151 - Housing Programmes 1965-70: Draft White Paper. Memorandum by the Secretary of State for Wales and the Minister of Housing and Local Government

152 - The Scottish Housing Programme: Draft White Paper. Memorandum by the Secretary of State for Scotland

153 - London Transport Fares. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

154 - Armed Forces' Pay. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs and the Chancellor of the Exchequer

155 - Public Schools. Memorandum by the Secretary of State for Education and Science

156 - Trial General Speed Limit of 70 M.P.H. on All Roads. Memorandum by the Minister of Transport

157 - Earnings-Related Short-Term Benefits: Implications for the Public Sector of the Proposed Change in the Basis of Contracting Out. Note by the Chief Secretary, Treasury

158 - Armed Forces Pay. Note by the Secretary of the Cabinet

159 - Rate Rebates. Memorandum by the Minister of Housing and Local Government

160 - Rate Rebates. Memorandum by the Chancellor of the Exchequer

161 - Rhodesia: Help for Loyal Civil Servants. Note by the Secretary of State for Commonwealth Relations

162 - Fairfield Shipbuilding and Engineering Co. Ltd. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

163 - Proposals for Intensified Financial Measures against Rhodesia. Memorandum by the Chancellor of the Exchequer

164 - The Adult Offender: Draft White Paper. Memorandum by the Secretary of State for the Home Department

165 - Fairfields Shipbuilding and Engineering Co. Ltd. Memorandum by the Chancellor of the Exchequer

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

167 - Earnings-Related Short-Term Benefits: Contribution Liability and Contracting Out. Memorandum by the Chancellor of the Duchy of Lancaster

168 - London Transport. Memorandum by the Chancellor of the Duchy of Lancaster

169 - Public Expenditure: White Paper. Note by the Chancellor of the Exchequer
170 - Housing Programme 1965-66. Memorandum by the Minister of Housing and Local Government

171 - London Transport. Memorandum by the Minister of Transport

172 - Housing. Memorandum by the Chancellor of the Exchequer

173 - Diplomatic Relations with the Vatican. Memorandum by the Secretary of State for Foreign Affairs


175 - Negotiations for a Free Trade Area Agreement with the Irish Republic. Memorandum by the Secretary of State for Commonwealth Relations

176 - Proposals for Reshaping National Assistance. Memorandum by the Minister of Pensions and National Insurance

177 - Road Safety Legislation: Draft White Paper. Memorandum by the Minister of Transport

178 - School Meals. Memorandum by the Chancellor of the Duchy of Lancaster

179 - Commercial Policy: Imports of Broiler Chickens from Denmark. Memorandum by the President of the Board of Trade and the Minister of Agriculture, Fisheries and Food

180 - Space Policy Review. Memorandum by the Minister of Aviation

181 - The Scottish Economy 1965-70: Draft White Paper. Memorandum by the Secretary of State for Scotland

182 - Scottish Teachers' Salaries. Memorandum by the Secretary of State for Scotland

183 - Fairfields Shipyard. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

184 - Leasehold Reform. Memorandum by the Lord President of the Council

185 - Leasehold Reform. Memorandum by the Lord Chancellor, the Attorney-General and the Solicitor-General

186 - Leasehold Reform. Memorandum by the Minister of Housing and Local Government

187 - Scottish Teachers' Salaries. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs
12th November, 1965

CABINET

HOUSING PROGRAMMES 1965-70: DRAFT WHITE PAPER

Memorandum by the Secretary of State for Wales and the Minister of Housing and Local Government:

We seek the Cabinet's approval to early presentation of a White Paper in the terms of the draft circulated herewith.

2. The White Paper is intended to serve two main purposes:

   (i) to set out the measure of agreement reached in the discussions the Minister of Housing has had over the past several months with representatives of the builders and the building societies, local authorities and insurance companies about arrangements to use the level of mortgage advances as a means of regulating the volume of private house-building; and

   (ii) to explain and put in perspective the Government's decision to increase the amount of subsidy on housing provided by public authorities.

3. We hope that it will be possible to present the Paper during the week beginning 22nd November. The date of presentation will determine commencement of the new subsidies, to be provided for in the Bill we hope to introduce early in December; and as some authorities appear to be holding up submission of housing proposals the sooner the White Paper can be issued the better.

4. Since the draft paper was prepared we have thought it advisable to include some more specific reference to Wales. We suggest insertion of the annexed additional paragraph after paragraph 7.

5. The Secretary of State is proposing a separate White Paper for Scotland.

J. G.
R. H. S. C.

Whitehall, C.W.1.
12th November, 1965
8. In Wales despite the fact that houses are being completed in record numbers at the present time there is still a very considerable housing problem—in the larger towns, in the older industrial areas, and in rural areas. The immediate problem of the shortage of dwellings, the replacement of unfit dwellings and the provision of dwellings for the growing number of families and to encourage industrial mobility must be tackled with even greater vigour than has been shown in recent years because the 1970's will bring Wales face to face with the big and difficult task of replacing unfit houses in very large numbers. Table 17.2 in the National Plan\(^{(1)}\) shows that the percentage of dwellings over 80 years old is higher in Wales than in Scotland or in any region in England. Whilst some of these dwellings are capable of improvement to bring them up to modern standards there can be little doubt that the bulk of them will have to be replaced. This points to an urgent need to increase still further the annual housing programme in Wales, and this will be done in line with the increase planned for England and Wales as a whole.

\(^{(1)}\)The National Plan (Cmd. 2764) Chapter 17.
Half a million houses a year

1. As was announced in the National Plan (1), the Government intend to give a greater priority to housing than it has had for many years. The rate of building will be pushed up as fast as resources and improving techniques allow. In 1964, 383,000 houses were completed (United Kingdom). The first objective is to reach half a million houses a year by 1970. Even that, however, will not be enough; partly because of the accumulated pressure of bad and insufficient housing; partly because as standards of living rise, families will demand and be prepared to pay for more space and better housing. The 1970s should see still bigger programmes.

2. By comparison with the performance of other Western European countries, a programme of half a million houses a year within 5 years is modest (2). There are always difficulties in making such comparisons - quality of building and standards of space come into the reckoning as well as numbers. Needs, too, vary in both extent and kind from one country to another. However, the number of new dwellings built annually per 1,000 population does give some broad basis for comparison. On this basis, the U.K. record has in recent years been almost the worst. Sweden and West Germany in 1961-63 both built more than half as many houses again as the U.K. in relation to population. The evidence suggests that the most successful housebuilding countries lead the U.K. at least partly because they have chosen to devote a greater proportion of their national resources and of their capital investment to housing.

(1) The National Plan (Cmnd. 2764) Chapter 17.
(2) See Appendix 4.
3. A target of half a million houses a year is also modest in the light of the housing needs. In Great Britain some 3 million families still live either in slums, in near slums or in grossly-overcrowded conditions. At present information about needs is inadequate; and of course they differ in different parts of the country. Information is being improved (1). Broadly, however, the requirement for new houses over the next few years can be summarised as follows:

**Needs existing now**

(i) about 1 million to replace unfit houses already identified as slums;
(ii) up to 2 million more to replace old houses not yet slums but not worth improving;
(iii) about 700,000 to overcome shortages and provide a margin for mobility.

**Needs arising annually**

(iv) 30,000 a year to replace the loss caused by demolition - road widening and other forms of redevelopment; and
(v) 150,000 a year to keep up with new households being formed in the rising population.

4. These broad estimates are based on the housing standards applied in recent years. Housing standards will rise as standards of living rise, and the estimates represent minimum requirements. Even so, they show that getting on for 4 million houses are required now to replace slums and near slums and to meet shortages. In addition there is a continuing need for some 180,000 new houses each year just to keep up with the growing number of households and losses from demolition.

5. In order to reach the half million figure there must be a common plan to which all concerned with housebuilding can work. Such a programme is large both in relation to the existing capacity of the housebuilding industry and by comparison with past performance. Housing, which occupies over 40% of the

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(1) See Appendix 3.
labour force in the construction industries (some two-thirds in new housebuilding) is the biggest single element in the demand on those industries; and it is, of course, in direct competition with numbers of other building programmes which are of great economic and social importance. In the last four years, the annual rate of housebuilding in the United Kingdom has risen very steeply - from 303,000 in 1961 to 383,000 in 1964. This increase was not achieved without considerable overheating of the construction industries and the consequent slowing down of completions owing to shortages of labour and materials. A further big increase by 1970 - from under 400,000 to 500,000 - will be a formidable undertaking. It is plain that growth at this rate can only be steady and continuous if the Government lays down a clear system of priorities and bases a plan of action on them. This plan must take account both of the variety of differing needs, in differing regions, and of the available resources; and if it is to succeed it must command the confidence of all concerned in housebuilding - especially the construction industries, the building societies and other finance agencies, and the local authorities.

Regional implications

6. The circumstances of housing in Scotland differ in a number of ways from those in England and Wales, and this affects the nature of the Government action required. The remainder of this paper is concerned with England and Wales (as are all the figures, unless otherwise stated); the programme for Scotland is the subject of a separate paper which is being presented concurrently by the Secretary of State(1).

7. Housing conditions are much worse and the need for additional housing more acute in some parts of England and Wales than in others(2). It will be the Government's aim to increase the building programme fastest in the regions where housing needs are greatest - where existing housing is exceptionally bad or

(1) Reference
(2) See National Plan: p.173 and Table 17.2
inadequate or where new housing is wanted to assist economic growth. As was stated in the National Plan the public housing programme will be geared to the needs of the different regions; and in addition the Government will discuss with the representatives of building societies and builders how the rate of building for owner-occupiers might be increased in the regions where house ownership is relatively small. There is still a great deal of work to be done on identifying regional and local housing needs, and in doing this the Government will expect to have great help from the Economic Planning Councils.

Balance between houses for owner occupation and houses to let

6. As has been said above, a common plan is needed in order to reach the half million figure. It is also needed to ensure that a proper balance is maintained between building by private developers, mainly for owner occupation and building by public authorities to let. In the last 15 years the balance has fluctuated wildly; as is illustrated in the accompanying graph. The fluctuations have not reflected any considered view of housing needs. Private enterprise has built as many houses as it could sell — within the limitations imposed by scarcity of building land in the areas of keenest demand. Public authorities have built what they could afford with the aid of subsidies whose value has steadily been eroded by rising costs. 9. The question what balance should be aimed at between building for owner-occupation and building to let is obviously difficult; and the answer can only be a matter of judgement. But the judgement has to be made. Unless it is made, and both public authorities and private agencies know what number of houses they are expected to build, there is no guarantee that the total programme will be carried out. Performance may fall short, or it may over-run; and if it over-runs, builders in both sectors will simply find themselves competing for scarce labour and materials — beset by all the familiar troubles associated with over-loading. The Government have in any event to settle the size of the public programme — that is, the number of houses they will authorise public authorities to build; and they must do this, within limits, for some years ahead in order to give local authorities the forward programmes they need for efficient forward organisation. In deciding this the Government must make the best judgement they can of what, within the total
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DWELLINGS COMPLETED YEARLY FROM 1950
GREAT BRITAIN

THOUSANDS

All Dwellings

Public Authorities

Private Sector

programme, would be a reasonable division between the public and the private sectors, having regard to the social needs.

10. There is a large and increasing demand for more houses for owner-occupation. In 1951, about 3,800,000 out of 12,390,000 dwellings were owner-occupied - 31% of the total. By the end of 1964 the proportion had risen to 47% - 7,200,000 out of 15,370,000. Part of this increase resulted from the growing number of new houses built for sale each year; the annual rate rose from 21,000 in 1951 to 210,000 in 1964, and during the 14 years 1,700,000 houses were built privately. Part was due to a turnover of existing rented houses to owner-occupation. Since the Rent Act of 1957 a million houses have fallen out of private renting, often sold either to sitting tenants or to young couples in search of a house. This active demand for home ownership shows no sign of abating, and the housing plan must meet it. Indeed it must go further, and take account of what is probably an even larger suppressed demand for owner-occupation among the many families who cannot quite afford a mortgage on present terms.

11. While the Government must provide for a steady growth of building for owner-occupation, it would be criminal, at the present time, not to allow for an even faster growth of building to let. Shortage falls heaviest on those least able to pay a high price for their homes. The families in the really bad housing conditions - in the slums, overcrowded, in multi-occupation - are, in general, families who can only afford to rent, and who in most cases can not afford to pay an economic rent. The growing number of separate households also presses hard on what rented housing there is; for many young couples and for many old people owner-occupation is not possible. In particular, the conditions of housing in big cities make the provision of a large pool of houses to let at rents below the profitable level an urgent social necessity.

The Milner Holland Committee which reviewed the London Housing situation (1):

"There is an acute shortage of rented housing in London and many difficulties and hardships arise from it. The number of households whose housing conditions cause hardship is substantial, and greatest in Inner London; and we have identified certain areas where, contrary to the general improvement in conditions, hardship is severe and increasing. The people most affected are those with low incomes who have neither a controlled nor a council tenancy - families with several children, newcomers to London, and a smaller but growing number of elderly people."

12. The experience of recent years has clearly demonstrated that the shortage of rented accommodation will not be overcome by a revival of private landlordism. In 1957, immediately before the Rent Act, the number of privately rented houses numbered some 4½ million. By the end of 1964, the total had dropped to less than 3½ million. De-control failed to increase the pool of private rented houses; it did not even halt its decline. This would have mattered less if the provision made by public authorities, who build almost entirely for letting, had matched the need; but in fact public sector housing programmes have been quite inadequate. From 1951, when 150,000 houses were built by local authorities, public sector housing rose to a peak of 221,000 in 1954. Then it fell away year by year until it reached the low level of 98,000 in 1961. From this it has risen to 126,000 in 1964. Meanwhile in the private sector there has been practically no building to let. The conclusion is clear. We are faced with an ever growing shortage of accommodation within the means of poorer families; and the growth of owner-occupation can do very little to relieve it. The only remedy is an increase in public sector building.

13. The Government have considered what the aim should be in the public sector over the next 5 years, and have concluded that public authorities should be producing somewhere near 250,000 houses in 1970 (U.K.). With the new subsidy arrangements (see paragraphs 30 to 34 below) the public..."
authorities should be able to achieve this. Already a start has been made on a rising public programme, and public authorities will build substantially more houses next year than this.

14. But once the country has overcome its huge social problem of slumdom and obsolescence, and met the need of the great cities for more houses let at moderate rents, the programme of subsidised council housing should decrease. The expansion of the public programme now proposed is to meet exceptional needs; it is born partly of a short term necessity, partly of the conditions inherent in modern urban life. The expansion of building for owner occupation on the other hand is normal; it reflects a long term social advance which should gradually pervade every region.

15. The Government have discussed the proposed overall house-building programme, and its broad division between houses for sale and houses to let, with the representatives of the building societies and of the builders. Both societies and builders recognise the advantages of forward planning; and they welcome the Government's intention to increase the total production of houses to half a million a year by 1970. They have stressed that if this target is to be achieved the confidence of private house builders needs to be strengthened, particularly in relation to the availability of land (on which see paras. 21 to 25 below); and the Government accept this. It is a main object of the present plan to give confidence to all concerned in housebuilding.

16. The representatives of the building societies and the builders have also accepted the Government's intention to achieve, over the next few years, a rising public programme to deal with the slums and urban renewal and to meet the needs of the great cities for more rented houses; provided that targets are flexible and subject to a tolerance - which so far as the private sector is concerned they thought should be 10% or so on either side.

17. It is the Government's intention that the total housebuilding programme, and its broad division between houses for owner-occupation built by private developers and houses to let built
by public authorities, should be kept under regular review with the interests mainly concerned - the builders, the building societies and the local authorities. The representatives of the building societies and the builders agree that this should be extremely valuable to all concerned in the formulation of future programmes. If it appears in the course of the reviews that still better progress could be made without over-heating, the forward programmes could be increased. Equally of course if there are signs of over-heating they may have to be slowed down. A watch will be kept on the balance between the public and the private sectors and the extent to which they are satisfying needs; and if it seems that changes should be made in the balance envisaged for future years, that can be discussed and the forward programmes can if necessary be adjusted. Neither the total programme nor the balance can be precise or immutable; they are intended as an indication of what the Government believe should be achieved and a basis on which all concerned can plan with confidence their own contribution.

**THE PLAN FOR ACHIEVING THE OBJECTIVES**

18. The essential requirements for carrying through the programme outlined above may be summarised as follows. Some of the requirements affect both the private and the public sectors; some relate mainly to the private sector; some to the public.

(a) control of less essential building to give housing top priority - along with industrial building, schools and hospitals;

(b) expansion and modernization of the construction industries;

(c) making the necessary land available in good time;
(d) machinery for reviewing the forward programme and for settling the balance between houses to let and houses for owner occupation.

(e) measures for ensuring that quantitative increase of houses built by private developers for sale is accompanied by a steady improvement in quality as well as protection for the owner-occupier against jerry building;

(f) stimulation of the planned growth of owner-occupation by financial measures designed to widen its economic basis.

(g) re-organisation of the subsidy system to provide a sound financial basis for public authority housing, and to ensure that the new more generous subsidies are used to improve the quality as well as the quantity of this housing;

(h) measures to enable local authorities to take full advantage of industrialised building, and so to increase the output of the housebuilding industry;

(i) programming of local authorities' building by a system of regional and local allocations designed to give first priority to relieving shortages of houses to rent in the conurbations;

(j) measures to be worked out in consultation with the local authorities for formulating the rent and tenancy policies required to gear local authority housing to social need.
These requirements are considered in more detail in the following paragraphs.

Control of less essential building

19. Top priority for housing - along with industrial building, schools and hospitals - can only be secured by curbing the demand made on the construction industries for less essential purposes. The means of curbing excess demand did not exist when the Government took office last autumn. Hence the need first to impose an immediate ban on office building in London and then to replace it by a system of flexible controls. This system has been brought into being by the Control of Office and Industrial Development Act 1965. In order to cover the whole field of less essential building it was decided last July to institute a licensing procedure for privately sponsored construction projects of the value of £100,000 or over, outside the development districts. The legislation required to regulate priorities in this field will be introduced during the current session. Priorities within the public sector can be determined through the normal arrangements for settling the main programmes and secured so far as local authorities are concerned by loan sanction control. In recent years too much work has been started, and in particular some less essential work has been permitted to compete with the priority programmes. Under the new system of tightened control of public expenditure announced by the Chancellor on 27th July\(^{(1)}\) last, the priorities within the public sector are being defined so as to ensure that the vital programmes are not frustrated or hampered by work of less economic or social importance. Without these new methods of curbing, throughout both the private and the public sectors, building which the country

\(^{(1)}\) Hansard 27th July 1965, Cols. 228 to 232
can afford to postpone, it would be impossible to achieve a steady expansion of new housebuilding to a rate of half a million a year.

