separate NATO command.

18. SACEUR is a theatre Commander whose primary task is to conduct the tactical land-air battle for the defence of Europe. This, by itself, is a very substantial responsibility for one Commander to exercise and there are strong arguments against giving him the added responsibility for conducting a strategic offensive against the Soviet Union and targets far removed from the immediate battle area. On the other hand, we recognise that SACEUR has a special position in the eyes of European countries as the Commander directly interested in the defence of the European theatre and that these countries would be reluctant to see his role weakened in any way and would prefer to see any new force placed at his disposal.

19. The alternative is to place the Force, together with its own Commander, under a separate NATO Commander. The appointment of a new NATO Commander, especially if he were a Supreme Commander, would emphasise the importance of the A.N.F. and the new departure which it would represent. It might also serve to emphasise the desirability of co-ordinating the policies of the A.N.F. with those of the external strategic forces. Our preference is therefore for the assignment of the Force, with the Force Commander, to a new NATO Supreme Commander. The Force Commander, while subordinate to the new Supreme Commander for NATO purposes, would also remain responsible to the Authority of the A.N.F. and would obey the Authority's instructions. The exact terms of the assignment of the Force to NATO command would need to be worked out.

20. The Force would be collectively owned by the participating countries and countries contributing forces to it would give up title over them to the Force collectively. The owners would then assign
the Force to NATO similarly to the way in which a member country assigns forces to NATO, for co-ordination with the other forces available to the Alliance, in accordance with the approved strategy and operating procedures of NATO. This would be essential because even if hostilities started with a conventional exchange, the possibility of direct escalation from conventional weapons through tactical nuclear weapons to strategic nuclear weapons must be presented to the enemy as an effective deterrent. At the same time, however, we must reckon with the possibility that the normal functioning of NATO might be inhibited by lack of co-operation on the part of one or more of its members, or indeed by an attempt to veto recourse to force. The existence of this possibility would detract from the credibility of the Force as a deterrent if it was irrevocably assigned to NATO. To guard against this, therefore, the owners of the Force must collectively retain the ability in the last resort to exercise control of the Force without the possibility of an effective veto by non-participants and so to instruct the Force Commander.

Finance

21. The question arises of financing the capital and operating costs of the Force as a whole. This is something on which further discussion will be needed. It can more appropriately be discussed when the size and shape of the Force is more precisely known.

Annex

ATLANTIC NUCLEAR FORCE

In furtherance of the purposes underlying Resolution 1665 (XVI) adopted by the General Assembly of the United Nations on the 4th of December, 1961, and with a view to facilitating agreement on general and complete disarmament under effective international control, those Governments who already manufacture and own nuclear weapons solemnly declare as follows:

(a) they will not transfer any nuclear weapons directly or indirectly, either through the organisation created by the present agreement or by any other means,

(i) either into the national ownership or control of States not now possessing such weapons, or

(ii) into the ownership or control of any association of which they are not members or in which power to prevent the use of such weapons is not retained by all of them;

(b) they will not assist such States individually or collectively in the manufacture of nuclear weapons or transmit to them information necessary for their manufacture.

2. To the ends set out in the foregoing paragraph the other Governments parties to this agreement solemnly declare as follows:

(a) they will not, individually or collectively, manufacture nuclear weapons.
(b) they will not, directly or indirectly, either through the organisation created by the present agreement or by any other means, acquire national ownership or control of any such weapons;

(c) they will not bring any nuclear weapons into the ownership or control of any association of which those Governments who already manufacture and own nuclear weapons are not members, or in which power to prevent the use of such weapons is not retained by all those Governments;

(d) they will not individually or collectively seek or obtain from other States information necessary for the manufacture of nuclear weapons.
CABINET

THE MIDDLE EAST

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

I am concerned in this paper with the area bounded by Libya in the west and Iran in the east, and Syria in the north and Sudan in the south.

2. United Kingdom interests can be stated under the following headings:

(a) The pursuit of peace and stability in the area

This must be our overriding objective since it is the basic condition for protecting our other interests. In the eastern part of the peninsula, our positions enable us to make a direct contribution to stability, and our treaty obligations towards our CENTO partners and towards the Libyan Government are directed to the same end. Elsewhere in the Middle East our action must be mainly diplomatic and economic and to be effective requires close co-operation with the United States Government and, where appropriate, with the United Nations. The possibility of an eruption of the Arab-Israel conflict is always the most serious danger in the situation.

(b) The countering of Soviet penetration and the preservation of an East/West balance

Since the first Soviet bloc arms deal with Egypt in 1955 we have had to reckon with the Soviet presence in the area. From about 1958 onwards the Chinese Communists also began to show an interest and there are already some indications of rivalry between the two Communist Powers, although the USSR is now and is likely to remain the dominant one. Although the U.A.R. and Syria, and at times Iraq, have been prepared to enter into fairly close relations with Moscow and have equipped their forces for the most part with Soviet arms, there is considerable resistance to Communist penetration in the
Arab countries where Islam and Arab nationalism tend to be anti-Communist and where the Governments wish to remain non-aligned. By establishing a northern shield in CENTO and by maintaining good relations with most of the countries of the area, we and the other Western Powers have so far been able to hold the balance, with the result that Soviet penetration, though a present and future danger, has not yet been able to make a really substantial advance. Adverse factors in the situation for us are the whipping up of anti-Western emotions by propaganda from Cairo and elsewhere, and the strains produced by the Arab-Israel situation.

(c) The protection of United Kingdom material interests

The Middle East has three-fifths of the proved oil reserves of the free world and produces nearly half the free world output. Of the international oil companies which have developed these resources, those of the United Kingdom have roughly a 40 per cent interest and are concerned in all the main Middle East oil-producing areas except Saudi Arabia. The United Kingdom also has a great interest in these resources as a consumer, since two-thirds of total Middle East production comes to Western Europe including the United Kingdom, and we draw 60 per cent of our oil needs from the area. It is to be hoped that the growth of other fields will gradually reduce the relative importance of this source of fuel, but the absolute size of our requirements from it is likely to grow steadily. Our Middle East supplies are also of considerable balance of payments importance since as a result of the operations of British companies, of which a predominant part occur in the Middle East, the balance of payments cost to us of our oil imports is very much less than their absolute value. (In 1964, we obtained some £470 million worth of oil for a foreign exchange cost of £200 million.) By our contribution to order and political stability, particularly in the area around the Persian Gulf, and by maintaining so far as we can good relations with the producing and transit countries, we provide the stable framework within which the international oil companies are best able to secure in their dealings with the host Governments the continued flow of oil we need on favourable terms.

The steadily increasing oil production in the Middle East means that the countries in the area receive growing revenues from the oil companies and in consequence the Middle East is a rapidly increasing market for our exports. These are at present running at about £250 million a year but we have fallen back somewhat in recent years in relation to our main competitors and there is plenty of scope for an increase.
(d) Transit and overflying.

The U.A.R. Government has honoured its international obligations in regard to passage through the Suez Canal (except towards Israel) and so long as this is so, no serious problems are likely to arise over our sea communications. The overflying and staging of military aircraft is of great importance, particularly at a time of active operations in Malaysia, and this is inevitably subject to changing political conditions in the countries through which our aircraft have to fly. The recent change of régime in the Sudan has largely denied us the southern route to the East through Libya and the Sudan and correspondingly increased the value of the route from Cyprus over Turkey and Iran. But our use of the southern route may well be restored to a substantial degree and it must be our aim to keep the maximum options open.

3. It will be apparent from this brief rehearsal of our interests that, although from the material point of view they mostly reside in the eastern part of the area, and although it is there that any direct Soviet pressure, if it were exerted, would first be felt, their protection requires us to think about our relations with all the countries of the area. This would in any case be forced upon us by the fact that developments in one part of the Arab world invariably and increasingly have repercussions in all the other Arab countries, a circumstance which we have to take particularly into account when handling the complexities of the Arab-Israel situation. The political interdependence of the area is reinforced by the activities of President Nasser whose influence is at work not only in the affairs of the Levant but also, thanks at least in part to his involvement in the Yemen, in increasing our difficulties in the South Arabian Federation; in the eastern part of the Arab world through his approach to a form of union between Iraq and the U.A.R.; potentially in the Gulf States; and throughout Arabia and North Africa, if not further afield, through his propaganda and subversive activities. Inevitably President Nasser’s name comes up in considering most of the problems facing us in the Middle East, of which the main ones are dealt with in the subsequent sections of this paper.

United Kingdom relations with the U.A.R.

4. These have recently been the subject of a paper which I circulated to the Defence and Overseas Policy Committee. I there brought out that Nasser had as an objective to eliminate the Western influence in the Middle East based on positions in the area, with our own as the first target, and that as an immediate aim he wished to expel us from Southern Arabia and thus render untenable our positions in the Persian Gulf. His aim in South Arabia is made very clear by the campaign of intimidation and subversion which is being directed against the South Arabian Federation and against the Colonial Secretary’s programme for bringing a new South Arabian State to independence by 1968. I pointed out however that the U.A.R.
had proved unable to achieve a success in the Yemen despite the presence there of nearly 50,000 troops, and that it was passing through an acute balance of payments crisis. I concluded that although Nasser's difficulties would not be likely to endanger his own position nor cause him to give up his longer term aims, which are clearly incompatible with our own positions, his policies were normally heavily laced with pragmatism; I therefore thought it important to keep our lines out to him, in order to see whether we could not at least take some of the tension out of our relationship and if possible persuade him to give the South Arabian politicians a chance to bring their State to independence without the more direct kinds of subversion and intimidation to which they are at present subjected. I therefore proposed that we should continue the dialogue with the U.A.R. Government inaugurated by my predecessor, and that in due course we should arrange a Ministerial visit to Cairo. However, the recent increase in Egyptian-inspired terrorism in Aden, and the increase in tension between the U.A.R. and the West resulting from the quarrel picked by Nasser with the German Federal Republic, mean that a visit during the Easter recess, which I had originally had in mind, would not be timely and we must await a more propitious moment. I have so informed the U.A.R. Government.