The construction industries

20. As explained in the National Plan, it will not be easy for the construction industries to meet the expected rise in demand up to 1970. A special problem will be presented by the shortage of manpower throughout the economy in the later years of the Plan period. The 1970 demand can therefore only be met by a continuing increase in productivity. This involves action on a very wide front, including the organisation and planning of the design and construction processes, with the use of the best management techniques; the speedy adoption of improved constructional methods and materials; more and better training at all levels; more research and development work and much wider dissemination of the results. The Ministry of Public Building and Works are generally responsible, in consultation with other Departments, for whatever governmental action is needed to increase productivity in the construction industries; and Economic Development Committees have been set up for the civil engineering and building industries - under the chairmanship of Sir Jock Campbell - charged with the task of working out ways and means of ensuring that the 1970 targets are met. These industries, perhaps more than most, depend for their progress and efficiency on the long-term planning of demand. The assured expansion of the housing programme is thus one of the conditions of its own achievement.

Land

21. A sharply stepped up housing programme requires a correspondingly enlarged programme of land allocation and acquisition. In order to plan their programmes, both local authorities and the bigger private builders need to know
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...
several years in advance where they are going to build. This means that sufficient land must be allocated to housing in development plans if developers are to acquire the land they need in good time. Just as there has to be a rolling building programme reviewed annually, there must be a rolling land programme which will make it possible for land acquisition to keep well ahead of housing starts. Nationally and regionally, planning machinery is now being built up which will identify land requirements in good time and ensure that every planning authority knows what is required in its area, and makes provision for it. Settlement of regional plans - which must look 15 to 20 years forward - through this new machinery of planning will take time. Meanwhile a start has been made on ensuring continuity of land supply over the next ten years.

22. Inside Greater London, land is already being made available for a local authority housing programme averaging 30,000 houses a year over the next 4 years. But this will provide only a fraction of the extra accommodation needed for Londoners. Much more has to be provided outside Greater London, where one million Londoners must be found houses by 1981. A further instalment of planned expansion schemes has already been announced for Ipswich, Peterborough and Northampton, and a large new city is to be built in North Buckinghamshire. These proposals should provide accommodation for an extra 280,000 people by 1981, the great bulk of whom will be Londoners. Apart from this ambitious second round of new towns, planning authorities throughout the South East will shortly be told the populations for which they must plan land requirements in their areas over the next 16 years.
23. Outside London, similar plans are being worked out region by region. For example, a new city is to be built in the Leyland-Chorley area; and the development of a large new satellite community at Chelmsley Wood adjoining Birmingham is already under way. Further new towns and expansion of existing towns will be needed; and a wide range of possibilities is under examination.

24. Local authorities and new town corporations have power to buy land—compulsorily if need be—for housebuilding whether by themselves or, where private developers need their help, for them. Private developers have experienced great difficulty in getting an assured supply of land in some areas; and in the new and expanded towns of the future much more land will be allocated to building for owner-occupation. Development corporations and local authorities will be encouraged to invite the co-operation of private developers in achieving a balanced housebuilding programme. Generally local authorities will be asked to work out the housing needs of their areas in terms of houses for owner-occupation as well as of houses to rent; and where necessary to use their powers so that private builders can acquire in good time the land they must have if they are to carry out their part of the programme.

25. This will not, however, suffice to make sure that the necessary land is always available to public and private developers as and when they need it. A national agency is required, which can assemble land in quantity, well in advance, and see that it is opened up for development. The Land Commission which the Government have already announced(1) will be able to do this. It is to have wide powers to buy land in order to provide development; and these powers will be used to help both private developers and local authorities. The existence of the Commission will ensure that land is forthcoming as and when needed to sustain the expansion of the housing programme.

(1) Cmd. 2771.
Reviewing the overall programme and its components

26. Final responsibility for settling both the total programme and its broad division into constituent parts must be the Government's. But the carrying-through of the programme depends on the local authorities, the construction industries and the financial agencies, notably the building societies; and the programme will be achieved only if all concerned understand what is wanted and work within the plan. Hence the Government's intention, made clear above, to settle forward programmes in consultation and, it is hoped, in agreement with representatives of all those interested, and to keep the plan under constant review with them. The construction industries, in particular, have been badly affected in the past by want of confidence, which has discouraged investment in new plant and methods and has contributed to periods of over-load and to price inflation. In order to give the building and financial interests and the local authorities adequate assurance about long term prospects, it is intended that the programmes should cover several years ahead, although the size of the increases planned for the later years will need to be provisional, at any rate to begin with. As the sources of information improve it will be possible to review and refine these forward forecasts.

27. The discussions which have been held with the representatives of the building societies and the builders (paras 15 to 17 above) have also covered the means of ensuring that the amount of building done in the private sector corresponds, broadly, with the amount expected and allowed for in the overall plan. It has seemed to the Government that the most satisfactory way of doing this would be for the building societies to agree in advance on the amount of capital they will advance year by year for new building: corresponding arrangements being made with the other main lending agencies - the insurance companies and the local authorities. The representatives of the building societies and builders, once they were satisfied that the Government envisaged growth in the private sector as well as in the public, agreed that it would be sensible to plan the rate to which it should grow; and they are now exploring with the Housing Departments the practicability of ensuring that growth is at the planned rate - on the understanding to which reference has already been made, that targets should be flexible and subject to a good measure of tolerance.

The Standard of private housebuilding

28. The National House-Builders Registration Council was established to set standards and to control by inspection and
certification the standard of private housebuilding. In recent months, with encouragement from the Government, the Council has raised its requirements and substantially increased the protection offered by its scheme. One weakness remains. Building firms which subscribe to the scheme do so on a voluntary basis; at present only about 30% of all new private houses are covered. The Government understands that the Council are exploring with the Council of the Building Societies Association the possibility of making adherence to the scheme a condition for a building society advance on a new house. The Government are determined to ensure that houses for owner-occupation are built to acceptable standards and that purchasers are protected against shoddy work. Since they would prefer these results to be secured by voluntary action on the part of the agencies concerned with constructing and financing private housebuilding, they will await the conclusion of the discussions between the two Councils before considering what further action may be needed.

Help to owner-occupiers

29. The Government strongly support the movement towards extended owner-occupation which brings with it a standard of maintenance and repair by no means always found in privately rented houses. As soon as the country's economic situation allows they will publish their plans for bringing owner-occupation within the reach of more families. They have already announced in the White Paper on the Land Commission that the Commission will be able to dispose of land for owner-occupied housing on favourable terms.

The finance of public sector housing

30. Present rates of housing subsidies are inadequate even for the present rate of housebuilding. They were settled in 1961; and even then they had no relationship to the cost of building.
The worst trouble which has beset the local authorities has been uncertainty about interest charges, which account for a very substantial part of each authority's annual costs on new housing. This uncertainty, and the high rates of interest prevailing in recent times, have made forward programming very difficult. Another trouble has been that the present subsidy structure does not sufficiently allow for the fact that the cost of building, including land cost, is necessarily higher in some areas than in others. In devising a new subsidy structure the Government have therefore had two main objects in view. First, to provide a stable financial basis for housing programmes by eliminating uncertainty about interest rates. Second, to see that high costs attract proportionately higher subsidy. They have accordingly decided to introduce a subsidy based on a 4% rate of interest and will introduce legislation to provide for this.

31. In place of the existing basic subsidy, normally of £24 a dwelling, each local authority will receive a basic subsidy on newly completed houses, calculated so as to produce broadly the same effect on its housing accounts as though the loan raised to finance their construction (including land and site costs) had borne interest at 4% per annum. This will mean a substantial increase in the subsidy. Even so local authorities with big housing needs will have to charge rents which are related to the capacity of their tenants to pay if they are to secure the proper use of their whole housing pool (see para.40). Supplementary subsidies will be paid for building on expensive sites, building high, using
local materials to preserve the character of an area, precautions against subsidence, and building for overspill. Provision will be made to give additional help to local authorities which have particularly heavy housing commitments (including those resulting from meeting the needs of incoming industry) in relation to their rent and rate resources. Further details are in Appendix 1.

32. The basic interest rate subsidy, being related to the capital cost of completed houses, will vary with that cost; and, of course, it will vary with the prevailing rates of interest. Direct comparison with the present subsidies, which are payable on a unit basis, is therefore not possible but comparisons related to some typical cases are given in Appendix 1. Subsidies for new town development corporations and housing associations will be improved along the same general lines.

33. **The new subsidies will apply to all houses for which a tender is accepted by a resolution passed following the date of presentation of this Paper.**

34. The Government intend that the improved subsidies should be used to raise housing standards. They will expect local authorities, new town corporations and housing associations normally to incorporate in new designs and the space and heating standards recommended by the Parker Morris Committee\(^\text{(1)}\). A growing number of local authority houses already incorporate them – 46% of dwellings approved in the first quarter of this year were designed to the full space standards and 61% to the heating standards. The Government believe that many families will increasingly be prepared to pay higher rents for better (and warmer) houses, and that long before the life of today's houses come to an end the Parker Morris standards will be regarded as the minimum which every house should reach.

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\(^{(1)}\) Homes For Today and Tomorrow 1961.
Industrialised Building

35. Housebuilding must be increasingly industrialised to get the number we need. This involves the use by the industry of improved techniques of construction, handling, site organisation and management. It means also the thorough organisation and timing of the whole process by the client, designer and construction team. Industry has put much effort into development work and capital investment and the Government intend to produce conditions for industrialised systems to operate effectively and on a growing scale.

36. Confidence in the level of demand is essential. It can best be generated by setting forward programmes and stabilising the financial basis through the new subsidy arrangements. Authorities' readiness to use industrialised methods will be a factor taken into account in deciding the level at which their programmes will be set. Rational organisation of the market is also necessary to take advantage of industrialised techniques. Grouping of demand and the wider use of common designs will be helped by the general adoption of Parker Morris space and heating standards.

37. Advisory services to housing authorities have been stepped up to help them get the best architectural and economic results. A pattern of collaboration with the National Building Agency is being worked out and advice will shortly be given to authorities on how they can increase and improve the use of industrialised methods. Appendix 2 gives information on progress so far and lists the support services available to authorities.

Local authority programmes

38. Local authority housing will be controlled through the rolling four-year programmes initiated earlier this year(1). The Government intend that the total public programme should be allocated according to the needs of the different regions; and within each region according to the priority attaching to

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(1) Circular No. 21/65 (England); Circular 2/65 (Wales).
particular local needs. These allocations will take account of the emerging picture of regional and local housing situations resulting from improved information about housing needs and demands. (See Appendix 3). Meantime first priority will be given to relieving the acute shortage of houses to rent in the conurbations - especially in areas which attract newcomers including immigrants from the Commonwealth - and to clearing the great concentrations of slums.

Tenancy and rent policies

39. Provision of more council houses must be accompanied by policies for allocating tenancies and for determining rents which ensure that the extra houses fulfill the social purpose for which the subsidies are provided. The responsibility for allocating tenancies is a local one. Rightly so, since local knowledge must guide those who have the difficult task of deciding an order of priority among families whose housing needs differ only in the degree of hardship under which they are living. But the allocation of local authority houses can give rise to considerations which are not wholly local in character. An excessively local approach to need - especially an insistence on a lengthy period of residence in the area as a condition for getting a tenancy - can operate very harshly. This applies particularly to the housing of immigrants and ex-servicemen. Insistence on residential qualifications must also impede industrial mobility.

Excessive residential qualifications were criticised in 1955 by the Central Housing Advisory Committee (1) and their criticisms were endorsed by the Milner Holland Committee in their report on London Housing(2).

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(1) Residential qualifications 1955; Fifth report of the Housing Management Sub-Committee of the Central Housing Advisory Committee.

40. Rent policies are also for local decision. But if the extra subsidies now to be provided are to be used, as they should be, to relieve those with the greatest social need, these policies should reflect the fact that the financial circumstances of council tenants vary widely. This means that subsidies should not be used wholly or even mainly to keep general rent levels low. Help for those who most need it can be given only if the subsidies are in large part used to provide rebates for tenants whose means are small. A number of authorities have had the courage to adopt thorough-going rent rebate schemes and have found that it does not entail raising general rent levels beyond the means to the majority of their tenants. The more generous subsidies now to be provided create an opportunity for all authorities to review their rent policies along these lines. In doing so, they will be able to take into account the higher standards of accommodation which will increasingly be provided with the aid of the new subsidies. On both matters - tenancy and rent policies - there will be consultations with the local authorities.

The existing housing stock

41. This Paper is concerned primarily with the house-building programme. But it is important too that more should be done to improve the condition of existing houses. A proper share of building resources must be devoted to the maintenance and repair of older houses and to stepping up the rate of improvement.

42. The number of dwellings improved annually remains obstinately at the disappointing level of 125,000 or so. The Government will encourage local authorities to greater efforts
in promoting house improvement coupled with improvement of whole areas— including better street lighting, play areas, parking space and so on. For each town there ought to be a considered programme of renewal and conservation, area by area, taking account of the physical conditions of the houses and possible road and traffic requirements. Meantime in most large towns and cities there are districts of old, structurally sound, houses lacking baths, hot water and inside lavatories, which could be identified, in advance of a comprehensive plan for the whole town, as worth conserving, and which would well repay, in terms of better living, the effort involved in improving both the houses and the surroundings.

43. Maintenance and improvement is the field for the smaller builder; many small firms engage entirely in this type of work. Productivity is generally lower than in new building and the scope for industrialisation is less. But there is room even here for improved techniques. For example, progress has been made in developing prefabricated plumbing and bathroom units which can be used in house improvement. Output in improvement work should rise as it is organised more and more on an area basis.

44. The Government are seeking by forward planning of the whole housebuilding programme to ensure steady growth, while avoiding the risk of setting up inflationary pressures. In doing this they must also have regard to the effort which must simultaneously be made to raise the general standard of maintenance, repair and improvement of the existing, older houses. The annual review of programmes will take into account the resources available to meet all the housing needs; and it will be the responsibility of the Government to ensure that these are used to the best advantage over the whole field.
CONCLUSION

35. This White Paper sets out the first stage in the formulation of a national housing plan. It is only the first stage. For a comprehensive and firmly bases plan much more must be known about the reality of housing needs - not just the crude needs in terms of slums, overcrowding, obsolescence and the increasing number of households, young and old - but needs in terms of the sort of houses people want and for which they are prepared to pay. What is the real demand for owner-occupation; in what circumstances do people prefer to rent; what is the scope for co-operative ownership; what kinds of tenure best serve the country's economic needs, facilitating mobility of labour? Far too little research has been done into these questions; yet the answers are vital to housing policy.

36. The whole question of housing finance also needs much deeper study than this Government has yet had the time to give to it.

37. There are other questions relating to the management and improvement of the existing housing stock which are still inadequately understood. Just it be assumed that the only thing to do with old houses is to pull them down as soon as it is possible to replace them? Would not people often prefer to continue living in the existing houses if a radical policy of environmental as well as house improvement could be devised?

38. Nevertheless the foundation for a comprehensive national housing plan has now been laid. Government hitherto have been able to plan forward programmes in the public sector and to have discussions with representatives of the local authorities about financial and other requirements to support those programmes; but it has not been possible to plan house-building as a whole. Now for the first time, the Government, the building societies and the builders have discussed together and agreed on the need for forward planning of housebuilding, and for continuous collaboration to ensure a steadily rising programme. For the first time the pre-requisites of forward planning, including adequate incentives and flexible controls, are being formulated. It should now be possible, with the new arrangements for regular consultation and review among all the interests concerned, to ensure a steadily rising house-building programme. From this start a comprehensive plan covering all facets of housing policy can be evolved.
APPENDIX 1

NEW SUBSIDIES FOR LOCAL AUTHORITY HOUSING

1. The Bill. A Bill will be introduced during the present Session of Parliament to provide for a new subsidy structure in England and Wales. (There will be a separate Bill for Scotland). The broad framework is set out in the following paragraphs.

2. Basic and Supplementary Subsidies. The new subsidies will comprise:

(a) A basic subsidy

(b) Supplementary subsidies where appropriate for:

(i) expensive sites

(ii) high flats

(iii) building in special materials

(iv) town development and development akin to new towns

(v) extra cost of precautions against subsidence

(vi) special needs.

3. Period of subsidies and review. The new subsidies will apply to houses for which the tender was accepted by a resolution passed following the date of presentation of the Paper. Except for the town development supplement (para. 5(b)) they will be payable for 60 years, subject to provision for possible review from time to time.

4. The basic subsidy. An entirely new form of basic subsidy will take the place of the £24 a house (£8 in some cases) normally payable under existing legislation.

It will be calculated in respect of all approved dwellings completed in any financial year and will take the form of a contribution towards the loan charges incurred in financing their capital cost (land and buildings). The subsidy will be calculated as the difference between loan charges payable on loans of the amount of the capital costs at current rate of interest and at 4%. For these purposes the current rate of interest for any year's subsidy calculation will be determined by the Minister as
representing the average rate of interest paid on new loans raised by local authorities in the preceding year.

5. **Supplementary Subsidies**

(a) The subsidies for **expensive sites, high flats, building in special materials and precautions against subsidence** will be on the same general lines as those payable for these purposes under existing legislation but there will be some detailed changes in the formulae for calculating them and in the qualifying conditions.

(b) Dwellings built under schemes of **town development** (or under comprehensive development schemes which are accepted as similar to new town development) will qualify for additional subsidy of £12 for a period of 10 years. This will be matched by an equivalent contribution from the authority for the exporting area where the provision of the dwellings operates for the relief of housing need in that area.