CENTO

5. CENTO, despite the success of its economic programme, has been a disappointment to the regional members (Iran, Turkey and Pakistan) on the military side. Their complaints have been that the United States Government (who participate in all the organisation's activities but have always refused to become a full member) and we ourselves are not prepared either to build up an effective military structure, with Supreme Commander, force commitments and other features of NATO, or to allow CENTO to become involved in the quarrels of the regional countries with their neighbours (Pakistan with India, Iran with Nasser and Iraq, Turkey with Greece). There have recently been indications that Iran and Pakistan might wish to bring this matter to a head and I was therefore interested to have the opportunity, during his recent visit to London, to learn at first hand the views of the Shah of Iran. He voiced to me the above reasons for his dissatisfaction with CENTO but I was able to put to him the arguments for not disturbing CENTO on its present basis. I said to him that, in the absence of a dangerous military threat from the north, it was not necessary to build up the kind of military structure which would be needed in order to deal with one, yet its absence did not signify that CENTO had failed in its purpose. This was to make it clear to the Russians that they must leave the member countries alone or they would find themselves coming up against the Western Powers, with all that that might imply. If CENTO were to be liquidated, it would be seen as a political reverse for the West and would be so exploited in Soviet and Arab propaganda. Iran would be exposed to increased Soviet pressure and neutralist pressures inside the region would be stimulated which might carry the different Governments all too far from their present pro-Western
alignment. I thought therefore that the regional members would be best advised to leave well alone, and to make the best of CENTO within its current limitations. The Shah disclaimed any desire to bring matters to a head and may well be content to let CENTO continue as at present, which is I think the best course. I shall be attending the forthcoming meeting of the CENTO Council in Tehran on 7th April and if I there hear an expression of the same kind of dissatisfaction, I propose to speak on the same lines.

Arab-Israel dispute

6. There is regrettably no sign that any progress is possible towards a settlement of this most serious of all problems in the Middle East. The Arab countries remain unreconciled to Israel's very existence. No Arab leader however realistic would dare to advocate acceptance of Israel as a State and any advocacy of a settlement by outside Powers is invariably interpreted by the Arabs as a pro-Israel move. Meanwhile the United Nations Truce Supervisory Organisation, with its headquarters in Jerusalem, continues to watch the armistice demarcation lines with Jordan, Syria and Lebanon and to try to prevent incidents escalating, and the United Nations Emergency Force is still deployed in the Gaza Strip and along the U.A.R. border. Although some small progress has been made in settling the Palestinian refugees, the United Nations Rehabilitation and Works Administration continues to be necessary to provide relief and an educational programme. President Kennedy tried through quiet contacts with both sides to see whether it was possible to organise some solution of the refugee problem but this proved unsuccessful.

7. The last year has seen certain developments which threaten to make the situation more acute, since under the leadership of President Nasser, the Arab Governments have agreed on a programme which in time may produce a more direct confrontation with Israel. The occasion for this was the completion of the Israeli pipeline to draw water from Lake Tiberias. The Arabs countered with proposals for diverting the northern headwaters of the Jordan before their entry into Lake Tiberias (two of the three main northern tributaries rise in Arab territory). Both Israeli and Arab works are capable of compatibility with the plan for the use of the Jordan water system proposed by Dr. Eric Johnston of the United States in 1955, and the Israel Government maintains that it will draw from Lake Tiberias only the volume of water provided for in the Johnston Plan. They fear however that the Arab diversions, on which work is only in its initial stages and will take a long time to complete, will exceed the Johnston Plan allocations and cause a serious increase in the level of salinity in Lake Tiberias with consequent harm to Israel. There is still ground for technical argument as to whether the amount of harm which the Arab action could do to Israel would be serious, but the Israelis are preoccupied also with the effects of an Arab political success if the Arab countries show themselves capable of concerted action. In addition the Arab countries have agreed that, since they saw a danger of Israel striking at them in order to
prevent their diverting the Jordan headwaters, they would form a unified military command to make defensive plans and dispositions. This command, under Egyptian leadership and financed by Arab League (mainly Kuwaiti) funds, is making slow but steady progress in improving the defensive capabilities of the Arab countries.

8. Our present assessment is that Israel would be the victor in any trial of military strength with the Arabs and that the U.A.R. and Israel Governments are both well aware of this. The Israel Government do not, therefore, feel immediately threatened by these developments but see them as evidence of a long-term Arab plan to weaken their position and improve the chances of Arab victory over them. They were consequently particularly shocked by the decision of the German Federal Government, following news of Nasser's invitation of Ulbricht, to stop sending military supplies to her. This shock increased the Israeli feeling of isolation and gave some impetus to the activist school in the Israel Government who can be relied upon, in times of stress, to press for Israeli pre-emptive aggressive action against the Arabs, arguing on this occasion that U.A.R. involvement in the Yemen provided a favourable opportunity.

9. Israeli anxiety will no doubt also encourage them to press on putting themselves in the position to manufacture nuclear weapons (they have the technical means to do this within two or three years, whereas there seems to be no comparable capacity on the Arab side). If the Israelis did acquire a nuclear capability the Arabs might well feel justified in aggressive pre-emptive action, and in any case would press the Soviet Union to ensure them a position of parity. We believe that the Russians would give a guarantee against an Israeli nuclear attack rather than weapons. This would at once neutralise the deterrent force of the Israel bomb, and increase the risk of an East-West confrontation in the Middle East.

10. The situation therefore contains dangerous elements and will need to be handled by the Western Powers with great care. The United States Government were sufficiently alarmed by the possibility of Israeli aggressive action to send Mr. Harriman to Jerusalem recently in an endeavour to secure an undertaking that such action would not be taken, in return for a promise of United States military supplies. The problem for us also is an acute one. Mr. Macmillan's statement of May 1963 (which in effect superseded the Tripartite Declaration of 1950 and expressed our continuing opposition to the use of force by either side) committed Her Majesty's Government to "consult immediately with the United Nations and take whatever action we felt to be required" in case of a threat to the peace. We have no formal commitment to Israel, but we have a clear moral obligation to support the United States in ensuring if necessary that Israel is not overwhelmed. It is moreover an obvious Western interest that the situation should not erupt into serious fighting, since this above all would be liable to produce a polarisation between Israel and the Western countries on the one hand and the Arab countries and the Soviet bloc on the other, a situation which could only work to harm Western interests in the Arab countries. We must,
therefore, in co-operation with the United States Government do all we can to prevent the situation becoming really acute. The support from the two Governments which enables Jordan to maintain her political independence is one vital part of this policy, and recognised as such by Israel. They must also continue to play their part in seeing that Israel is able to secure the defensive arms she needs to preserve an adequate balance with the Arab armies, notably that of the U.A.R., while avoiding the encouragement of the arms race (we believe there is no prospect of any kind of understanding on this point with the Soviet Government).

11. However, because of our interests in the Arab world and the need to preserve peace in the area which may be threatened by Israeli pre-emptive action as well as by the Arabs, we must maintain our position of balance and non-partisanship in the dispute. The United Nations is already heavily engaged in this problem and our best course is to encourage Israel to work through the United Nations at every stage and not to take unilateral action. Above all we must keep in the closest contact with the United States Government who would have to play the primary military role if it were necessary for the West to come, in the last resort, to Israel's rescue. On account of their wider Middle East interests, they too have avoided any formal commitment to Israel but they have repeatedly assured the Israelis that, if they were attacked, the United States 6th Fleet would be with them. This is known to the Arab Governments and public and is a vital piece on the board.

The Persian Gulf

12. Our historical connection with the Persian Gulf enables us directly to maintain peace and stability in this otherwise potentially very unstable area, the location of so much wealth and the scene of so many rivalries. In our absence there would be a security vacuum which would be likely to do grave harm to political stability throughout the area and to the production and transportation of oil, as well as encourage a renewal of Soviet southward pressure. We alone can play this stabilising role because of the positions we hold along the eastern and southern shore of Arabia; it would not be possible for the United States or any other Western Power to take these over from us. The support of our military effort in the Gulf is one of the main reasons why we need the base at Aden and why the continuing involvement of Nasser in the Yemen, with its consequent stepping up of subversion in the South Arabian Federation, has caused us so much concern. Our presence in the Gulf is something which Nasser, and the Iraqis with an eye on Kuwait, would like to remove, but it remains fully acceptable to the Governments of the Gulf States and is supported by Iran and Saudi Arabia, both of whom would be greatly disturbed by a further advance of Nasser's influence which would be one likely result of our withdrawal. With the object of making our positions in the Gulf more secure and of anticipating pressure from local nationalist movements, we are actively engaged in modernising our relationship with the Sheikdoms, and this
involves keeping up pressure on the Rulers to modernise their own Administrations. Progress is steady and reasonably satisfactory in Bahrain and Qatar; it is inevitably slower in the Trucial States with their small populations and rudimentary Administrations, and depends on building up joint institutions, though this is difficult because of the local rivalries. We cannot however afford to stand still since Arab nationalist pressures from outside are already making themselves felt, using the channel of the Arab League. Our interest dictates that we should co-operate closely with Saudi Arabia, Kuwait and, so far as possible, Iran in trying to keep these pressures under control; it is unfortunate that no solution has yet been found to the long-standing dispute with Saudi Arabia over Buraimi since, although the Saudis are not actively pressing it at present, it remains a bone of contention.

13. I should add that the contribution which our forces make directly or indirectly to physical security along the southern shore of the Gulf (Trucial Oman Scouts and help to the Sultan of Muscat’s Armed Forces), is of particular importance in the new oil-fields which are now, or will shortly be, coming into production. Abu Dhabi, both onshore and offshore, shows every sign of becoming a major producer, and the production of oil in Oman from 1967 is now being prepared for.

Overflying

14. The need to maintain good political relations with the countries along both the southern and northern routes is my primary concern. I would hope that as the new Government in the Sudan settles down, it may gradually be possible to resume flights through and over the Sudan to Aden and further east. Relations with King Idris and the Government of Libya remain good and, provided there is no radical upheaval, for instance on the King’s death, we can look forward to a further period of using El Adem under our Defence Treaty with Libya; our military arrangements are being adapted, in agreement with the King, to reduce the size of our military presence in the country and to concentrate it in the eastern part of his Kingdom. Meanwhile the northern route has increased in importance and given new emphasis to the need for watching our relations with Turkey and Iran with especial care. One consequence of this re-orientation has been to bring into greater prominence the staging post at Masirah Island which we maintain by agreement with the Sultan of Muscat and Oman.