(c) **Special needs.** Some authorities qualify for additional subsidy under existing legislation where they have heavy housing commitments in relation to their resources. This has been of particular value to many authorities in Wales. This subsidy cannot be continued in its present form as this is related to the method of assessing the present basic subsidies but a comparable form of subsidy will be payable in broadly the same circumstances. Provision will also be made for additional subsidies to local authorities where there is urgent need for additional housing accommodation to meet the needs of incoming workers, which cannot be met without imposing unreasonable increases in rents or rates.

6. **Hostels grant.** The maximum grant payable under 3.15 of the Housing (Financial Provisions) Act 1958 will be increased from £5 to £15 a bedroom.
7. **Effect of Subsidy**: A 4% interest subsidy is, in effect, a percentage grant, the percentage depending on the borrowing rate of interest. The contribution which the subsidy makes in respect of each dwelling will therefore vary with the capital cost of the dwelling. The following table shows for a small number of sample authorities - none of which were in Greater London - the range of annual contributions which the new basic subsidy would have made if it had applied to dwellings for which tenders were let in 1964/65. A borrowing rate of 6½% has been assumed. Some of the dwellings may, of course, have qualified for supplementary subsidies too.

<table>
<thead>
<tr>
<th>Basic Subsidy per dwelling</th>
<th>Range</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dwellings up to 3 storeys</td>
<td>£37 to £89</td>
<td>£64</td>
</tr>
<tr>
<td>Dwellings over 3 storeys</td>
<td>£66 to £94</td>
<td>£81</td>
</tr>
</tbody>
</table>
APPENDIX 2

INDUSTRIALISED BUILDING

Progress

1. Record of percentage of industrialised dwellings in tenders approved for local authorities and new towns:

<table>
<thead>
<tr>
<th>Year</th>
<th>1st half</th>
<th>2nd half</th>
<th>1st half</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>15.5%</td>
<td>22.0%</td>
<td>25.5%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Price

2. Flats built by industrialised methods now show on average a small price advantage. Traditional building is still slightly cheaper for houses. To develop the potential advantages of industrialised building for flats and houses long runs, continuity, and a reasonable measure of standardisation are necessary. The general adoption of space and heating standards recommended in the Parker Morris report will help in this direction. The Government also intend to secure the general use of its recommended floor-to-floor dimension which determines many other structural requirements.

Housing Departments and National Building Agency

3. The Departments and the Agency are working closely together to help the industry and housing authorities. The Ministry is responsible for general policy and will take the lead on user requirements and relations with authorities, whilst the Agency will act as specialist consultants and take the lead on constructional techniques and relations with the industry.

Services to authorities

4. The regional offices of the Ministry of Housing and Local Government have been expanded and now operate in Birmingham,

5. Guidance on the following aspects of industrialised building will be offered:
   (a) Choice of sites.
   (b) Appraisal of systems by the Agency.
   (c) Choice of dwelling type, layout and system.
   (d) Organisation of serial building programmes.
   (e) Pre-contract and contract procedures.

6. Professional services will also be offered where appropriate and a small number of demonstration projects will be carried out.
APPENDIX 3

IMPROVEMENT IN SOURCES OF INFORMATION

The need for better information

1. In establishing housing programmes in the way proposed in this Paper the Government must accept responsibility in collaboration with the local authorities for the assembly and regular revision of information about the whole housing situation in the regions and, below the regional level, at least in the main centres of population.

2. At the local level, housing authorities have a statutory duty to review housing conditions in their areas. But it is not enough for the Government to rest on unco-ordinated assessments by each housing authority. Guidance must be given about the economic and social context in which local housing needs are to be viewed – that is a purpose of the regional studies.

3. Reliable and up-to-date information is required about housing needs and demands, trends in the housing market and their impact on the national economy. The starting point is knowledge about population and household changes; about housing stock, its tenure, equipment and condition and the incidence of overcrowding, multi-occupation and shortages; and about the economics of housing, such as building costs, the levels and changes in rents, other housing costs, and house prices in relation to the accommodation and to incomes.

Filling the gaps

4. The Government's decision to carry out a sample census of Population and Housing in April 1966 will materially improve national and local information about population and household changes; about migration, and about the number, tenure, occupancy and equipment of the housing stock.
5. To supplement the Censuses regular surveys will be carried out on a scale sufficient to provide, at least for the most important items, indicators of current trends. A series of sample surveys in depth will be undertaken into the housing conditions in the main conurbations, starting in 1966.

6. One of the most difficult gaps to fill concerns the condition of the housing stock. A set of common standards is needed by reference to which assessments can be made of fitness for habitation and of potentiality for improvement. A sub-committee of the Central Housing Advisory Committee is examining the formulation of such standards, and the Housing Departments are working on techniques for the rapid assessment of the condition of houses.

7. Statistics of costs of new housebuilding will be provided by returns from local authorities. One aim is to construct a price index of standard items that enter into local authority housebuilding costs. This will enable assessments to be made of the extent to which changes in prices follow from improved standards.

8. New information, supplementing survey information on rents in the private sector will be provided as a by-product of the administration of the new rent assessment machinery. A fuller knowledge of the relationship region by region between rents and incomes will be obtained from increasing the size of the sample on which the Ministry of Labour's Family Expenditure Survey is based.

9. Information about the level, structure and changes in price for various types of houses in the private sector in different areas will shortly be available from new returns to be provided regularly by building societies. This enquiry is necessarily restricted to houses on which building societies
have advanced mortgages. Means of providing a widely-based and reliable index of the movement in house prices are being examined.

10. A regular survey of mortgage loans has been arranged, which will provide broad information on a regional basis about the dwellings on which mortgages are granted; about the households concerned by family type and income, and about the terms of mortgage advances.

11. Information is similarly required to show the groups of population entering into new tenancies of Council houses. Pilot studies have been started.

12. The institution of these new statistical series and surveys will provide the basic material for deeper analysis of a number of topics. One such is the interaction of labour mobility and the provision of housing. Another concerns consumer choice. What determines people's preferences for owner-occupation or for renting? Then there are social questions. Are attitudes to living in flats changing? How is the spread of car-ownership affecting attitudes to housing requirements? Some small part of this ground has been covered by sociological research undertaken by the Housing Departments but there is a need to develop techniques for forming reliable judgements in this difficult field, and this it is hoped to do.

Publication of Information

13. The Housing Departments propose to supplement existing publications by a new statistical abstract on Housing, which will present in a readily accessible form the main statistical aggregates on a wide range of housing topics.
## Appendix 4

### Housing Records of Certain Western European Countries

1. Comparison between the house building records of different countries is not easy to make. Broadly, all are faced with three similar problems - present shortages, an increase in the number of families and the need to replace out-of-date housing. But the size of each of these problems varies from country to country. So do housing policies and traditions. So do standards. And it is not easy to compare like with like in terms of value for money.

2. Nevertheless it is possible to make some rough comparison of the outturn of new dwellings and the relative importance different countries put on housing. The following table shows for the U.K. and six other principal housebuilding countries in Western Europe:

(i) figures for 1961–63 and 1964 of number of dwellings built per 1000 population; and (ii) the proportion of gross national product devoted to fixed capital formation and within that total, to housing, in 1961–63.

<table>
<thead>
<tr>
<th>Country</th>
<th>New houses completed annually per 1000 population</th>
<th>Gross Domestic fixed capital formation as % of G.N.P.</th>
<th>Gross fixed Col (4) capital as % of formation (3) in housing as % of G.N.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1961-63 (1)</td>
<td>1964 (2)</td>
<td>(Average 1961-63)</td>
</tr>
<tr>
<td>Sweden</td>
<td>10.2</td>
<td>11.4</td>
<td>23.0</td>
</tr>
<tr>
<td>West Germany</td>
<td>9.6</td>
<td>9.2</td>
<td>25.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6.8</td>
<td>8.3</td>
<td>24.1</td>
</tr>
<tr>
<td>France</td>
<td>6.8(a)</td>
<td>7.6(a)</td>
<td>19.7</td>
</tr>
<tr>
<td>Italy</td>
<td>5.7</td>
<td>8.1</td>
<td>23.3</td>
</tr>
<tr>
<td>U.K.</td>
<td>5.8</td>
<td>6.9</td>
<td>16.5</td>
</tr>
<tr>
<td>Belgium</td>
<td>5.1(b)</td>
<td>N.A.</td>
<td>19.8</td>
</tr>
</tbody>
</table>

**Notes:**  
(a) New dwellings and additional dwellings produced by conversion, restoration or extension of existing buildings.  
(b) Average of 1961 and 1962 only.
3. The figure for new houses per 1,000 population conceal some differences in average dwelling size. The figures to make an effective comparison of floor area are not available, but an additional check is possible from the figures of the gross number of rooms in new housing per 1,000 population for 1961-64, and the U.K. occupies the same position in that table, about the same distance behind the leaders, as it does for the total dwellings per thousand.

4. The table shows that gross fixed capital formation in housing accounts for a smaller share of gross national product in the U.K. than in any of the other countries. This takes no account of productivity or of value for money, but comparison of the two parts of the table suggests that Sweden and Germany obtain their lead in numbers of houses built in proportion to their population primarily by devoting a greater proportion of their national resources and of their capital investment to housing than we do.
CABINET

THE SCOTTISH HOUSING PROGRAMME: DRAFT WHITE PAPER

Memorandum by the Secretary of State for Scotland

Because our Scottish housing needs and objectives differ materially from those in England and Wales, I am proposing to present a separate White Paper. A draft is attached for my colleagues' approval.

2. As the new Scottish subsidies will take effect from the date of presentation of this White Paper, both Papers must be presented on the same day.

W.R.

Scottish Office, S.W.1.

12th November, 1965
1. The National Plan\(^1\) announced the Government's intention to give to housing a greater priority than it has had for many years; the rate of building will be increased with the initial aim of achieving a programme of half a million houses a year in the United Kingdom by 1970. Scotland's share of this total will be about 50,000 houses a year, an increase of 40 per cent. over the 1964 level.

The need

2. The number of new houses needed in Scotland cannot yet be estimated precisely\(^2\), but it is clear that by any standard a vast programme is essential if past deficiencies are to be overcome and present and future needs adequately met.

3. At present there are in Scotland about 1\(\frac{2}{3}\) million houses. Although the need for replacement of a house cannot be related to its age - some very old houses have been or could be improved to modern standards - the mere fact that half a million are over eighty years old clearly indicates the need for a substantial programme of replacement. In their most recent slum clearance programmes, submitted in response to a circular from the Scottish Development Department of December 1964, the local authorities are proposing to accelerate the rate of clearance and to close or demolish some 45,000 unfit houses during the three years 1965 to 1967. They estimate that about the same number again are in such condition that they should be demolished as soon as resources permit. This is not, however, any real measure of the total need for replacement of unfit and obsolescent houses. A very high proportion of the older houses are in stone tenements and consist of only one or two rooms; and most have no fixed bath, hot water tap or separate w.c. or lack at least one of these essentials. Although many of them are solidly constructed and might well stand for many years, this solidity is the very factor which militates against attempts to bring them up to modern standards of size and amenity, and in most cases nothing short of replacement is practicable.

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\(^1\) Cmd. 2764, Chapter 17.

\(^2\) See Appendix A
4. Each year it is necessary to demolish some houses which would have
had a useful further life; this happens, for example, as a consequence of
comprehensive redevelopment of slum areas or of new road schemes. There also
remain some 18,000 temporary houses built after the Second World War which
must be replaced soon.

5. In addition there is the need arising from the increase since the War
in the number of families wanting a home of their own, an increase which
largely reflects the trend towards earlier marriage, which is still continuing.
The demand would have been greater if the net rate of migration from Scotland ­
now running at 40,000 persons a year - had not been so large. The Government's
economic policies for Scotland, as they will be defined in a White Paper on the
Scottish Economy 1965 to 1970, to be published shortly, will have as their aim
the creation of more employment opportunities in Scotland, resulting in lower
unemployment and higher activity rates and a substantial reduction in the
loss of population by emigration. For all these purposes much will depend
on a higher degree of mobility of labour and this, in turn, will call for new
housing on a substantial scale in support of economic growth, particularly
in Central Scotland.

6. Broadly, the requirement for new houses over the next few years is
estimated as follows -

**existing now**

(i) up to 500,000 to replace houses already identified as slums or to
    replace old houses not capable of improvement;

(ii) at least 30,000 to meet present shortages;

**arising annually**

(iii) 3,000 a year to replace other losses;

(iv) 17,000 a year to keep up with the formation of new households;

(v) 5,000 a year to meet additional industrial requirements and
    reduce emigration.

A programme of 50,000 houses a year can be only a first step towards meeting
all these requirements.
Houses to let and for sale

7. Of the 550,000 houses built in Scotland since the War only 75,000 were for private owners, almost exclusively for owner-occupation. The remaining 475,000 have been erected by public authorities - the local authorities, the new town corporations, the Scottish Special Housing Association and Government departments - almost exclusively for letting. The proportion of private housing has increased steadily since the War, but the number built for the private sector in any year has never exceeded about one-fifth of the total. This is in marked contrast to many parts of the United Kingdom, in which more houses have been built for owner-occupation than by the public authorities. The Government consider that there is a large potential demand for owner-occupation in Scotland. In particular the building of many attractive houses for sale will be essential if industry is to be induced to grow in Scotland.

8. There is however an even greater need for new houses to let. The present shortages fall most heavily on those who are least able to pay an economic price for modern accommodation. These are the people who at present live in overcrowded and unsatisfactory conditions. The local authorities have so far done a commendable job in building houses for letting at moderate rents to people who cannot afford either to buy a house or to pay the full economic rent of a modern house. But in many parts of the country the demand is still formidable and the programme of building by public authorities must be accelerated.

9. The Government intend to keep both the total programme of house-building and its division in Scotland between the public and private sectors under constant review. Their present expectation is that in the years immediately ahead the Scottish private sector will provide one house for sale for every three or four provided by the public sector for letting. Representative building bodies of societies and builders have agreed to join in planning and programming building for owner-occupation throughout Great Britain along lines which are explained in the Paper "The Housing Programme 1965 to 1970" presented concurrently by the Secretary of State for Wales and the Minister of housing and local government.

(3) See Appendix B.
(4) Cmnd. 2771
The Plan of Action

10. The building of 50,000 houses a year will not be achieved easily. It will call for increased efficiency in the construction industry and the better use of the industry's resources; for more money from the taxpayer; for better organisation of the house-building authorities; and for the provision of enough land in the right places at the right times. At the same time a proper share of building resources must be devoted to the maintenance, repair and improvement of older houses.

House-building resources

11. A heavy additional load will be placed on the construction industry. It clearly will not be able, within the period to 1970, to secure a sufficient expansion of the skilled labour force to achieve the increased output required simply by employing more men. There must also be a substantial increase of productivity, so as to increase the industry's output without a proportionate increase of labour.

12. Much can be done by rationalisation of traditional building methods, and by better management at all levels, to secure reductions of time, labour and cost in house-building. There must also be rapidly increasing use of the newer methods of house-building by systems, involving the carefully planned assembly on site of factory-made components. The programme for 1970 will be within the capacity of the industry only if by then a considerably higher proportion of the houses erected for public authorities are being system-built.

Finance

13. The necessary expansion of house-building will not be achieved without more help from the taxpayer. In recent years the cost of house-building has risen markedly and for the last eight years interest rates have been at a persistently high level.

14. Together these two factors have created particular problems for the local authorities, for their loan charges on capital expenditure are the heaviest part of the annual costs of housing. These annual costs are shared by the
taxpayer, the ratepayer and the tenants of the houses. In recent years the proportion met by the taxpayer through the Exchequer subsidies has been insufficient to keep pace with rises in the costs. Rents charged to tenants have on average more than doubled over a period of seven years, but still meet only 40 per cent of costs. The share met by the local ratepayer (with, in some cases, assistance from Exchequer equalisation grant) has been steadily rising and was of the order of £20 million in 1964-65. It is greatly to the credit of the local authorities that they have continued to build as fast as they have done despite this very heavy burden on the rates. Nevertheless, if they are to be able to carry out the expanded house-building programmes which are essential, it is necessary to ease the rate burden by improving the Exchequer subsidies and by pursuing sensible rent policies.

15. Because of the uncertainty caused by high and sometimes sharply fluctuating rates of interest, the Government propose, after consultation with the Scottish local authority associations, that the main Exchequer subsidy should be related to a stable interest rate of 4 per cent. Each local authority will receive a basic subsidy on newly-built houses, calculated so as to produce broadly the same effect on its housing account as though the loans raised to finance their construction had borne interest at 4 per cent per annum. Being related to the capital cost of completed houses, the basic subsidy will vary with that cost; and, of course, it will vary with the prevailing rates of interest. Direct comparison with the present rates of subsidy is therefore not possible; but the improvement over present rates will be substantial. Further details of the basic subsidy and of the supplementary subsidies which will be paid for certain purposes are given in Appendix C.

16. The Scottish Special Housing Association and the new town development corporations are wholly Exchequer-financed, no part of their deficit falling on the local ratepayers. It has been the practice to pay them broadly similar subsidies to those payable to the local authorities, and they will receive the basic subsidy and those of the additional subsidies which are relevant.
17. These improved subsidy arrangements will apply to all houses in respect of which tenders are submitted for the Secretary of State's approval on or after the date of presentation of this Paper.

18. The purpose of the new subsidies is to provide a proper amount of Government support to enable the expanded housing programme to be carried out without placing too heavy a burden on the local authorities. It is proper that rents of subsidised houses should be revised at frequent intervals to take account of changing circumstances, particularly rising incomes. The more generous subsidies now to be provided create an opportunity for all authorities to review their rent policies so as to ensure that reasonable levels of rents and adequate rent rebate schemes avoid hardship and unfairness to local authority tenants and ratepayers alike.

19. The problem of high cost and high interest rates affect not only the public authorities but also potential owner-occupiers, though for them the deterrent of high interest rates is lessened by income tax relief on their interest payments. The Government are anxious to encourage house ownership by as many as possible and as soon as the country's economic situation allows they will publish their plans for bringing owner-occupation within the reach of more families.

Improved Organisation.

20. If the public house-building authorities are to accomplish their tasks, with the full co-operation of the construction industry, it will be necessary to plan much further ahead than in the past. Some 80 - 90 per cent of the houses in the public sector will be built by about fifty major local authorities, the Scottish Special Housing Association and the new town development corporations. The Scottish Development Department will work out with all these authorities (as they have with several) provisional programmes for a period of about five years ahead. In doing so the Department will take account of the substantially differing needs of the various areas and of the rate of house-building which each authority can reasonably be expected to achieve. The proportion of system building to be used will be a major factor in determining the practicable size of these programmes.
21. In the existing major centres of population - and particularly in the Glasgow conurbation - the land available for housing development is rapidly diminishing and the emphasis must increasingly be placed on the redevelopment of existing areas. Many of the houses which will be replaced are so small and crowded together that it will be impossible with reasonable standards of planning and amenity to replace them with the same number of modern houses. Furthermore, the growth of industry in Scotland will require a substantial provision of houses in places where the existing stock is inadequate for such growth. The existing New Towns will have an increasing contribution to make, and the Government are considering whether another should be designated. Elsewhere the programme of housing required may well be beyond the capacity of the local authority or authorities concerned and the Government consider it appropriate that they should provide additional assistance in such areas, through the agency of the Scottish Special Housing Association.

22. The carrying out of the expanded programme, and particularly the wider adoption of system building, will require a new outlook on the part of all the public authorities concerned. Substantial productive capacity already exists, or is being provided, in Scotland by a number of manufacturers of various house-building systems. In most instances the initial costs of providing this capacity are heavy, and prices which are competitive with the cost of the more traditional forms of building can be offered only if the manufacturers can be assured of sizeable orders, and a steady run of work. It is therefore of the utmost importance that public authorities should be prepared to join together in the arrangement of group programmes which will make full use on a planned basis of the systems which are available. The Scottish Development Department, in collaboration with the National Building Agency, will seek to identify with the authorities the projects which might be included in such group programmes; to assist them in the programming of projects; and to help them to choose the systems best suited to their needs. Group programmes of this sort can make the best use...
of productive capacity and keep costs down to a reasonable level only if the authorities concerned are prepared to limit variations on points of detail in the planning of individual houses. The range of house-types and variety of finishes which the manufacturers can offer, together with attention to good layout and planning of each estate as a whole, can ensure that dullness and uniformity do not mar the estates built under these programmes.

Land.

23. A rising housing programme can be sustained only if sufficient building land is available. To be able to plan building programmes, both public authorities and private builders need to know, well in advance, where and when they will be able to build. The necessary steps must therefore be taken in good time to allocate and acquire the land, to clear it if necessary and to provide the services it will need. As well as the forward planning of building in the public sector, already referred to in paragraph 20, there must be a forward programme of land identification and acquisition by local authorities. The Scottish Development Department will maintain and develop their existing consultations with the local authorities to ensure that these programmes keep well ahead of the start of house-building.

24. Local authorities and New Town Corporations have power to buy land, compulsorily if need be, for house-building whether by themselves or by private development. In order to ensure a balanced house-building programme the local authorities will be asked to use their powers, where necessary, to ensure that private builders as well as the local authorities can acquire land in good time.

25. The Land Commission which has already been announced \(^{(4)}\), with power to buy land where this is necessary to secure its early development or redevelopment, is an essential part of the Government's Plans for housing. The Commission's powers will ensure that land is forthcoming as and when needed for housing purposes, and the Commission will be able, in appropriate cases, to

\(^{(4)}\) Cmnd. 2771
dispose of land for houses for owner-occupation on concessionary terms.

Improvement and maintenance

26. The foregoing paragraphs have been concerned mainly with the building of new houses. But the present stock of 1½ million houses includes many which cannot be replaced for a long time to come, although they are not up to modern standards. It is of the greatest importance that both local authorities and private owners should make vigorous efforts to take advantage of the Exchequer assistance which is available under present legislation to enable improvements to be made to these houses. The maintenance and repair of houses must also not be neglected. For the public sector this is one aspect of the whole question of management of houses which the Secretary of State has remitted for consideration by the recently-reconstituted Scottish Housing Advisory Committee. As for rented houses in the private sector, the new form of rent control introduced by the Rent Act 1965 is designed to be more flexible and fair, both to landlords and to tenants, than previous controls and ought to encourage landlords to maintain adequately the houses they own.

Conclusion

27. The first part of this Paper sets out the Government's aim, and describes the circumstances in which they have decided to accord priority to an expanded house-building programme. In Scotland a programme rising to 50,000 houses a year by 1970 is projected. This is only the first stage of a developing plan; as more information becomes available it will be carried forward with increasing momentum and precision.

28. The second part describes the action proposed to attain the initial objective. It will call for whole-hearted co-operation between all concerned - house-builders, local and central house-building authorities and many other agencies and individuals. With this concerted effort, which they intend to bring about, the Government believe that in the new few years great progress can be made towards housing the people of Scotland decently and well.
APPENDIX A

BETTER INFORMATION

1. The problem of obtaining, and still more of keeping up-to-date, adequate basic information about housing conditions and progress is being carefully studied and steps are being taken both to make good the immediate deficiencies in knowledge and also to provide a continuous flow of information.

2. The 1961 Census contained a wider range of information about housing than previous censuses. A further sample census, covering a similar range of housing information, is to be taken in 1966. These, taken together, will materially improve knowledge of the number of houses in Scotland, their condition, tenure and occupancy and of how these factors are changing, but the time between censuses, even if reduced to five years, is too long to give an entirely satisfactory picture of the changing situation.

3. Census results must therefore be supplemented. For this reason a sample survey has recently been carried out in Scotland on behalf of the Scottish Development Department and a similar sample survey has been carried out in Glasgow for the Corporation. The results of these two surveys, which have been closely co-ordinated, will be available early in 1966. Further regular surveys will be undertaken in the future on a scale sufficient to provide indications of the most important trends.

4. Perhaps the most difficult gap in information concerns the condition of houses. One reason for this is the absence of any common standard by reference to which assessments can be made of fitness for habitation and of potentiality for improvement. The Scottish Housing Advisory Committee has set up a sub-committee to examine the formulation of such standards and their work should enable the state of Scotland's housing to be more precisely evaluated.

5. More information is needed also on the way in which the stock of houses is used. The sample survey will give current information about occupancy. But an important aspect of this question is the way in which tenants are chosen for houses available for letting. This is of particular importance in relation to the need in Scotland for greater ability of labour. As most houses for letting are owned by local authorities, a sub-committee of the Scottish Housing Advisory Committee has been set up to examine the methods by which the authorities allocate

(1)
their houses. At the same time the Scottish Housing Advisory Committee itself is considering the whole question of providing houses to meet the needs of industry.

6. It is important that as much as possible of the new information collected in these ways should be generally available. The results of the sample survey will be published and the possibility of publishing a wider range of housing statistics is being examined.
NEW SUBSIDIES FOR LOCAL AUTHORITY HOUSING

1. The Bill. A Bill will be introduced during the present Session of Parliament to provide for a new subsidy structure in Scotland. The broad framework is set out in the following paragraphs.

2. Basic and supplementary subsidies. The new subsidies will comprise:
   
   (a) A basic subsidy
   
   (b) Supplementary subsidies where appropriate for
       
       (i) expensive sites
       
       (ii) high flats
       
       (iii) overspill
       
       (iv) building in special materials
       
       (v) precautions against subsidence.
       
       (vi) special needs

3. Period of subsidies and review. The new subsidies will apply to houses for which tenders are received for approval by the Secretary of State following the date of presentation of the Paper, except for the overspill supplement (paragraph 5(b)) they will be payable for 60 years, subject to provision for possible review from time to time.

4. The basic subsidy. An entirely new form of basic subsidy will take the place of the unit subsidy (normally £32 a house but less or more in some instances) payable under existing legislation.

   It will be calculated in respect of all approved dwellings completed in any financial year and will take the form of a contribution towards the loan charges incurred in financing their capital cost (including land). The subsidy will be calculated as the difference between loan charges payable on loans of the amount of the capital costs at current rate of interest and at 4% per cent. For these purposes the current rate of interest for any year’s subsidy calculation will be determined by the Secretary of State as representing the average rate of interest paid on new loans raised by local authorities in the preceding year.

(1)
5. Supplementary subsidies

(a) The subsidies for expensive sites, high flats, precautions against subsidence and building in special materials will be on the same general lines as those payable for these purposes under existing legislation but there will be some detailed changes in the formulae for calculating them and in the qualifying conditions.

(b) Dwellings built by receiving authorities under overspill agreements will qualify for additional Exchequer subsidy of £12 1/2 a year for a period of 10 years. This will match the contribution by the exporting authority which is required under the Housing and Town Development (Scotland) Act 1957.

(c) Special needs

(i) Some authorities which are remote from centres of supply of building labour and materials qualify for additional subsidy under existing legislation. This is of particular value to the Highlands and Islands. The subsidy will continue with adjustments to take account of the assistance towards higher costs which will be given through the basic subsidy.

(ii) For authorities whose existing commitments for housing necessarily create an exceptional financial burden, the new rates of subsidy will be specially supplemented.

(iii) The Bill will also enable additional subsidy to be paid to local authorities who provide housing accommodation urgently required to meet the needs of incoming workers, where it cannot be provided without imposing a heavy financial burden on the local authority.

6. Hostels grant. The maximum grant payable under Section 89 of the Housing (Scotland) Act 1950 will be increased from £7 to £15 a bedroom.
CABINET

LONDON TRANSPORT FARES

Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

Background

Earlier this year the London Transport Board sought agreement to increase fares by 10 per cent from May, 1965, indicating that a further increase of the same order would be needed in March, 1966. The Government concluded that there should be a thorough examination of the conditions under which the Board operated and of the possibility of even more extensive measures of traffic management and restraint to improve those conditions. We asked the Board to postpone fares increases while this examination was undertaken, and undertook to make good to the Board by a subsidy the £3.85 million which the fares increase was expected to bring in by the end of 1965. We are committed to fresh decisions to be effective not later than the beginning of 1966.

A number of improvements in traffic management (including the introduction of 17 new urban clearways and 34 new major one-way schemes) have been agreed for introduction during 1966. These measures will not however substantially improve the London Transport Board's viability. Without an increase in fares the Board's deficits are likely to be not less than £8 million in 1966 and £10 million in 1967 (these figures assume that wage costs rise by 3½ per cent a year). Possible measures to increase efficiency and restrain the growth of private transport (especially in Central London during peak hours) are under discussion; but there is no prospect that such measures could be introduced quickly enough or would be adequate to enable the London Transport Board to pay their way in 1966 and 1967 without an increase of fares or an Exchequer subsidy.

Proposal

3. The London Transport Board have now sought agreement for an overall increase in fares of 10 per cent from 2nd January, 1966. They consider this to be the maximum increase acceptable. Such an increase would raise not less than about £5.5 million in 1966. If the drop in traffic was 5 per cent as a result of the increase, the yield from the increase would be more. On the basis of an estimated deficit of £8 million in 1966, a subsidy of up to about £2.5 million in that year would still be required, even if fares went up by 10 per cent; if costs rise by more than has been allowed for, the deficit in 1966 will be higher and a larger subsidy would be needed. So whether fares go up on 2nd January, 1966, or not, the London Transport Board will require a continuing subsidy in 1966.
4. This proposal has been discussed by the Sub-Committee on Transport Policies and by the Ministerial Committee on Economic Development. A majority of Ministers on each Committee thought that the fares increase should be authorised; but some of us consider that we should not accept a further increase of fares in London as well as a continuing subsidy until we have a fuller picture of the position and prospects for public transport in London, including the possibilities for major improvements in the public transport system and in the management and restraint of private traffic.

Effect of fares increase on traffic

5. A decision turns partly on one's estimate of the effect on traffic of increasing fares. The Board's original estimate, based on experience with previous increases, was that a 10 per cent increase in fares would yield a 5 per cent increase in revenue (implying a drop of about 5 per cent in traffic). The Chairman of the Board now says that that estimate took no account of recent extensions of parking restrictions and increases in meter charges in Central London; and some account must be taken of the effect of the increasing cost of private motoring and the growth of congestion in Central London. It may therefore be that the drop in traffic resulting from an increase in fares would be less than previous experience would lead one to expect. It seems reasonable to guess that the effect on peak hour traffic would be very small indeed, and the effect on off peak traffic more marked.

Majority view

6. The main arguments advanced by those who would favour authorising the proposed increase are:

(a) We have already postponed the increase from May and have arrived at the date we set ourselves then; but there is no prospect of a long-term plan which would transform the London Transport Board's viability being ready within a few months.

(b) The decline in demand for public transport and the increase in congestion resulting from an increase of fares of the order proposed would not be significant enough to prejudice any longer-term solution.

(c) Not to increase fares would be inconsistent with our general policy that public enterprises should pay their own way; we are in danger of allowing too many breaches of this principle.

(d) London Transport fares were last raised in July, 1964. Since then bus and rail fares have risen all over the country, often substantially. There are already some signs of restiveness in other parts of the country about this year's subsidy to London Transport. It would be difficult to justify continuing to bear upon the national Exchequer (and so charge upon taxpayers generally) a subsidy that would protect the London passenger from any increase in fares.

(e) The further London Transport's viability is allowed to deteriorate, the more difficult it will be to re-establish it or to persuade the Greater London Council to assume a share in the responsibility for public transport in London, which some Ministers think will be an essential element in any long-term solution.
While the immediate impact of a fares increase for prices and incomes policy is bound to be adverse, the effect is only deferred, not avoided, by carrying the whole deficit on the Exchequer, if additional revenue has to be raised by increases of indirect taxation which themselves add to the cost of living.

7. These ministers recognise the political implications of announcing an increase of London fares; but they believe that most passengers would be ready to pay more for a better service, and they therefore consider that the effects would be mitigated if the announcement of the fares increase were to be coupled with an announcement that showed that the Government meant business on improving the service.

Minority view

8. Those of us who take the view that a fares increase should not be authorised at this time base it on the following main arguments:

(a) The issue is not whether or not London Transport should receive a subsidy, but how much it should receive: some continuing subsidy is inevitable.

(b) Just to put fares up by as much as the traffic will bear contributes nothing to the solution of the longer-term problem. Indeed any drop in traffic — and these Ministers are not convinced that the drop following a 10 per cent fares increase would be insignificant — will exacerbate the long-term problem. We ought now to try to break out of the circle of increasing fares, increasing congestion and deteriorating public transport service.

(c) An increase of fares will do nothing to encourage imaginative management and improve efficiency, or to persuade the unions to co-operate in a number of improvements in the use of man-power which have been devised and ought to be introduced.

(d) The problem of London transport is substantially different, in degree if not in kind, from the problem in other large cities, and London fares are already the highest in the country. It is a metropolitan problem, and we know of no other metropolitan city in a developed country in which public transport is not heavily subsidised.

(e) An increase in London fares would be bound to damage prices and incomes policy. It would come into effect at just about the time when details of forthcoming increases in coal prices are announced. There is strong pressure for increases in gas prices in Scotland, Wales and the South-West. All these price increases in the public sector would be bound to make it more difficult to resist price increases in the private sector (for instance, the price of bread) and would threaten the credibility of the policy.

9. If it were possible to announce decisions on improvements of the service, that would no doubt help to sugar the pill of an increase of fares. The trouble about that is that there is a grave shortage of sugar: there are no significant decisions to announce. All we could produce would be a mixture of good intentions and studies in progress, which would look like nothing but the mixture as before.
Legislation

10. I understand that whatever we do legislation will be necessary. We should need legislation to continue paying any subsidy, great or small, to London Transport after the end of this financial year. We should need legislation to remit fuel tax (which would be an expensive way of helping London Transport, since it would be impossible to deny a similar remission to other bus operators, and would again contribute nothing to the solution of the long-term problem); this could presumably be included in the Finance Bill. We should also need legislation for any special tax on congestion in London (for instance, a supplementary licence fee for cars wishing to enter Central London at certain times of day), whether it was imposed by the central Government or by the Greater London Council.

Conclusion

11. I have no agreed conclusion or recommendation to report. The majority view is that an increase of about 10 per cent in fares from 2nd January, 1966, should be authorised, and that the announcement of the increase should be coupled with as forthcoming a statement as it is possible to make on traffic management and improvements of service. My own view is that we should not accept a further fares increase in London as well as a continuing subsidy - and we shall have to go on paying a subsidy in any case - until we have a much fuller picture of the position and prospects of public transport in London, including major improvements in the efficiency and even structure of London Transport and major measures of traffic management and restraint. These studies should be carried forward with the utmost urgency. In the meantime I consider that fares should remain as they are, and that we should agree to continue to give London Transport whatever subsidy will be needed to carry them over the next six months.

C.B.

15th November, 1965
CABINET

ARMED FORCES' PAY

Memorandum by the First Secretary of State and Secretary of State for Economic Affairs and the Chancellor of the Exchequer

The Cabinet at its meeting on Tuesday, 16th November, invited us to discuss with the Secretary of State for Defence whether an alternative solution might be devised which would offer a compromise between the divergent considerations which had emerged in the discussion on the pay of the Armed Forces.

At a meeting which we had tonight with the Secretary of State for Defence no agreement was reached between us on an alternative solution. We had proposed to him that an immediate reference should be made to the National Board for Prices and Incomes (N.B.P.I.) on the lines of the draft at Annex C.

Annex A records the views of the Secretary of State for Defence on our proposal; and Annex B sets out the course of action which we now recommend to our colleagues.

G.B.

L.J.C.

Department of Economic Affairs, S.W.1.
Treasury Chambers, S.W.1.

17th November, 1965
The minimum conditions on which the Secretary of State would agree to a reference of the pay of the Armed Forces to the N.B.P.I. are as follows:

(i) The terms of reference should be such as to allow the Board to give an honest answer to the questions placed before them within a month.

(ii) The terms of reference should also be so drafted as to invite a finding by the Board on whether the prima facie needs of the Armed Forces require special treatment in accordance with some or all of the criteria laid down in the White Paper on Prices and Incomes.

(iii) The initial guaranteed offer should be at least half of what is known to be the result of the review under the Grigg system, namely 9½ per cent.

(iv) The Chancellor of the Exchequer should agree in advance to accept the recommendation of the Board.

(v) The analogous cases of the pay of the Higher Civil Service and of Doctors should also be remitted to the Board.
We considered this matter further after the Secretary of State for Defence had left the meeting in order to fulfil another engagement. Our views on the points made by the Secretary of State are as follows:

(a) We see no possibility of the Board making its report in as short a time as one month; but, as we indicate below, we think part of the reference could be dealt with within two months.