United States policy

15. In all important respects, United States interests in the Middle East are similar to our own. In terms of defence installations they are less directly involved, for only in Libya do they still have an air base and this is required mainly for training and staging purposes. Although, in absolute size, their oil interests are larger than ours, they are not so significant for the United States economy
either in terms of supplies or the balance of payments, in view of the large domestic United States oil production. For these reasons the United States position in the Middle East is somewhat less vulnerable than ours. On the other hand, they have been more directly involved in the Arab-Israel problem and for broad political reasons are just as concerned as we are with promoting stability in the area. For this reason we find it easy to co-operate with them on most problems, and it is particularly necessary for us to do so in view of the considerable influence they can exert in the area, because of their military and economic strength (they have been meeting 30 per cent of the U.A.R.'s grain requirements through their aid programme, and after 1957 they took over from us responsibility for the larger part of the assistance which our two Governments provide for Jordan). We have the opportunity to make a special contribution to the joint effort through our influence in South Arabia, the Persian Gulf and Libya, but in dealing with the Arab-Israel situation it is their military capability which in the last analysis provides Israel's ultimate security. Experience has shown that when the policies of the two countries in the Middle East diverge radically, our interests are liable to suffer. In recent years this has happened rarely, and only over the Yemen and our respective attitudes towards President Nasser has it brought us some embarrassment. Even here we have each been able to handle our separate policies in full understanding of the other. There is no longer the degree of Anglo-American rivalry in the oil business which caused some friction in the 1950s.

Conclusions

16. I consider we should pursue the following policies in handling the complex Middle East problems that confront us:

(a) Our aim should be to build up the best possible relationship with each of the countries of the area. We must make special efforts with those countries whose interests are particularly closely bound up with our own, but we should not neglect the others though we clearly cannot set our sights very high in the case of the U.A.R. The broad spread of work performed by the Ministry of Overseas Development with its out station in Beirut, and by the British Council, are valuable in showing our disinterested concern for the area as a whole, irrespective of political ups and downs.

(b) We should avoid getting involved in the internal disputes and conflicts in the area, to the extent that this is possible. It is clear that where we have commitments, e.g., to Iran, Libya or the States of the Gulf and South Arabia, we must fulfil them and this may on occasion, as happened when Iraq threatened Kuwait, or when as now the U.A.R. is stirring up trouble in the South Arabian Federation, draw us into taking sides. We should, however, keep such occasions to the minimum in order to avoid creating the enmities which increase our difficulty in defending our interests.
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(b) We should avoid getting involved in the internal disputes and conflicts in the area, to the extent that this is possible. It is clear that where we have commitments, e.g., to Iran, Libya or the States of the Gulf and South Arabia, we must fulfil them and this may on occasion, as happened when Iraq threatened Kuwait, or when as now the U.A.R. is stirring up trouble in the South Arabian Federation, draw us into taking sides. We should, however, keep such occasions to the minimum in order to avoid creating the enmities which increase our difficulty in defending our interests.
(c) In the particular case of the Arab-Israel situation, we should continue in the handling of current questions to preserve the position of non-partisan balance between the two parties and should encourage the maximum reliance by Israel on the United Nations as the channel through which she seeks outside help where necessary. We should at the same time, in conjunction with the United States Government, continue to help Israel obtain the defensive arms she needs; and should as necessary reaffirm to her our opposition to the use of force or threat of force in the Middle East and our intention to take whatever action we feel may be required should the peace be broken by the Arabs, as also our acceptance of a moral obligation, together with the Americans, to ensure her survival; but make it clear that the corollary is that Israel must not take any military initiatives either by openly pre-emptive attack or excessive retaliation to minor incidents for deterrent purposes.

(d) We should continue to support CENTO broadly along its present lines, going as far as we can to satisfy Iran and Pakistan without getting involved in an unnecessary and unacceptable development of its military organisation or the diversion of its activities to meet the local preoccupations of its regional members.

(e) We should maintain our presence in the Gulf as a peace-keeping and stabilising force in an area where a vacuum would create conflict and instability. We should continue the process of modernising our relationship with the protected States in Arabia with the aim of meeting legitimate nationalist aspirations and giving ourselves a better chance to maintain our positions in the area on a durable basis. We must of course, here as elsewhere, be constantly on the watch for any means of lightening our defence burden without weakening unacceptably our capacity to carry out our commitments.

(f) We should work in the closest possible co-operation with the United States Government, and should maintain close touch with other Western Governments with an interest in the Middle East, just as we do with friendly Governments in the region.

M. S.

Foreign Office, S.W.1.
THE PARLIAMENTARY COMMISSIONER

MEMORANDUM BY THE CHANCELLOR OF THE DUCY OF LANCASTER

A group of Ministers under my Chairmanship has been considering what proposals we should make to Parliament for establishing a Parliamentary Commissioner for administration (Ombudsman). I now recommend for the consideration of my colleagues a scheme on the lines set out in Part 1 of this paper. Part 2 of the paper sets out certain points which remain for decision.

PART 1

THE SCHEME

2. We want to try to secure that private persons do not suffer injustice from faulty administration on the part of the central Government. This is one of the functions of the Member of Parliament. Our proposal is to give him a better weapon which he can use for this purpose.