(b) We cannot accept that the initial guaranteed offer should exceed 7 per cent. (i.e. the norm)

(c) We should be willing to discuss further the proposal that the Chancellor should agree in advance to accept the finding of the Board.

(d) We do not regard the proposal that the pay of the Higher Civil Service and of Doctors should be referred to the Board as being particularly relevant.

Despite the reactions of the Secretary of State for Defence we adhere to the alternative solution which we put to him. We therefore propose that a reference should be made immediately to the Board in accordance with the draft at Annex C.

We would recommend that, in the first instance, the Board should be asked to consider whether, and to what extent, increases additional to an interim increase of 7 per cent. on 1st April 1966 should be made then or
later in the pay of the Armed Forces. Informal enquiries which we have made of the Board indicate that this part of the reference could be dealt with within two months.

The review by the Board of the arrangements for determining the pay of the Armed Forces in the longer term could be dealt with by the Board at a more leisurely pace.
The pay of the Armed Forces has been reviewed at two-yearly intervals since 1960. The next review is due to take effect on 1st April, 1966.

The formula at present used to determine the increases due under these reviews is set out in Cmd. 945, dated February 1960, viz., "It has been agreed that changes in the pay of Service Officers will in future be governed broadly by the relative changes in the pay of comparable grades in the Home Civil Service" i.e., the Executive and Administrative grades; and "It has been agreed that in future changes in the pay of ratings, soldiers and airmen will be governed broadly by changes in the average earnings and wages in manufacturing and certain other industries as notified by the Ministry of Labour".

The Government are concerned to establish whether this system can still be regarded as an appropriate method of determining the pay of the Armed Forces having regard to the considerations in Part I of the White Paper on Prices and Incomes (Cmd2639) and their relevance to the need of the Services to recruit and retain on a voluntary basis sufficient men to meet the commitments of the Services and the special features of Service life and emoluments. In particular, they wish the Board to consider, first, whether, and to what extent, increases additional to the interim increase of 7 per cent on 1st April 1966, should be made then or later in the pay of the Armed Forces, and secondly, what the arrangements...
for determining the pay of the Armed Forces should be in the longer term. The Board are accordingly requested to report on these issues.
CABINET

PUBLIC SCHOOLS

MEMORANDUM BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

Following a Cabinet decision of 13th July, (C.C. (65) 37th Conclusions, Minute 4), The Queen's Speech states that “a Public Schools Commission will be set up to advise on the best way of integrating the public schools with the State system”. This paper, which has been approved by the Social Services Committee, discusses the terms of reference of the Commission and other related questions.

Definition of schools

2. Our Election Manifesto and The Queen's Speech both speak of “public schools”. The only practicable definition of these (which was broadly that used by the Fleming Committee(1)) is “schools now in membership of the Headmasters Conference, Governing Bodies Association or Governing Bodies of Girls’ Schools Association”. This embraces, first, 276 independent schools (containing 95,500 pupils). Of these, 134 are boys (106 boarding—28 day), 142 girls (83 boarding—59 day).

3. But it also embraces (in addition to 22 maintained schools which I refer to later) 152 (out of 179) Direct Grant Schools, of which 72 are boys (58 day—14 boarding) and 80 girls (79 day—one boarding). I do not want these to come within the purview of the Commission for the following reasons:

(a) Many Direct Grant schools constitute too important a part of local education authority arrangements in their areas to be detached from the maintained school system and put under the Commission.

(1) “The Public Schools and the General Educational System”. Report of the Committee on Public Schools appointed by the President of the Board of Education in July 1942. Published 1944.
The Direct Grant schools pose a different problem from most of the independent schools. They are already in some sense part of the public sector; many of them are Catholic; and they are predominantly day schools, whereas two-thirds of the independent schools are boarding. Their inclusion would, therefore, distract the Commission from its main task of dealing with the independent schools.

Above all, our overriding aim for the Direct Grant schools is that they should negotiate and agree directly with local education authorities their future place in local comprehensive reorganisation schemes; and this is already beginning to occur. But if we put them under the Commission, we shall provide the reluctant ones with a perfect excuse for not negotiating and for contracting out of local reorganisation schemes.

I am confirmed in this view not only by the opinion of pro-comprehensive Directors of Education whom I have consulted, but also by the fact that the more eminent Direct Grant schools desperately want to come under the Commission.

On a minor point, the wider definition of all Headmasters Conference, Governing Bodies Association and Governing Bodies of Girls' Schools Association schools would be most untidy; for it would exclude 27 Direct Grant schools while including 22 maintained schools.

I therefore conclude that the Direct Grant schools must be treated as a separate operation, as indeed they are treated in my comprehensive Circular; and I would propose to exclude them by inserting the word "independent" in the definition—though I would sound a further warning note to them at the same time as I announced the Commission.

4. The definition also excludes a further 3,130 private schools. These schools do not present any urgent problem in this context; they were not mentioned in the Manifesto or The Queen's Speech; they could not possibly be dealt with in the next 2-3 years, being of enormous variety, usually very small and often denominational. I therefore propose to exclude them from the definition but to make a vague reference to them in the Commission's terms of reference (see Annex).

Tasks of the Commission

5. In pursuance of its general remit of advising on the best way of integrating the public schools with the State system, I propose that the Commission should be entrusted with the following tasks:

(a) To investigate: i.e., to collect and assess information about the schools within its scope (which vary greatly in size and character) and about the need, and existing provision, for boarding education; and to examine possible forms of collaboration between the schools and the maintained sector.
(b) To work out with local education authorities and schools the part which individual schools should play in national and local schemes of integration.

(c) If it so wishes, and subject to my approval, to initiate experimental schemes matching existing provision with different types of need.

(d) To recommend the basic principles of a national solution to the problem of integration; whether this would need legislation should be left open at this stage.

Guiding principles

6. I am sure that, without prejudging the detailed findings of the Commission, we must lay down certain broad guiding principles; otherwise the Commission might make recommendations which were totally unacceptable to us. This was the line which we took in "Signposts for the Sixties". The principles should reflect the following considerations:

(a) The public schools represent a considerable educational capital; and, at a time of acute pressure on our resources, this should be used to meet the needs of the nation as a whole. In particular, since the schools are two-thirds boarding and account for one-half of the country's secondary boarding provision, the Commission should consider the boarding aspect first; that is, how the schools might help to satisfy the "need" category along the lines defined in the Martin Report(1) and, more widely, the needs of other children whose home or neighbourhood environment is prejudiced to their education.

(b) Both for the reason given in (a) above, and in order to eliminate their divisive influence on society, the schools must accept a socially mixed entry.

(c) Moreover entry must represent a progressively wider range of academic attainment. We cannot turn each individual school into a comprehensive school (many of them are much too small). But the public school sector as a whole must increasingly conform with our comprehensive policy for the maintained sector. Now that we are abandoning the 11+ in the maintained sector, we cannot perpetuate and indeed intensify academic selection for the public school sector.

(d) The local education authorities are themselves quite heavily involved in boarding provision, though in a very unsystematic and unco-ordinated way. It is vital that the Commission's work and recommendations should march hand-in-hand with what the local education authorities are doing.

(b) The Direct Grant schools pose a different problem from most of the independent schools. They are already in some sense part of the public sector; many of them are Catholic; and they are predominantly day schools, whereas two-thirds of the independent schools are boarding. Their inclusion would, therefore, distract the Commission from its main task of dealing with the independent schools.

(c) Above all, our overriding aim for the Direct Grant schools is that they should negotiate and agree directly with local education authorities their future place in local comprehensive reorganisation schemes; and this is already beginning to occur. But if we put them under the Commission, we shall provide the reluctant ones with a perfect excuse for not negotiating and for contracting out of local reorganisation schemes.

(d) I am confirmed in this view not only by the opinion of pro-comprehensive Directors of Education whom I have consulted, but also by the fact that the more eminent Direct Grant schools desperately want to come under the Commission.

(e) On a minor point, the wider definition of all Headmasters Conference, Governing Bodies Association and Governing Bodies of Girls' Schools Association schools would be most untidy; for it would exclude 27 Direct Grant schools while including 22 maintained schools. I therefore conclude that the Direct Grant schools must be treated as a separate operation, as indeed they are treated in my comprehensive Circular; and I would propose to exclude them by inserting the word "independent" in the definition—though I would sound a further warning note to them at the same time as I announced the Commission.

4. The definition also excludes a further 3,130 private schools. These schools do not present any urgent problem in this context; they were not mentioned in the Manifesto or The Queen's Speech; they could not possibly be dealt with in the next 2–3 years, being of enormous variety, usually very small and often denominational. I therefore propose to exclude them from the definition but to make a vague reference to them in the Commission's terms of reference (see Annex).

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(a) To investigate: i.e., to collect and assess information about the schools within its scope (which vary greatly in size and character) and about the need, and existing provision, for boarding education; and to examine possible forms of collaboration between the schools and the maintained sector.
To work out with local education authorities and schools the part which individual schools should play in national and local schemes of integration.

If it so wishes, and subject to my approval, to initiate experimental schemes matching existing provision with different types of need.

To recommend the basic principles of a national solution to the problem of integration; whether this would need legislation should be left open at this stage.

Guiding principles
6. I am sure that, without prejudging the detailed findings of the Commission, we must lay down certain broad guiding principles; otherwise the Commission might make recommendations which were totally unacceptable to us. This was the line which we took in "Signposts for the Sixties". The principles should reflect the following considerations:

(a) The public schools represent a considerable educational capital; and, at a time of acute pressure on our resources, this should be used to meet the needs of the nation as a whole. In particular, since the schools are two-thirds boarding and account for one-half of the country's secondary boarding provision, the Commission should consider the boarding aspect first; that is, how the schools might help to satisfy the "need" category along the lines defined in the Martin Report(*) and, more widely, the needs of other children whose home or neighbourhood environment is prejudiced to their education.

(b) Both for the reason given in (a) above, and in order to eliminate their divisive influence on society, the schools must accept a socially mixed entry.

(c) Moreover entry must represent a progressively wider range of academic attainment. We cannot turn each individual school into a comprehensive school (many of them are much too small). But the public school sector as a whole must increasingly conform with our comprehensive policy for the maintained sector. Now that we are abandoning the 11+ in the maintained sector, we cannot perpetuate and indeed intensify academic selection for the public school sector.

(d) The local education authorities are themselves quite heavily involved in boarding provision, though in a very unsystematic and unco-ordinated way. It is vital that the Commission's work and recommendations should march hand-in-hand with what the local education authorities are doing.

Lastly, the State-sponsored entry should not be just a tiny minority—we do not want a small-scale Fleming solution. I am sure it would be wrong to lay down in advance any particular percentages; but we should establish the broad principle that, in the long run, entry to these schools should not depend on parental income.

7. I attempt in the Annex to embody these guiding principles in the terms of reference.

Size, finance and administration of Commission

8. I envisage a Chairman (and possibly Deputy-Chairman) who would be half-time and paid accordingly, and about 12 other members who would not be representatives but drawn from a number of interested parties—schools (maintained as well as public), local education authorities, universities, churches—as well as one or two independent members. The Commission would be serviced by my Department.

9. I estimate that the servicing of the Commission might cost £55,000 in a full year. The only other public expenditure for (say) two years would be the cost of pilot experiments—perhaps £100,000 in the first year and not more than £400,000 in the second; I would hope this might be borne by the local authorities. The cost of any research needed for the Commission's work would be borne on my Department's research Vote. Once the Commission has recommended, the burden of expenditure will depend on (a) the rate of integration which the Commission proposes, (b) whether the Government accepts this or not (as to which it is of course a completely free agent), (c) the extent to which local education authorities contribute towards the fees of the State-sponsored pupils, and (d) the extent of the parental contribution on which we decide. None of this, as I explained to the Cabinet on 13th July, will fall to be decided for 2–3 years.

Other possible measures

10. A number of other actions which the Government might take have been suggested from time to time. I have considered these and reached the following conclusions:

(a) Application of the teacher quota system to the schools. But it appears on examination that (allowing for boarding and larger 6th forms) the alleged superiority in staffing ratios of these schools is rather small; any possible gain to the 6,000 State secondary schools would be negligible. Moreover, such a policy would need legislation, would be onerous and costly to administer, and would create pointless resentment just at the moment when we want the maximum goodwill. I do not think, therefore, that this is a worthwhile proposition. But the Commission should be asked to consider the point.

(b) Eliminating tax privileges. I am pursuing this point with the Treasury to see whether any action is possible or desirable in next year's Finance Bill.
Abolishing relief from rates. The great majority of public schools are charities and as such enjoy the same relief as other charities which do not receive University Grants Committee grant. It would be invidious to discriminate against them while others retained their present relief.

Persuading Oxford and Cambridge colleges to give fewer places to pupils from public schools and more to those from maintained schools. The Franks Commission is aware of this problem and I propose to await its findings before pursuing the question further.

Conclusion

11. I invite my colleagues to endorse the terms of reference for the Commission which are set out in the Annex. (I understand that the Secretary of State for Scotland would wish the Commission to deal with Scottish schools coming within the definition.) I shall then proceed to appoint the Chairman and to make a statement to the House.

C. A. R. C.

Department of Education and Science, W. I.
18th November, 1965.

ANNEX

TERMS OF REFERENCE OF THE PUBLIC SCHOOLS COMMISSION

1. The main function of the Commission will be to advise on the best way of integrating the public schools with the State system of education.

2. For the immediate purpose of the Commission public schools are defined as those independent schools now in membership of the Headmasters Conference, Governing Bodies Association or Governing Bodies of Girls Schools Association.

3. The Commission will be expected to carry out the following tasks:

(a) To collect and assess information about the public schools (including their staffing ratio in comparison with maintained schools); to study the need and existing provision for boarding education; and to examine possible forms of collaboration between the schools (in the first instance the boarding schools) and the maintained system.

(b) To work out with local education authorities and schools the role which individual schools might play in national and local schemes of integration.
(c) If it so wishes, and subject to my approval, to initiate experimental schemes matching existing provision with different types of need.

(d) To recommend a national plan for integrating the schools with the maintained sector of education.

(e) To recommend whether any action is needed in respect of independent schools not now in membership of the Headmasters Conference, Governing Bodies Association or Governing Bodies of Girls Schools Association.

4. In carrying out its tasks the Commission will be expected (while respecting the denominational character of many of the schools), to pay special attention to the following objectives:

(a) To ensure that the public schools should make their maximum contribution to meeting national educational needs, and in the first instance any unsatisfied need for boarding education in the light of the Martin and Newsom Reports.(1)

(b) To create a socially mixed entry into the schools in order both to achieve (a) above and to reduce the divisive influence which they now exert.

(c) To move towards a progressively wider range of academic attainment amongst public school pupils, so that the public school sector may increasingly conform with the objectives outlined in Circular 10/65.

(d) To co-operate closely with local education authorities in seeking to match provision with need for boarding education.

(e) To ensure the progressive application of the principle that the public schools, like other parts of the educational system, should be open to boys and girls irrespective of the income of their parents.

CABINET

TRIAL GENERAL SPEED LIMIT OF 70 M. P. H.
ON ALL ROADS

Memorandum by the Minister of Transport

At their meeting on 19th November, the Home Affairs Committee endorsed the proposals which I had put to them for action to be taken following the recent multiple crashes on motorways. It was felt that in view of the great public concern about this matter my colleagues would wish to know in advance of the measures which I intend to announce in reply to several Questions that have been tabled for answer on 24th November.

2. There are two main steps to be taken in the immediate future. The first is an ad hoc advisory speed limit of 30 m. p. h. for temporary application on lengths of motorway when and where the weather conditions are specially bad. These lengths will be indicated by flashing electric signs, displayed at the sides of the road, which the Police will switch on and off as they consider necessary. Plans are going ahead for physical preparations to be completed in time to introduce the ad hoc limits just before Christmas.

3. The second measure is the introduction for a trial period of four months, through the winter and covering Easter, of a general 70 m. p. h. limit on all unrestricted roads, including motorways. It will not be a major feature in dealing with fog hazards, though it has some bearing on them, and on other hazards due to bad local conditions. No direct evidence is available about the effect of introducing a speed limit of 70 m. p. h. Nevertheless the Road Research Laboratory advise me that there is no doubt some reduction in both speeds and numbers of accidents can be expected. In the United States, where the accident rate per vehicle mile is amongst the lowest in the world, all roads outside the cities are subject to a general limit, usually at about 70 m. p. h. I have no doubt that we should take advantage of the present mood to adopt the trial limit as a means of inducing higher standards of driver discipline generally and of persuading drivers here to accept the need for restraining excessive speeds. In consultation with the Secretaries of State for Scotland and Wales, I shall review the results of the experiment in time to decide whether the 70 m. p. h. limit should be continued at the end of the initial trial period of four months.
4. Neither measure involves great cost, and my Department are in touch with the Treasury on all the details of the expenditure involved. The Local Authorities and other organisations mainly concerned have been consulted. The 70 m.p.h. limit may attract criticism from some of the motoring interests, but in the present circumstances I think it most unlikely that there will be any significant body of fundamental opposition to the four months' experiment. This is an opportunity not to be missed and my aim is to take advantage of it in my statement to the House on 24th November.

T. F.

Ministry of Transport, S. E. 1.,
22nd November, 1965

CABINET

EARNSUS-RELATED SHORT-TERM BENEFITS:
IMPLICATIONS FOR THE PUBLIC SECTOR OF THE PROPOSED
CHANGE IN THE BASIS OF CONTRACTING OUT

Note by the Chief Secretary, Treasury

At the meeting of the Cabinet on 11th November (C, C, (65) 60th Conclusions, Minute 3) I was invited in consultation with the Ministers concerned to give further consideration to this subject. In the time available I have not been able to consult my colleagues who are responsible for public sector pension schemes, and the attached paper prepared by officials does not commit them; but the figures have been prepared in consultation with their Departments.

2. Under the proposals made by the Minister of Pensions over half a million civil servants and members of the Armed Forces will be called on to pay something for nothing. They will have to pay a weekly contribution for a pension benefit which they already enjoy. This contribution will not be large - broadly something between 1s. and 4s. a week; and that only if they are among the better paid. But it would be well to recognise that this will give rise to a source of grievance - especially in already sensitive areas - and that long and difficult negotiations will have to take place.