The Parliamentary Commissioner

3. The Commissioner, like the Comptroller and Auditor-General, would be appointed by Letters Patent, paid and pensioned from the Consolidated Fund, and secure from dismissal, except on a motion of Parliament. He would report annually to Parliament, and otherwise as occasion required. We assume that Parliament would set up a Select Committee to take his reports; but this would not be a matter for the Bill.

4. He would act only at the instance of a Member of Parliament* and only upon a complaint of personal injustice suffered by the complainant. There would be no obligation upon the Member to comply with a citizen's request that his complaint should go to

* The question whether this should include Peers, other than those with leave of absence, is considered in Part 2 of this paper, paragraphs 18-21.
the Commissioner, nor would the Member have to get the citizen’s consent to do so. The Member would decide his own course of action.

5. His aim would be to redress grievances; his quarry would be faults in administration; he would not be able to substitute his discretion for that of a Minister where he found no such fault, nor to criticise policy. We should have liked to have been able to give more positive guidance to the public about the exact nature of the cases which he would pursue, but we have found no satisfactory form of words for this purpose and we see no escape from leaving much to the discretion of the Commissioner himself.

Who could complain—

6. “Persons” who could complain would include not merely private individuals but also corporate persons, including companies, but not public bodies such as local authorities or the boards of nationalised industries.

7. A complaint would be in order if—
   (i) the complainant is lawfully resident here; or
   (ii) the matter complained of is treatment received while lawfully present here; or
   (iii) the complaint is about administration of a right or obligation arising from previous lawful presence here; or
   (iv) the complaint is about administration of a legal entitlement.

—And what about

8. The bodies whose acts or omissions would be subject to investigation by the Commissioner would be those listed in the Annex. The list is designed to enable the Commissioner to cover the whole field of relationships between the governed and the central Government. It does not extend to local government, the police, the National Health Services or the nationalised industries. The list would be open to amendment by subordinate instrument.

9. It is proposed to exclude the following from the purview of the Commissioner:
   (a) Matters within the competence of—
      (i) the courts (though the Commissioner would have discretion to act if he thought that the remedy open in the courts was not one which the complainant could reasonably be expected to use);
      (ii) tribunals and other quasi-judicial bodies;
      (iii) the Council on Tribunals. (To minimise the problem of deciding whether the Council or the Commissioner should take borderline cases, the Commissioner would be an *ex officio* member of the Council.)
   (b) Decisions whether or not to institute criminal proceedings.
   (c) The exercise of the Prerogative of Mercy.

CONFIDENTIAL
(d) The exercise of powers by the central Government in relation to investigating crime or preserving the safety of the State.

(e) Matters certified by the Foreign Secretary, Commonwealth Secretary, Colonial Secretary, President of the Board of Trade or Minister of Overseas Development to affect overseas relations and matters relating to the administration of a colonial territory.

(f) Purely commercial relationships of Departments with customers or suppliers (or would-be customers or suppliers). For the Post Office, this would be interpreted to cover all their dealings except as agents of other Departments or in relation to National Savings and to certain of their functions concerning wireless telegraphy.

(g) The employment of Crown servants (including former officers of countries gaining independence); and personnel matters, orders and discipline in the Armed Forces.

(h) The conferment of honours and privileges (such as grants of Royal Charters or the title Royal) by the Crown; and appointments by the Crown or by Ministers.

10. A case would ordinarily have to be raised within 12 months of the complainant becoming aware of the matter complained of, although the Commissioner would have discretion to waive this time limit.

11. While a case was being investigated by the Commissioner, it would remain within the discretion of the Minister concerned to proceed with action relating to it.

Powers of the Commissioner

12. The Commissioner would have power to take evidence on oath. This power would, we expect, be used infrequently; but it might prove important when the Commissioner was obtaining evidence from third parties. The Commissioner would have power to call for evidence from any party to a dispute, including the complainant whether or not his prior consent to the matter going to the Commissioner had been obtained by the Member of Parliament. The sanction to be invoked in the event of defiance of the Commissioner would be to refer the offence to the High Court (Court of Session in Scotland) for consideration as if it were contempt of that Court.

13. Ministers would be empowered to prohibit the Commissioner to publish or disclose evidence, on grounds of public interest or national security.

How the Commissioner would work

14. Normally, the Commissioner would begin with the evidence contained in the correspondence conducted by the Member of Parliament, which might be amplified by oral or written statements. If the Commissioner found that this was not enough, he would be able to ask for fuller explanations, written or oral, including details of correspondence exchanged in the case, and, in the last resort, for
the departmental file. (The problems that would arise if the Commissioner believed that relevant information which he could not otherwise obtain was contained in Cabinet or Cabinet Committee papers are examined in Part 2 of this paper, paragraphs 22–27.) Where the Commissioner was able to dispose of the complaint, with or without further action by the Department, there would be no question of his disclosing the content of departmental minutes to the complainant or to anyone else. But in the rare case where the Commissioner and the Department were unable to agree, so that the matter had to be referred to the Select Committee, the Commissioner might find it necessary to reveal information obtained from the files, or even from departmental minutes; but even in these circumstances Ministers would be empowered to prohibit publication of evidence on grounds of public interest or of national security.