3. It may well happen that the expression of this disappointment may not be fully matched by an equivalent expression of satisfaction by the half million whose contributions will be reduced by anything up to 5s. a week - and that for the very good reason that they earn little.

4. There are many other public sector employees likely to be affected to a minor degree as described in the paper. One group, however, stands out for special consideration - married women: 70,000 in teaching alone will pay up to 6s. a week more.

5. The full extent of the disadvantage goes beyond the increase in contributions referred to in paragraph 2. For the million members of the Civil Service and Armed Forces who pay nothing towards their pensions will get up to £120 per annum less in total retirement income.

6. Nevertheless I accept the Minister's views both as to the logic of the proposed scheme of flat rate abatement (balancing a fixed amount of employer-provided pension with a fixed amount of State-provided pension) and as to its inevitability in a few years' time. Moreover, if the principle that public service pensions must be abated in respect of National Insurance graduated pension were abandoned,
extension of the National Insurance scheme in due course to provide larger graduated benefits for higher paid workers could not be matched by corresponding adjustments in public service pensions. The State and the local authorities would be involved in expensive over-provision in total pension for the staffs of the public services.

7. If the Cabinet accept the Minister's conclusion that sectional interests should not dictate the form of the national scheme, they may decide that it is worth taking a calculated risk on the outcome of the employer-employee negotiations (which must clearly be undertaken) in return for the economic and social benefit of her proposals.

J. D.

Treasury Chambers, S.W.1.

22nd November, 1965
IMPLICATIONS FOR THE PUBLIC SECTOR OF THE PROPOSED CHANGE IN THE BASIS OF CONTRACTING OUT

General

The great majority of the public services are at present contracted out of the graduated scheme. But the rules of most schemes provide that, if graduated pension is earned, the occupational pension is reduced by the same amount. Thus, the proposed change in the basis of contracting out affects the way in which contracted out public servants earn pensions, as follows:

(a) Non-contributory* pension schemes (Civil Service and Armed Forces) - 1,120,000

Members of these schemes will, for part of their total retirement benefits, change to a contributory scheme - the graduated scheme. They will thus have to pay for something that up to now they have got for nothing.

(b) Contributory pension schemes (National Health Services, local government teachers, police, and fire services) - approximately 1,000,000

Members of these schemes, who are already contracted out, will switch part of their total contributory pension from their occupational to the graduated scheme. In most schemes, the contributions of employer and employee to the graduated scheme will be partly offset by reduced contributions by each to the occupational scheme. The rules of most schemes already enable this to be done. But some schemes, notably those for the Police and Fire Services, may have to be amended so that contributions could be modified and the occupational pension abated.

(c) Nationalised industries (about 1 million)

Most nationalised industries contract all their employees out of the graduated scheme but, like the Police and Fire Service schemes, have no arrangements for modifying the occupational pension to take account of the graduated pension.

The following paragraphs explain in more detail the effect of a change on contributions and pensions.

Effects on contributions paid by the contracted out

2. There is an important difference between the effects, in terms of changed contributions, on those now contracted out who respectively earn more or less than about £14 a week. There is insufficient evidence to enable a precise estimate to be made of how many will gain, lose or suffer little change. In broad terms, the effects on male employees will be as follows (the effects on contracted out women will be only slightly different):

* i.e. schemes to which the employee does not contribute.
Those earning less than about £14 a week

There are about 800,000 such in the public services, plus about 280,000 in the nationalised industries. Since it is not possible to split the figures as between those respectively above and below the cut-off point between gainers and losers, this estimate is very tentative. But the following tables illustrate the broad effect of a change.

(i) Public services

A. Non-contributory schemes (Civil Service and Armed Forces)

<table>
<thead>
<tr>
<th>Weekly earnings</th>
<th>Nos.</th>
<th>Gain (+): Loss (-) in weekly terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under £9 (women)</td>
<td>180,000</td>
<td>+ 4s. 10d.</td>
</tr>
<tr>
<td>£9-£15</td>
<td>370,000</td>
<td>+ 4s. 10d. to - 10d. (at the top of the range)</td>
</tr>
</tbody>
</table>

B. Contributory schemes (National Health Service, local government, police and fire services)

<table>
<thead>
<tr>
<th>Weekly earnings</th>
<th>Nos.</th>
<th>Gain (+): Loss (-) in weekly terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>£9-£14</td>
<td>385,000*</td>
<td>+ 4s. 10d. to - 4d.</td>
</tr>
</tbody>
</table>

*Most National Health Service and local government employees in this range are not contracted out and will suffer only a minimal increase in contributions. The figures also assume that the Police and Fire Service schemes will be amended as suggested in paragraph 2.

(ii) Nationalised industries

No breakdown is possible but the effects on the 280,000 (approximately) concerned will be broadly the same as that for those in contributory public service schemes.

(b) Those earning more than £14 a week

These include 1.5 million employees in the public services and 670,000 in the nationalised industries. All in non-contributory schemes will lose, but those in contributory schemes will suffer only marginally as the following table illustrates:

(i) Public Services

A. Non-contributory schemes (Civil Service and Armed Forces)

<table>
<thead>
<tr>
<th>Weekly earnings</th>
<th>Nos.</th>
<th>Gain (+): Loss (-) in weekly terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>£15 - £18</td>
<td>205,000</td>
<td>- 10d. to - 3s. 9d.</td>
</tr>
<tr>
<td>£18 - £30</td>
<td>285,000</td>
<td>- 3s. 9d. to - 4s. 11d.</td>
</tr>
<tr>
<td>Over £30</td>
<td>80,000</td>
<td>- 4s. 11d.</td>
</tr>
</tbody>
</table>
B. Contributory schemes (National Health Service, local government, teachers*, Police and Fire Services)

<table>
<thead>
<tr>
<th>Weekly earnings</th>
<th>Gain (+)</th>
<th>Loss (−) in weekly terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over £14</td>
<td>985,000</td>
<td>+1s. 10d. to −1s. 6d.</td>
</tr>
</tbody>
</table>

*Married women teachers, carried on their husband's National Insurance, are ignored.

(ii) Nationalised industries

No breakdown is possible. The effect would be similar to that on public service contributory schemes if the schemes were amended to provide for modification and abatement on public service lines. Otherwise, the total increase in contribution would be similar to that in non-contributory public service schemes but there would be a proportionate increase in pension. Total pension would thus be too high.

Married women

3. These present a special problem. They include about 70,000 teachers and substantial, though unknown, numbers in other schemes. They will not benefit from the rebate in the National Insurance flat-rate contribution proposed for the contracted out and may in consequence pay up to 6s. 0d a week more by way of contributions in contributory schemes, such as Teaching, and up to 9s. 9d a week more in non-contributory schemes.

Effects on pensions

4. These can be summarised as follows:

(a) Abatement of flat-rate National Insurance pension

Everyone, except married women opted out of the flat rate scheme, will lose because their flat rate National Insurance pension will be abated by 1s. 2a week for each year of service (rising to a maximum of 47s. a week for 47 years' service). This loss will be offset for members of some contributory schemes by a reduction in the extent to which their occupational pension is abated.

(b) Additional graduated pension for widows

Membership of the graduated scheme will result for married men in an increase in a widow's National Insurance pension. She will thus get the full occupational and graduated widow's pensions to which her husband's contributions entitle her. About 3 million out of the 3½ million pensionable employees in the public sector are men, and most of these are married, but there is a concentration of women in the teaching and National Health Services which may affect the extent to which this point carries weight with the staff interests concerned as a whole.
Overall financial effect in the first few years

5. This is broadly illustrated in the following table:

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost to employers</th>
<th>Cost to employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Service</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Armed Forces</td>
<td>1.65</td>
<td>1.65</td>
</tr>
<tr>
<td>Teachers</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>National Health Service</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Local Government</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Police and Fire Services</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>6.05</td>
<td>6.05</td>
</tr>
</tbody>
</table>

The figures of cost are net (increased contributions to National Insurance minus reduced contributions to occupational schemes). All the figures are approximate.

Staff Reactions

6. Staff reactions to the proposed changes in National Insurance arrangements taken as a whole will be affected in part by their attitude to the earnings related short term benefits scheme in itself. Public servants are rarely unemployed. Their sick pay schemes are generally superior to the proposed sickness benefit. Thus they will not generally gain directly in these respects from the additional contributions paid for the short term benefits (some public servants qualify for unemployment benefit for some months if they retire before the National Insurance retirement age). Unless there are other changes, however, they may gain from the fact that tax relief is given on the part of sick pay which is equivalent to the National Insurance sickness benefit - and this will in future be a significantly larger part for higher paid staff.

7. Against this background there will also be reactions - stronger than are justified by the figures set out above - to the changes in contracting out arrangements. Public sector employees generally do not accept the principle that the traditional level of public service pensions should be altered in any way to take account of the fact that National Insurance benefits are now available which were not available when the pension schemes were framed. They will therefore resent changes which intensify the application of this principle, particularly if the result was that they had to pay more in contribution for less total pension.
ARMED FORCES PAY

Note by the Secretary of the Cabinet

By direction of the Prime Minister I circulate for the consideration of the Cabinet a draft of the terms of reference to the National Board for Prices and Incomes (C. C. (65) 62nd Conclusions, Minute 3) on the pay increases proposed for the Armed Forces.

(Signed) BURKE TREND

Cabinet Office, S. W. 1.

22nd November, 1965
ARMED SERVICES PAY

Draft Terms of Reference to the National Board for Prices and Incomes

The pay of the Armed Forces has been reviewed at two-yearly intervals since 1960. The next review is due to take effect on 1st April, 1966.

The formulae used to determine the increases due under these reviews is set out in Cmd. 945, dated February, 1960, viz.

(a) Changes in the pay of Service Officers would in future be governed broadly by the relative changes in the pay of comparable grades in the Home Civil Service. It was decided that comparable grades should be the Executive and Administrative grades.

(b) Changes in the pay of ratings, soldiers and airmen would be governed broadly by changes in the average earnings and wages in manufacturing and certain other industries as notified by the Ministry of Labour.

The Government request the Board to advise them by not later than 16th January, whether the increases in pay produced by the application of the formulae in Cmd. 945 for implementation from 1st April, 1966, are, in relation to total emoluments, consistent with Part I of the White Paper on Prices and Incomes (Cmd. 2639) and in particular with the criteria laid down in paragraph 15. Special regard should be paid to the need of the Services to recruit and retain on a voluntary basis sufficient men to meet the commitments of the Services, and to the special features of Service life, and to the commitment to the Services represented by the system of biennial reviews.
24th November, 1965

CABINET

RATE REBATES

Memorandum by the Minister of Housing and Local Government

There are two points for consideration. The first is the "threshold" - the amount of rates which is to be disregarded in the calculation of rebates. The second is the income limit in the case of a single person.

2. The overall aim of my scheme is to reduce the proportion of household income taken by rates in the case of the lower income groups. The Allen Committee found that, while taking an average of all income groups 2.6 per cent of household income went on rates, in the case of those with £6 to £10 a week the proportion was 6 per cent and in the case of those with less than £6 a week it was 8 per cent; these are 1963-64 figures - the proportions will have risen since. The reason for having a threshold at all is to secure that for a given total cost a higher proportion of relief is given to households with high rate bills than to those with low rate bills. But we cannot push too far in this direction without undermining the scheme, for the poorest households do not pay that much in rates, even though the proportion of income taken is high. (Households with less than £6 a week pay on average about £23.)

3. I originally proposed a figure of £5, but to meet the Chancellor of the Exchequer I offered to increase this to £6 10s. (2s. 6d. a week); this would save about £2 million a year at the expense of depriving nearly 150,000 persons of rebates altogether and reducing the rebates of the remainder. To raise the threshold further to £7 10s., as the Chancellor suggests, might cut out a further 100,000 persons and save another £1 to £1½ million. But every time the threshold is raised it is the ratepayers at the bottom of the income ladder who stand to suffer the biggest proportionate loss.

4. The Chancellor has singled out for special attack the income limit of £8 proposed for single persons, and argued that this is unduly generous compared with the limit of £10 a week set for a married couple. True, the differential of £2 a week is smaller than the differential between the National Assistance Board's basic scales for single persons and married couples, which is just under 50s. But the Allen Committee showed that this is a group on whom rates press particularly hard. Single person retired households in the £6 to £10 a week class spent in 1963-64 almost 9 per cent of their income in rates, compared with the average of 5 per cent for all households in this income group. And over three-quarters of those concerned are of retirement age. In other words they are largely widows or widowers whose housing costs have not shrunk with their incomes. They are a class particularly deserving of assistance.
5. To argue, as the Chancellor has done, that the rebate scheme must be too generous because it grants rebates to people whose rates are no higher than their income tax liability is to ignore altogether the fact that on average income tax takes a much larger slice of income than do rates. Even if the single man with £8 a week and a £20 rate bill would only be left paying £10 a year in rates, this would still represent 2.4 per cent of his income - only just below the average for all householders; and the average rate bill for this group is in fact nearer £40 than £30.

6. The effect of cutting the income limit for a single person from £8 to £7 would be to save £2 to 2½ million and to exclude about 150,000 households from rebates. It is not worth it.

R.H.S.C.

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

24th November, 1965
CABINET

RATE REBATES

Memorandum by the Chancellor of the Exchequer

When rate rebates were discussed by the Cabinet on 14th October, the Prime Minister indicated in his summing up that further consideration should be given to the points raised in discussion on the administration of the scheme, including the £5 level of minimum rate liability. The questions now outstanding are:

(a) whether the "threshold" or minimum rate liability should be £6 10s. (2s. 6d. a week) or £7 10s. a year (3s. a week).

(b) whether the income limit for full relief for a single person should be £8 a week or £7 a week.

2. I must tell my colleagues that we are facing a difficult situation on the Estimates and on public expenditure generally, which will lead to a difficult Budget unless we can secure considerable reductions. There are, therefore, particularly strong grounds for securing economies wherever they can be got without undue difficulty.

3. The main purpose of this memorandum and of the attached table is to get away from percentages and global totals relating to classes of ratepayers, and to show the effect of the alternative proposals in terms of their money impact on individual ratepayers. It is this that will matter in the House and the country. The figures demonstrate that a small difference in the amount of relief to individuals can make a big difference to the outlay of public money.

4. My proposals for the threshold and the single income limit would reduce the cost of the scheme to the Exchequer by £3 million - £4 million, and the cost falling on the rates by £1 million - £1½ million. As the attached table shows, except in one case, my proposals would give substantially the same relief as the Minister's. The effect of the £7 10s. threshold, taken on its own, is to reduce the relief in each case by 13s. 4d. per year (or 3d. per week) on a bill of £10, £20 or even £40 per year. This cannot make any significant difference to the proportion of income taken in rates. The only category much affected is the single person who is a householder at or about £8 a week, and I consider there are good grounds for this (see paragraph 6 below). Taken as a whole, I do not believe that my proposals weaken the attraction of our scheme politically. The previous Government's rate relief measures achieved little, and hardly afford the Opposition a base for criticism.
5. On the threshold, I do not believe that a minimum of 3s., a week instead of 2s. 6d., is too high. The Minister says a £7 10s. threshold might exclude 100,000 people from relief, but these must by definition be people to whom he is proposing to give relief of 13s. 4d. a year only, or less. And the 100,000 has to be viewed against a very rough estimate of 2½ million beneficiaries in all.

6. On the income limit, I think the following figures bring out my point that the differential of £2 a week (+25 per cent) between single and married is too small:

<table>
<thead>
<tr>
<th></th>
<th>Single</th>
<th>Married</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax starting levels</td>
<td>£5 10 0</td>
<td>£6 10 0</td>
<td>£3 0 0 (+55%)</td>
</tr>
<tr>
<td>Income tax &quot;age exemption&quot; levels</td>
<td>£7 14 0</td>
<td>£12 0 0</td>
<td>£4 6 0 (+56%)</td>
</tr>
<tr>
<td>National Insurance Pensions</td>
<td>£4 0 0</td>
<td>£6 10 0</td>
<td>£2 10 0 (+62 1/2%)</td>
</tr>
<tr>
<td>National Assistance Rates</td>
<td>£3 16 0</td>
<td>£6 5 6</td>
<td>£2 9 6 (+55%)</td>
</tr>
</tbody>
</table>

I realise that the Allen Committee said that rates pressed particularly hard on single retired householders. However, they also said (paragraph 230):

"The average income of all retired single householders is only £314.9 a year but more than three-quarters of them fall within the lowest income range where the average income is £234 a year."

They also showed (Table 314) that in their "Special Study" or special hardship group only 12.3 per cent had incomes of £364 or over, and four-fifths of this 12.3 per cent were occupying six or seven rooms. I do not think this makes a case for fixing the single person's income limit above £364, or £7 a week. The £7 limit would also make it easier for me to defend, as I must, the fact that we are taking from the single person on £8 a week £21 a year in income tax if he is under 65, or nearly £12 if over 65.

7. I would summarise the issue as follows:

(i) The relief to the individual ratepayer is very substantial under either set of proposals. For example, except in one case, a £20 per year rate bill is reduced to £11 per year under the Minister's proposals, and to £11 13s. 4d. under mine.

(ii) This is an instance where we can secure a reduction in Vote expenditure of £3-4 million per year (and of £1 million per year which would fall on the rates) with the minimum effect on our social policies and on the individual beneficiary.

(iii) In a difficult public expenditure situation, where a number of my colleagues' draft Estimates are likely to be submitted at substantially higher figures than had been expected in the summer, the adoption of my proposals here would make a significant contribution.

Treasury Chambers, S. W. 1.
24th November, 1965

L. J. C.
## Rate Rebate
**Comparison of Minister of Housing’s and Chancellor’s proposals**

**Minister of Housing:** £6 10s. Od. threshold  
£8 a week single income limit

**Chancellor:** £7 10s. Od. threshold  
£7 a week single income limit

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<th>MARRIED PERSON</th>
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26th November, 1965

CABINET

RHODESIA: HELP FOR LOYAL CIVIL SERVANTS

Note by the Secretary of State for Commonwealth Relations

I am circulating with this note a paper which has been prepared by officials of the Treasury, Commonwealth Relations Office, and the Ministry of Overseas Development. The paper indicates the scope of the proposals which are at present contemplated. I should be grateful for comments so that final details of the scheme can be worked out and an early announcement made. I would draw attention particularly to the following points.

(a) Whereas pensions are guaranteed for all, salary payments are proposed normally for a period of six months only in the cases of officers who leave Rhodesia. Apart from the Governor and members of the Judiciary there is no guarantee of salary for those who remain. I am inclined to think that on political and moral grounds it is necessary to guarantee either the payment of salaries to such persons or to some reimbursement at a later date not less than that proposed for officers who leave the country.

(b) The proposed arrangements do not include the payment of salaries in any case after a six months period, nor do they envisage the continuing accrual of pension rights after the date on which officers vacate or are "dismissed from" their offices. I suggest that further consideration should be given to these points.

(c) In considering these proposals it should be borne in mind that we are publicly committed to the view that officers "dismissed" in these circumstances will continue to be regarded as loyal members of the Rhodesian Service to which they will normally at some stage return. There is no question of their being automatically regarded as having resigned and we are not asking them to do so.

(d) A number of presentational points should also be borne in mind.

(i) We do not regard the proposals as in any sense "a compensation scheme".

(ii) The proposals, if they are to make a good impact, will need to be presented in the simplest and sympathetic terms.

(iii) In the light of the Governor's views it will be necessary to avoid repeating publicly the fact that his and the salaries of the Judiciary are to be specially preserved.

Commonwealth Relations Office, S. W. I.
25th November, 1965
PRELIMINARY DRAFT OF MEASURES THAT THE BRITISH GOVERNMENT MIGHT ANNOUNCE TO HELP PUBLIC SERVANTS IN RHODESIA WHO HAVE LOST EMPLOYMENT BECAUSE OF THE ILLEGAL CHARACTER OF THE PRESENT REGIME

Scope of the Arrangements

1. These arrangements apply to persons of all races in the Rhodesian Public Service including the Police, in the Armed Forces, in the Judiciary, and in the service of the Rhodesian Parliament. They do not apply to members of public corporations or other public bodies in Rhodesia.

2. The arrangements apply to all pensionable officers, to officers on probation or temporary transfer and to officers on contract for a fixed period who resign from their posts on grounds of conscience or who are suspended or dismissed by the present authorities in Rhodesia because of their refusal to support the regime there or to carry out unlawful orders.

3. The British Government will regard any payments made under these arrangements as advances on behalf of the Government of Rhodesia and will expect to bring them into account when a settlement on Rhodesian affairs is reached.

The Governor and the Judiciary

4. The British Government are prepared if necessary to ensure from British funds the continuing payment of the salaries of the Governor and members of the Judiciary which are charged on the Consolidated Revenue Fund of Rhodesia.

Officers remaining in Rhodesia

5. The British Government will safeguard the accumulated claims to pension to the date when they cease to hold office of pensionable officers who lose or are suspended from their offices in the circumstances described in paragraph 2. The
British Government will also safeguard the claims to any penalties for breach of contract of contract officers who lose or are suspended from their offices in these circumstances. No attempt will be made to underwrite the current terms of service of officers other than the Governor and members of the Judiciary who may cease to hold office or be suspended from office while they remain in Rhodesia since it might well not be possible to establish the circumstances in which their employment was lost.

Officers leaving Rhodesia

6. The British Government will provide consular and, where necessary, financial assistance to officers to get to Britain or other approved destinations.

7. The British Government will pay the salaries of these officers for a period of six months after they report to a British post outside Rhodesia. In addition the British Government will consider further assistance in individual cases if the officer has been unable to establish himself and his family with the help of these salary payments.

8. The British Government will offer the help of their employment agencies to officers returning to this country in search of employment. The British Government are approaching the Zambia and Malawi Governments to ask for their help in finding employment for African officers leaving Rhodesia. The British Government are prepared to consider on their merits individual requests from Rhodesian Servicemen to join the British Armed Forces.

9. The British Government will safeguard the accumulated claims to pension to the date when they cease to hold office of pensionable officers who lose or are suspended from their offices in the circumstances described in paragraph 2. The British Government will also safeguard the claims to any penalties.
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10. The British Government will not regard payments made under these arrangements as prejudicing the claims of any officer who has resigned, or been suspended or dismissed, to reinstatement when a settlement of Rhodesian affairs is reached.
26th November, 1965

CABINET

FAIRFIELD SHIPBUILDING AND ENGINEERING CO. LTD.

Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

On 3rd November we agreed to guarantee an advance of up to £1 million to Fairfields by the Bank of England, in order to keep the yard in full operation until Ministers had had an opportunity to consider the Report of the Geddes Committee, which is expected in February. This decision was based on an analysis made by the Receiver of the cash position of the Group up to 31st March next.

2. Since that decision the Receiver has had an opportunity of going more fully into the position and has had discussions with all those who have ships on order with Fairfields. Included in the programme of work which the yard would hope to undertake are three new ships to be started in the next few weeks or months, which are essential to the yard's economic position. Two of these are for Reardon Smith, to be completed by the end of 1967, and one for the Navy Department running into 1969.

3. Briefly the Receiver's assessment of the position is as follows:

(i) there should be no special difficulties with those owners whose ships have been launched and are due to be completed during the first half of 1966;

(ii) there is only one ship at present under construction in the yard; it is due to be launched at the end of April, 1966 and completed in September, 1966. The owners (British Petroleum Tankers) have indicated that they would intend to remove this ship and have it built elsewhere unless the Receiver can provide assurances that the ship will be completed in time;

(iii) at present four of the five berths in the yard are vacant. Unless new work is laid down soon, labour will lose confidence and drift away. Moreover, if the yard is to be operated economically, its large and heavily capitalised steel shop must be kept fully occupied. To achieve this, the Receiver believes that the yard must proceed as quickly as possible with the work on the new destroyer and two bulk carriers for Reardon Smith, for which it has contracts; he also thinks it would be desirable to secure further orders before long and is hoping for two air store support ships for which the yard has submitted tenders but on which no decisions have yet been taken because these ships are covered by the current Defence Review;
(iv) neither Reardon Smith nor the Navy Department are willing to see work on their ships started unless they can be assured that it will be carried through to completion. Reardon Smith have indicated that they will want to place their contract elsewhere unless the Receiver can give them such assurances by 2nd December;

(v) once committed to a further programme of work, Fairfields would have to remain in business until at least the end of 1968. By then all current contracts for merchant ships should have been completed. The Navy Department ship would have been launched, but would continue fitting out until early 1969.

4. The Receiver takes the view that he cannot himself give the assurances sought by B.F., Reardon Smith and the Navy Department partly because he cannot be certain that the creditors will not at some stage force a liquidation and partly because he cannot foresee the position beyond 31st March with sufficient certainty. The yard can only embark on a new programme and complete the ship already on the berth if the Receiver is given further support by the Government.

5. The interdepartmental group of officials who were instructed to supervise the Government's interest in Fairfields have considered the situation as it has now emerged. They have concluded that the action we have so far taken will not achieve the objective which we had in mind of maintaining the yard in operation until 31st March next. We are, therefore, now faced with a choice between doing nothing more or assuming a longer term commitment to maintain the yard in operation.

6. I have had a preliminary discussion of the problems involved and the alternatives open to us with the Chancellor and the President. The alternatives seem to be -

A. to let the yard be closed down by the Receiver;
B. to extend the guarantees given to the Receiver;
C. to take over the yard.

A. Close the yard

7. If the Receiver is told that we are not prepared to extend the guarantees, he will be bound to run down and close the yard in quite a short time. He could be instructed to limit his call on the £1 million to the minimum required to avoid hardship to the employees. This would come as a great shock after our recent announcement and, however presented, would be likely to appear as extremely inept handling of the situation. It would, moreover, deprive us of what I think may be a great opportunity, to which I refer later.

B. Extending the guarantees

8. This course would enable the Receiver to give the assurances to the shipowners that their orders would be completed. To be effective in this respect it would need to extend to the end of 1967 for the Reardon Smith ships and to the beginning of 1969 for the Navy Department ship. This would achieve the object of keeping the yard open until the Geddes
Report had been received, would maintain employment, and avoid the reversal of policy involved in Course A. It would, however, leave us with an indefinite financial commitment, put at a maximum of £3 million by the Receiver, and a situation over which we would not have a degree of control commensurate with the financial risk incurred. Furthermore, it would be extremely difficult for the Receiver to try to run the Company as a normal business for a long period; the employees would be anxious about the continuity of their jobs and would undoubtedly accept alternative employment as it became available. However able the Receiver, he would be fighting a losing battle.

C. Take over the yard

9. This could be done by the Government alone or in partnership with private industry on the lines indicated in "Signpost for the Sixties". I understand from the Chancellor of the Exchequer that Sir Isaac Wolfson had expressed an interest in the idea of buying the yard. I believe, however, that, following a meeting between Sir Isaac and Sir William Watson of the Bank of Scotland, it is doubtful whether Sir Isaac will pursue the matter further.

10. The disadvantages of this course - alone or in partnership - are that we would be stepping in and acquiring a company which had failed, a company in an inefficient and contracting industry, an industry which must shortly be reorganised if it is to survive. On the other hand, it seems to me that this is a wonderful opportunity to get to grips with the situation and show what can be done by increased productivity. I have been impressed by what Iain Stewart has told me can be achieved in this industry in co-operation with the Unions. I am sure he would be prepared to take a principal part in putting these ideas into practice and he has in mind a competent managing director who is already achieving success on these lines in an adjacent yard, and who is likely to be willing to act as chief executive. They would need to be supported by other directors with particular experience in industrial relations and finance and it would probably be helpful to have a member of the Scottish T.U.C. on the Board. I would expect that in due course this experiment would be an example to the rest of the shipbuilding industry.

11. The total amount owing to the Bank of Scotland and the creditors is about £6.5 million, so that this figure would be the absolute maximum of Government money involved in the takeover. It is probable, however, that the takeover operation could be achieved by negotiation for considerably less (for example, there is a subsidiary company, Fairfield-Rowan, which, for technical reasons, is not in receivership, for which something over £2 million is included in the £6.5 million and which might not have to be taken over at all).

12. If we decided to adopt this course, we should require time to investigate the position fully, to consult with the Unions and to make the necessary arrangements to acquire the yard in the most appropriate way. (I have not had time to establish whether legislation would be required). To get the time required we should have to give the Receiver the minimum undertaking necessary to enable him to keep the yard open to the end of 1967 for the Reardon Smith ships, which is in effect, the temporary adoption of Course B. I think this is a justifiable measure to keep open the possibility of this experiment. (We could presumably consider the position of the Navy Department ship as soon as we were satisfied with the arrangements for acquiring the yard).

13. I hope my colleagues will agree that Course C, although the boldest, would be the best course in the long run.

Department of Economic Affairs, S.W.1.
26th November, 1965

G.B.
CABINET

PROPOSALS FOR INTENSIFIED FINANCIAL MEASURES AGAINST RHODESIA

Memorandum by the Chancellor of the Exchequer

The attached note lists fourteen proposals - which I support generally - for bringing further financial pressure to bear on Rhodesia.

2. I am examining urgently the action required to exercise control over the Reserve Bank of Rhodesia (see paragraph 3 of the note).

L., J.C.

Treasury Chambers, S.W.1.

29th November, 1965
PROPOSALS FOR INTENSIFIED FINANCIAL MEASURES AGAINST RHODESIA

The following measures are proposed for consideration -

(i) No more payments from Rhodesian accounts to non-sterling countries, even for pre-zero commitments. This reverses a previous announcement. Most pre-zero commitments are running out, but there remains continuing items, e.g. servicing I.B.R.D. loans. These are guaranteed by H.M.G., but why should not Rhodesia provide own dollars?

(ii) Ban United Kingdom merchanting to and from Rhodesia, even for Sterling Area trade. Merchanting is convenient for Rhodesia.

(iii) Ban new United Kingdom insurance business with Rhodesia. Disadvantage: other countries will pick up business.

(iv) No transfers of Rhodesian security sterling from one Rhodesian to another. This cancels previous announcements. It would make it impossible for a Rhodesian holding United Kingdom securities to liquidate them, even by sale to another Rhodesian.

(v) Apply the same rule to the securities held by Reserve Bank of Rhodesia, i.e. deny facilities allowed to other central banks. This will make illiquid most of remaining Rhodesian reserves in United Kingdom.

(vi) No trading credit for United Kingdom exports to Rhodesia; cash on shipment only. (This does not arise if all exports are stopped anyway).

(vii) No cash gifts at all by United Kingdom residents to Rhodesia. Cancels previous announcement of £50 limit. Will be criticism over stopping Christmas gifts, and trouble over special cases.

(viii) No travel facilities for United Kingdom residents wishing to visit Rhodesia, save in special cases. Cancels previous announcement of £250 limit. Cannot be policed perfectly, but offenders will be liable to prosecution.

(ix) No arrangements for any travel allowance or transfer of cash for United Kingdom residents wishing to emigrate to Rhodesia.

(x) No overdraft from London for United Kingdom banks operating in Rhodesia. These banks to be warned that facilities are most unlikely to be forthcoming even to avoid a default.

(xi) We take all possible steps to press for the immediate repayment of all overdrafts outstanding for Rhodesian residents with accounts at United Kingdom banks. (No new overdrafts have been allowed anyway since 11th November.)

(xii) No remittances by United Kingdom firms to subsidiaries and branches in Rhodesia, except to pay for imports from those subsidiaries into United Kingdom; if these imports are banned, these payments stop too.

This should have considerable impact in Rhodesia, and cause dislocation and unemployment, at least temporarily. Disadvantages: damage to long-term British interests, unpredictable psychological effects, possible for Smith to keep production going by providing local finance and possibly expropriation.
(xiii) No payments by United Kingdom residents to Rhodesia in respect of pre-zero arrangements (e.g. child at school) which are not definite contractual commitments.

(xiv) Temporary stop on contractual payments to Rhodesia, including pensions, interest and dividends, insurance claims. Announce that there is of course no question of repudiating such obligations, but they cannot be carried out until constitutional Government is restored. Until then H.M.G. will hold pensions, interest etc. payable by H.M.G. in suspense account and advises other firms etc. to do likewise.

This is a major and difficult step. Disadvantages: risk of accusation of default by H.M.G. and risk of retaliation by Rhodesia which financially would be on balance favourable to Rhodesia; psychological effects unpredictable.

But the step should cause much inconvenience and hardship to individuals and by its very enormity should demonstrate H.M.G.'s determination and have considerable impact.

2. The above measures do not include stopping payments for visible trade. The way to stop imports and exports between Rhodesia and United Kingdom is by direct controls. It would be illogical to take such measures as (xiv) above without also stopping visible trade.

3. In addition, it is proposed to take action under the Southern Rhodesia Act to exercise control over the Reserve Bank of Rhodesia. Two possibilities: issue directions requiring the Bank to refer to London before using accounts in other countries; or dismiss and replace the Governor and Directors of the Reserve Bank by United Kingdom nominees, and direct them. Both are feasible legally. Both require co-operation of other foreign bankers to make successful. The second course (full control) would be more certainly effective, but it involves accepting responsibility for managing the day-to-day operations of the Bank which will be difficult to exercise and may lead us into deep water.
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30th November, 1965

CABINET

THE ADULT OFFENDER: DRAFT WHITE PAPER

Memorandum by the Secretary of State for the Home Department

I ask the agreement of my colleagues that I should present forthwith a White Paper setting out in general terms my proposals for penal reform for the adult offender. I had hoped to secure a place in the main programme for this Session for a Criminal Justice Bill which would incorporate these proposals; but it has been found necessary to relegate this Bill to the reserve and it may not be possible to introduce it this Session. In any event it has a low priority for drafting purposes and therefore cannot be ready until some time next year. If my colleagues agree I would provoke an inspired question asking what my proposals were for penal reform and would answer it by saying that it is shortly intended to lay a White Paper before Parliament.

2. My purpose is to place before the public a White Paper which will be, as it were, a twin to the White Paper on the Young Offender published on 25th August. Together they would, I believe, disclose an impressive pattern of penal reform covering the under 16's, the 16 to 21's and the adult offender, and, as it were, first and second instalments of our measures to implement the thinking in the Longford Report. A great deal of work and thought has been devoted to this in my Department and now that a year has gone by and public opinion is considerably interested in an exercised about conditions in prisons, I feel that the Government will be under criticism if no response is made to the challenge for reform presented by existing prison conditions.

3. My main proposals were approved by the Home Affairs Committee earlier this year. The Committee has approved my proposal to publish a White Paper, and the draft annexed to this memorandum incorporates some amendments arising from the Committee's discussion of an earlier draft.

4. The central feature of my proposals is to select by a careful process all those prisoners who are capable of being reclaimed for society and bringing them back into society under a considerably extended parole system which would apply, not merely to ordinary and star prisoners, but also to the recidivist prisoners as well. Every Governor I have consulted has emphasised that if he could hold out to prisoners in his charge the hope of an earlier release on parole, subject to licence, it would very greatly strengthen his hand in influencing them towards improved behaviour and in conducting his prison. It would also, in the view of prison governors, lead to a larger number of prisoners abandoning a life of crime on their release under licence and...
returning permanently to society as useful citizens. An example of the value of supervision is the fact that of 1,100 prisoners released in 1962 who were supervised by the Central After-Care Association from 83.8 (Dartmoor) to 98.1 per cent (Wormwood Scrubs) had not returned to prison by the end of 1964, a period of from two to three years.

5. I propose also to abolish the existing systems of corrective training and preventive detention. In the draft White Paper I also give an account of the progress of the building programme and deal with other matters which I think of great importance, such as keeping prisoners in touch with their families.

6. I am anxious to publish these proposals very soon in the form of a White Paper because I think it would be most undesirable to have to remain, as it were, mute on the subject of penal reform for adult prisoners until certainly next year and perhaps even the year after, if it is impossible to fit the Criminal Justice Bill into the programme.

7. I accordingly ask for the agreement of my colleagues to my publishing the White Paper as in the annex attached.

F.S.

Home Office, S.W.1.