15. The Commissioner's procedure would be flexible. In a normal case, we envisage that it would be on the following lines:

(a) The complaint would be made in the first place to a Member of Parliament. It would be for him to decide whether to invoke the Commissioner.

(b) If the Member of Parliament referred the case to the Commissioner, and the Commissioner decided to investigate it, he would in his discretion take evidence from both parties, and from any third party involved.

(c) If necessary, he would have access to the Department's file.

(d) Where the Commissioner had carried his inquiries as far as he could on the basis of action taken by officials and thought it necessary to take the matter further, he would bring to the Minister's notice any difficulty he had in reaching a conclusion. It would then rest with the Minister whether to provide him with an explanation. There might be a rare case where the Minister might decline to do so. Some convention would need to be established for handling such a situation vis-à-vis both the Commissioner and the Select Committee. But this would not be for the Bill.

(e) In a case where the Commissioner found nothing wrong, he would merely inform the Member. If he found there was justifiable cause for complaint, and the Department responded to his invitation to put it right, he would, again, inform the Member. So far as the Commissioner was concerned, this would be the end of the matter, save for his annual report to Parliament. There would be nothing to preclude a Member from raising any of these issues in Parliament.

(f) If the Department did not act to the Commissioner's satisfaction, he could report his conclusion to Parliament ad hoc. It would then be for Parliament (through any Committee set up for the purpose) to decide what action, if any, was called for on their part. The Bill would not determine this.
(g) The Commissioner would in any event submit an annual report to Parliament. In this he might well comment on defects in the system which had come to his notice as a result of investigating individual complaints, and it would be for Parliament, through its Committee, to consider how these matters should be pursued.

16. The Commissioner would be empowered to decide whether the parties could be legally represented; but since we want him to be seen by the ordinary citizen as someone to whom his case can go without formality or expense, legal representation should be the exception, not the rule. The Commissioner would have discretion to allow reasonable expenses imposed by his requirements on the complainant and on third parties. The procedure would not be within the compass of legal aid.

PART 2

POINTS FOR DECISION

17. There are two issues which my Committee thought should be reserved for decision by the Cabinet.

(a) Access through Members of Parliament; Peers and Commoners

18. My Committee first considered three broad possibilities:

(i) people should be able to go direct to the Commissioner, as a public institution, like the courts; or

(ii) they should be able to go direct to him only with the leave of their Member of Parliament or after failure on his part to satisfy them; or

(iii) he should be a Parliamentary institution, to be used by Members only.

We ruled out (ii): to give a citizen a right to seek redress and then to put the Member in a statutory position to veto, delay or qualify the exercise of that right seemed indefensible. While (i) escapes this objection, we have to reconcile the appointment of a Commissioner with the rights and duties of Members of Parliament without diminishing the valuable work they do on behalf of their constituents and the public generally. We decided, after long consideration, that (iii) would achieve this: just as the Comptroller and Auditor-General was created as Parliament's watch-dog over Government expenditure, so the Commissioner could be appointed as Parliament's watch-dog over administration. The Ombudsman in Britain would be brought within the framework of our Parliamentary practice, and we thought that public opinion would understand and accept that he should be a Parliamentary and not a public institution. He would be the means whereby Members would have the opportunity of better and more effective service to their constituents. This is what we have
recommended. But it also brought us to the question whether the Commissioner should be at the service of Peers (excluding those with leave of absence) as well as of Commoners.

19. As regards the position of individual Members in each House, it was argued, on the one hand, that to enable Peers to invoke the Commissioner would hardly be consistent with the view that we proposed to take of the Commissioner as a servant of Parliament, to be approached through the representative of the public in Parliament. Peers, though in some sense “representative” constitutionally, are not representatives of a constituency and people do not generally think of them in their representative capacity. On the other hand, it was pointed out that it is already the practice for Members to take up matters raised by persons not in their constituencies, and there would be difficulties in trying to impose a rule that no Member other than the constituency Member should ever refer the case to the Commissioner. In any case no such rule could be universal since there are persons with no constituency (for example, prisoners or residents abroad); and others with links with several constituencies (for instance, companies). Moreover, the complainant himself might be inhibited from seeking reference to the Commissioner if he could do so only through a constituency Member with whom he might not be in sympathy; or the Member might be embarrassed by a request to refer a case, if for instance, he were a Minister in the Department complained against. If this line of argument is accepted, the case for excluding Peers is materially weakened. Moreover, Peers already put Questions to Ministers about individual cases. If they were excluded from using the Commissioner they would be at a disadvantage in doing so compared with their colleagues in the other House, and this could lead to a clash between the two Houses, in which the Peers might well have public opinion on their side. There should be no difficulty in working a convention that any Member of either House who is not the constituency Member and who receives a complaint which he wants to refer to the Commissioner should tell the constituency Member about it.

20. As regards the position of the two Houses in the arrangements made for receiving and acting upon reports from the Commissioner, it would be for Parliament to set up whatever machinery it thought best to receive the Commissioner’s reports, but we assume that they are likely to set up a Select Committee. This body might occasionally need to seek evidence from a Minister; and a Minister might perhaps even find that he had to defend himself on the floor of the House. It may not be inconceivable that a Minister sitting in the Lords should be asked to give evidence to a Select Committee drawn wholly from the Commons; but there would be some awkwardness in a situation where strictures from such a Committee could be answered ultimately only on the floor of the other House. This would be avoided if the Committee were a joint Committee of both Houses; but then we should face the difficulty of balancing the membership of the Committee to represent both the Houses and the Parties.
21. The question is:
   (1) whether Peers should have access to the Commissioner;
   (2) whether the Commissioner's reports should be received by
       a Select Committee drawn only from the Commons or
       from a Select Committee of both Houses.

(b) Access of the Commissioner to Cabinet and Cabinet Committee
    papers and to the Cabinet Office

22. Cabinet or Cabinet Committee proceedings, being mainly
    concerned with policy, would not normally be relevant to the
    Commissioner's inquiries. But once in a while the matter might
    turn, for instance, on a Department's interpretation of a Cabinet
    decision.

23. We are agreed that there is no question of the
    Commissioner having access automatically to Cabinet or Cabinet
    Committee papers. The question is whether (i) there should be an
    absolute rule debarring the Commissioner from access to such
    papers, or (ii) there should be some procedure for giving him
    information from that source if ever he found himself unable to
    reach a decision without it.

24. Our general preference is for (ii), and for the following
    reason: though the exercise of discretion over access to Cabinet
    or Cabinet Committee papers could be embarrassing, so also could
    a report by the Commissioner that, while he thought there might
    have been defective administration, he could not be sure since the
    case turned on what was in those papers, and he did not have
    access to them.

25. Any discretion in this matter should rest with the Prime
    Minister. But the Commissioner should in any case be prohibited
    from publishing information from this source, or indeed anything
    that he might glean about Cabinet or Cabinet Committee
    proceedings from any other source, for example, from briefs on
    Departments' files.

26. Whether we debar the Commissioner from access to
    Cabinet and Cabinet Committee papers altogether or whether we
    allow it within the Prime Minister's discretion, the implication for
    the Cabinet Office itself is the same: it would be wrong to include
    it within the Commissioner's scope. This would almost certainly
    mean that it would need to be specifically excepted in the Bill.

27. The questions are:
   (3) whether there should be an absolute ban on the
       Commissioner having access to Cabinet or Cabinet
       Committee papers; or
   (4) whether the Cabinet Office, under the Prime Minister's
       direction, should control access by the Commissioner
       to those papers, providing information only to the
       extent that it was shown to be necessary and subject to
       an absolute ban on its disclosure by the Commissioner; and
   (5) whether the Cabinet Office itself should be excepted from
       the Commissioner's scope.
28. Subject to decisions on the questions put in paragraphs 21 and 27, I seek approval to the scheme outlined in paragraphs 2-16, and a decision on our next steps. There is considerable public and Parliamentary interest in the matter. Therefore, if a place cannot be found this Session for a Bill setting up the Commissioner, should we publish our proposals in a White Paper? If so, what should the timing be?

D. H.

Whitehall, S.W.1,
ANNEX

SCHEDULE OF DEPARTMENTS TO BE SUBJECT TO THE
PARLIAMENTARY COMMISSIONER

Ministry of Agriculture, Fisheries and Food
Ministry of Aviation
Office of the Chancellor of the Duchy of Lancaster
Civil Service Commission
Colonial Office
Commonwealth Relations Office
Crown Estate Office
Customs and Excise
Ministry of Defence
Department of Economic Affairs
Department of Education and Science*
Export Credits Guarantee Department
Foreign Office
General Register Office
General Registry Office, Scotland
Ministry of Health
Home Office
Ministry of Housing and Local Government
Central Office of Information
Inland Revenue*
Ministry of Labour
Ministry of Land and Natural Resources
Land Registry*
Lord Chancellor's Department*
Office of the Lord Privy Seal
National Assistance Board
National Debt Office
Ordnance Survey
Ministry of Overseas Development
Office of the Paymaster General
Ministry of Pensions and National Insurance†
Post Office
Ministry of Power
Department of Procurator-General and Treasury Solicitor
Ministry of Public Building and Works
Public Record Office
Public Trustee*
Department of Registers of Scotland
Registry of Friendly Societies*
Royal Mint

* Except judicial and quasi-judicial elements and the offices of courts or tribunals.
† Except administration of the King's Fund, of which the Minister is managing trustee.
Scottish Office
Department of Agriculture and Fisheries for Scotland
Scottish Development Department
Scottish Education Department
Scottish Home and Health Department
Scottish Record Office
Her Majesty's Stationery Office
Ministry of Technology
Board of Trade
Ministry of Transport
Treasury and subordinate departments* (other than the Cabinet Office)
Office of the Minister without Portfolio
Welsh Office

To be set up:
Land Commission

* Except judicial and quasi-judicial elements and the offices of courts or tribunals.
Scottish Office
    Department of Agriculture and Fisheries for Scotland
    Scottish Development Department
    Scottish Education Department
    Scottish Home and Health Department
Scottish Record Office
Her Majesty's Stationery Office
Ministry of Technology
Board of Trade
Ministry of Transport
Treasury and subordinate departments* (other than the Cabinet Office)
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To be set up:
Land Commission

* Except judicial and quasi-judicial elements and the offices of courts or tribunals.