30th November, 1965
**Introduction**

"You cannot train men for freedom in conditions of captivity". In these words the late Sir Alexander Paterson stated the paradox which presents itself daily to every prison administration. The paradox cannot be evaded; but it is all the more necessary to seek to overcome it by strengthening links between the prisoner and the free community and by developing new ways to ease the transition back to freedom. In August the Government laid before Parliament a White Paper headed 'The Young Offender'. The present White Paper is twin to that Paper and together they set out the Governments broad proposals for early reform in our treatment of offenders in England and Wales. Like the August White Paper, the present White Paper is published for purposes of discussion. The August White Paper outlines our approach to the under 16s, and the 16s to 21s. The present White Paper deals with the adult offender over 21 who has been sentenced to imprisonment.

2. The first need is to protect society against the dangerous man or woman who by crime will disturb its peace if at large. The idea that anybody is incurably wicked is distasteful and hard to accept. But experience shows there are some who just will not make friends with society ever. Against them society must be protected, not revenged. It does none of us any good to enjoy a sense of revenge. Such evil-doers must be kept apart, for long periods even, should it be unavoidable, for life. But to prevent the progressive deterioration which often results from long confinement in prison, even in the case of the strongest-minded, their conditions in confinement must be humane and tolerable.

3. Such irreconciliableness are the exception not the rule. The rest differ infinitely. Many are disturbed unstable and immature. For many, it is difficult to acclimatise themselves to the idea of being ever fully re-accepted into society, knowing that they have done things for which their fellow citizens will always dislike them, mistrust them and be reluctant to forgive them. Long periods in prison may punish, or possibly deter them, but do them no good—certainly do not fit them for re-entry into society. Every additional year of prison progressively unfit them.

**Release on Licence**

4. The central feature of the Government's proposals is that prisoners whose character and record render them suitable for this purpose should be released from prison earlier than they are at present. Prisoners who do not of necessity have to be detained for the protection of the public are in some cases more likely to be made into decent citizens if, before completing the whole of their sentence they are released under supervision, with a liability to recall if they do not behave. Other countries have used systems of this kind with success and the Government have concluded that the time has come to ask for powers to adopt a system of early release on licence in this country.

5. At present a prisoner is released after completing two-thirds of his sentence unless he misconducts himself in prison. What is proposed is that a prisoner's date of release should be largely dependent upon his response to training and his likely behaviour on release. A considerable number of long-term prisoners reach a recognisable peak in their training at which they may respond to generous treatment, but after which, if kept in prison, they may go downhill. To give such prisoners the opportunity of supervised freedom at the right moment may be decisive in securing their return to decent citizenship.
6. It is therefore proposed that the Home Secretary should be empowered to release on licence any prisoner who has served at least one-third of his sentence or 12 months, whichever is the longer. Release on licence would be limited to those who were likely to respond to generous treatment and who were not regarded as a risk to the public. The licence would run until the date on which the prisoner would otherwise have been released; that is to say, in a normal case, the date on which having earned his one-third good conduct remission, he would have been released.

7. Release would be subject to conditions which might, according to the individual case, be more or less strict. A normal condition would be supervision by a probation officer, and conditions as to residence would also, in suitable cases, be imposed. Failure to comply with the terms of the licence might involve recall to prison.

8. These proposals can be illustrated by taking, as an example, an offender serving an ordinary sentence of say six years' imprisonment. He would under the existing arrangements be entitled, if he behaved well in prison, to the ordinary good conduct remission of one-third of his sentence, that is, two years. The proposal is that in addition, if he is a prisoner who has shown promise or determination to reform he should be able to earn a further period of freedom on parole of up to one-third of his sentence. In the example quoted, the offender could thus be released after serving two years of his sentence in prison. Thus his first two years would be spent in prison. For the next two he would be free but on licence under supervision. For the remaining two years he would be at liberty, and no longer liable to recall. These arrangements would afford the strongest incentive to reform, and greatly assist the task of prison administration. It would ameliorate the present conditions under which prisoners serving long terms of imprisonment became progressively less able to re-enter society. It would incidentally also go some way to relieve the existing overcrowding in prisons.

9. There are at present two forms of special sentence which may be imposed on persistent offenders - corrective training and preventive detention. The former is for the younger man, usually in his twenties, and the latter for the older criminal.

10. Corrective training was introduced by the Criminal Justice Act, 1948. Courts are empowered to pass a sentence of between two and four years' corrective training on an offender of 21 or more whose offence and record show that he needs "training of a corrective character with a view to his reformation and the prevention of crime". This provision is generally agreed to be now inappropriate. Today all suitable prisoners, whatever their sentence, are given training. The number of sentences of corrective training has fallen steadily to about 200 a year. There are at present only some 260 men and women serving such sentences.

11. It is proposed that the special sentence of corrective training should be abolished.

12. Preventive detention in its present form was also introduced by the 1948 Act. It is available for those aged 30 and over (in practice for those over 40) who have a substantial criminal record. A sentence of preventive detention may be imposed when the court is satisfied that it is expedient for the protection of the public. The term of the sentence must be not less than five and not more than 14 years; in practice the minimum sentence is one of seven years. Preventive detention sentences, too, have decreased in number. In 1964 there were 40 such sentences, and there are only about 500 preventive detainees in prison at the present time.
13. The public have a right to be protected from offenders who persistently commit serious offences, and the courts must have adequate powers to deal with them. The Government is convinced however that the special sentence of preventive detention is no longer appropriate. It is proposed, therefore, to abolish preventive detention.

14. Instead Courts will be given jurisdiction when they have before them a person who has committed an offence and who is in addition shown by evidence to be a persistent offender to impose a longer sentence than they would have imposed had they been sentencing him only for the crime itself of which he is convicted. For this purpose we propose to empower the Courts to sentence a persistent offender to up to 10 years' imprisonment where the ordinary maximum term for the offence is five years or more and not more than 10 years; and to up to five years' imprisonment where the ordinary maximum term is two years or more and not more than five years. Where the ordinary maximum term exceeds 10 years, there will be no greater maximum for the persistent offender.

15. But it is essential for this purpose that the persistent offender must be clearly defined in a definition in the statute in such a way as to apply only to delinquents whose character and record of offences are such as to put it beyond all doubt that they are a real menace to society, and to exclude the petty criminal who commits a series of lesser offences. He is certainly a nuisance but not the menace against whom special protection is necessary. To be a persistent offender, the convicted person must

(a) be sentenced by a superior Court for an offence which is punishable with two years imprisonment or more and was committed within three years of a previous conviction or completion of a custodial sentence, for an offence similarly punishable; and

(b) have been convicted on indictment on at least three previous occasions since reaching the age of 21 of offences punishable on indictment with imprisonment for two years or more, and have been on at least two of those occasions given a custodial sentence; and

(c) have been sentenced on those occasions to imprisonment for periods aggregating not less than five years.

16. In such a case the arrangements for release on licence described above would apply with one important modification. As with the ordinary prisoner, the man sentenced as a persistent offender would be eligible for release after one-third of his sentence but, whatever the date of release, he would be on licence until the whole of his sentence expired. This would ensure that the persistent offender was subject to control, in custody or on licence, for the whole of the period considered necessary by the court for the protection of the public.

17. The position of a persistent offender under these proposals may be illustrated by the following example. Let it be assumed that he had committed the same offence as the offender in the example in paragraph 8 but the Court, instead of the sentence of six years which might have been thought appropriate to that offence, had decided, after it had been proved that he was a persistent offender, and on consideration of the circumstances of the offender and the offence, to impose a sentence of - say - nine years. He too would, although a persistent offender, qualify both for the one-third good conduct remission and for the one-third parole on licence. Thus, if he behaved himself well in prison and showed signs of being likely to reform if given a chance, he might be released at the
earliest after three years. In order to remain at liberty, however, he would have to behave during the whole of the remaining six years. If he misbehaved at any time during this six years he would be liable to recall to prison to serve the remainder of the nine years of his sentence. Any persistent offender who had it in him to try to make good would thus be afforded the strongest inducement to behave and a safe-guard would be provided for society.

The treatment of long-term prisoners

19. Whilst every effort would be made to reclaim for society the prisoner capable of reform it still remains the primary consideration that society must be properly protected against the wrongdoer. Unhappily this does involve that some prisoners will have to undergo confinement for very long periods. Indeed, some really dangerous prisoners sentenced to life imprisonment, who can never be safely allowed back into society, may have to be confined for the rest of their natural lives. The Government proposes that in order to prevent a deterioration which otherwise might set in in the case of such prisoners after many years confinement, conditions specially humane and tolerable should be provided for them. A special block at Albany in the Isle of Wight for their detention is being planned. It will have maximum security arrangements but every reasonable endeavour will be made to make the lives of prisoners detained in it sufficiently varied, and to give such prisoners sufficient interests, as to make it possible for them to spend in it a large part of their life without grave deterioration. This problem will arise particularly in the case of murderers sentenced to life-imprisonment whose character is such that they cannot be released either at all or until after the expiry of a very great number of years.

Allocation

20. In recent years there has been progress in the development within the prison system of a comprehensive range of establishments and regimes suited to the needs of different types of prisoner. It is intended to make further advances in this direction to enable the prison administration, when a man has been given a custodial sentence, to assess his requirements and send him for training to the type of establishment from which he is most likely to qualify for consideration for release on licence.

21. In particular the treatment of the small time persistent offender will take account of the needs of those of inadequate personality (as most of them are). Full use will be made, both in the custodial part of the sentence and during the period on licence, of such special institutions, homes and hostels as are appropriate.

Visits to prisoners

22. It is of the utmost importance to maintain contact between the prisoner and his family. This is essential not only for the purposes of retaining contact with society but to make it possible to bring him back into society as a useful citizen. A man who has won the trust and affection of a wife and children must have good in him. His bond with his family is the bridge over which he can pass back from prison to the companionship of his fellow citizens. It must not be undermined. Moreover such a man also suffers a far more agonising punishment confined in prison away from his family than the rootless introvert who has never thought of anybody but himself.
23. Under the existing system a prisoner may be far removed from his wife and family and from other home ties and may only see his family on rare occasions. He may, as it were, save up accumulated visits and then be sent back to his local prison in order to receive frequent visits from his family during a short period of time. At present such accumulated visiting periods are only allowed when a prisoner has served at least two years. It is proposed forthwith to reduce this qualifying period to one year. In addition visits to the prisoner by his family should be facilitated. Advances on these lines must of necessity be cautious and gradual in order not only to overcome the formidable administrative difficulties involved but also to avoid abuse of facilities granted. In the long term however it is hoped that extended opportunities might be given to prisoners who show themselves worthy of trust to have from time to time as may seem appropriate day or week-end home leave in order to preserve the family bond.

Work for prisoners

24. The policy followed in providing work for prisoners is based on the three reports of the Advisory Council on the Employment of Prisoners. Many of the recommendations of these reports have been or are being carried out, but much remains to be done. The Government's aim is to provide every prisoner with the best type of work of which he is capable and the best industrial training for which he is fitted. An industrial expert has been appointed with responsibility for creating a really efficient prison industrial organisation. A high standard of industrial efficiency is not only in the interest of both prisoners and the community: it is the necessary basis for improving the payments made to prisoners for their work. Particular attention is being given to the possibility of such improvements. An eventual solution may be a system under which prisoners receive normal wages, out of which they contribute to their own support and that of their families, and perhaps also to the cost of compensating their victims.

25. Every endeavour will be made to increase the existing accommodation in hostels. At the moment for the prison population of 23,000 there are available only some 250 hostel places. This means that it is impossible to hold out any hope of going to a hostel for a prisoner serving less than four years and that a great many who would benefit by being in a hostel have little chance of being given this opportunity. Prisoners in hostels live within the prison precincts but go out to work daily unsupervised during the last six months of their sentence in order to ease the transition between confinement and free life in society. Since it must take time, with the maximum effort in expanding accommodation and recruiting prison staff, to increase to a marked degree the scale of hostel accommodation an experiment is being made in allowing prisoners not in hostel accommodation, but under confinement in ordinary prison conditions, to go out during the day to do work, unsupervised, with local employers. The success of such a scheme depends upon the careful selection of suitable prisoners and it is greatly hoped that it will be possible substantially to increase the number of prisoners who in this way are allowed to work unsupervised during the day-time returning in the evening to prison.

Short-term imprisonment for drunkenness

26. Special efforts are being made to help prisoners who are alcoholics. There are already branches of Alcoholics Anonymous in a number of prisons, and special units for the treatment of alcoholism have been set up at Wandsworth, Pentonville, Wormwood Scrubs, Wakefield and Holloway. It is hoped to set up others.

27. These arrangements cannot, however, do much for the 5,000 prisoners sentenced annually for periods of one, two or four weeks for offences of drunkenness. These prisoners occupy much needed
cell and workshop space in the crowded local prisons and it is not easy to give them any constructive treatment. It has accordingly been decided to use, as an experiment, the open prison at Spring Hill in Buckinghamshire to house men who have hitherto served short-term sentences for drunkenness in Pentenville or Wandsworth Prisons. The psychiatric prison at Grendon is adjacent, and its medical and other resources will be available for any of the new inmates of Spring Hill who may need them. It is hoped to identify those who need treatment, and try to arrange for it in outside hospitals after the men’s release. Full liaison will be maintained with social workers outside the prison in order to make suitable after-care arrangements.

28. If these arrangements prove successful, consideration will be given to their extension to other prisons serving heavily-populated urban areas.

Prison building programme

29. Prisons for men are still seriously overcrowded - about 5,000 inmates sleep two or three to a cell intended for only one prisoner. The need for more accommodation is therefore still urgent. Moreover, many of the older prisons are unsuitable for modern methods of penal treatment, and the proposals in this White Paper will accentuate the need for varied establishments for their successful operation.

30. The present extensive programme for new construction and re-development includes the building of new prisons at Gartree, Leicestershire; Albany, Isle of Wight; Coldingley, Surrey; Honeybourne, Worcestershire; Low Newton, Durham; Culhan, Cumberfords; and some new construction at existing establishments. In addition, accommodation is being planned for up to 100 prisoners serving long sentences in the special block to be built at Albany, Isle of Wight, which has already been described. Other projects are being considered.

31. A new prison for about 250 women is being planned at Theydon Mount, near Epping, Essex.

32. Because of the need for further research into the design of prison accommodation, the Minister of Public Building and Works, in consultation with the Home Secretary, reconstituted in 1964 the development group for prison building. Its first task was to study the type of prison development best suited to the needs of the future, having regard to changes in methods of penal treatment and in building techniques. The group has made a preliminary survey of the many factors affecting design, such as the needs of security, the development of modern methods of training and treatment, and the necessity for better living accommodation and facilities, including improved night sanitation; and is now considering the design of a new security prison, which it is planned to build at Full Sutton in the East Riding of Yorkshire.

After-care

33. It is generally agreed that if prisoners are to make successfully the difficult transition from prison to a free life in the community they need the support of an effective system of after-care. The developments outlined in this paper emphasise that need.
In 1963 the Advisory Council on the Treatment of Offenders recommended a new approach to after-care, including the installation of social workers in all prisons and the assumption of responsibility for all after-care on discharge by a new enlarged probation and after-care service, supported by voluntary effort. The Advisory Council envisaged a corps of prison welfare officers who would be members of the prison staff, though possessing the same qualities and skills as probation officers and interchangeable with them. The Government have taken the view that the surest way of achieving the Council's aim is to integrate the prison welfare service with the probation and after-care service. This proposal has received general approval, and in future all Prison Welfare Officers will be Probation Officers on secondment.

For just over a year the transfer of the Local Aid Societies' responsibility for after-care has been proceeding smoothly. Of the 36 local Discharged Prisoners' Aid Societies in existence at the time of the publication of the Advisory Council's report, 28 have now handed over their after-care responsibilities to some 60 probation committees and it is expected that the transfer will be very nearly complete by April 1966.

The termination of the after-care responsibilities of the local Aid Societies has brought no decline in voluntary effort. In many parts of the country there is now and most welcome interest in discharged prisoners. The success of after-care depends in great measure on the acceptance of the offender and his family by the community. Voluntary workers can do much to help the public to realise their responsibilities in this field.

A Working Party has been set up, under the Chairmanship of the Dowager Marchioness of Reading, "to consider what contribution voluntary effort could make to the after-care of discharged offenders and to advise the Secretary of State what particular projects should be considered for assistance from public funds." One interim report is already being studied. Simultaneously the National Association of Discharged Prisoners' Aid Societies and other bodies interested in this work have been considering how best voluntary effort can be integrated into a nation-wide pattern, and expanded to meet the most urgent needs of the discharged offender.

A particularly valuable development in recent years has been the establishment of homes where discharged prisoners can stay in a friendly atmosphere free of institutionalism until they are ready to fend for themselves. A scheme of Government contributions towards the running costs of these "half-way houses" has recently been announced.

There are many other voluntary activities, which range from the befriending of individuals and providing material help – including notably help for the wives and families of those still in prison – to the running of clubs where ex-prisoners are welcome, and a housing scheme to help them find a home.

Some offenders are so handicapped, mentally or physically, that the chances of their successful establishment in society are necessarily small. They will need continuous and intensive support for a very long time, and there is room for further voluntary effort here. The personality of some is so eroded by long years of imprisonment that it may well prove desirable to promote the
provision of hostels, possibly with a sheltered workshop, which for the rest of their lives will give them the same sense of security that they have experienced in prison. If these unfortunates can be contained in this way it will be better than sending them back to prison and their potential victims (often those who are most vulnerable to petty thieving and to whom any depredation at all is a major tragedy) will benefit.

CONCLUSION

41. At the present time a great deal of thought is being given to the treatment of the prisoner. Many experiments are being carried out, and their results carefully assessed. The proposals in this White Paper represent an attempt, on the basis of present knowledge, to strengthen the constructive forces in our penal system, and to tackle afresh the problem of the persistent offender. They seek, first, to improve the powers available to the courts and, secondly, to strengthen the means of implementing Rule 1 of the Prison Rules of 1961: "The purpose of the training and treatment of convicted prisoners shall be to encourage and assist them to lead a good and useful life."
29th November, 1965

CABINET

FAIRFIELDS SHIPBUILDING AND ENGINEERING CO. LTD.

Memorandum by the Chancellor of the Exchequer

The First Secretary of State proposes in C.(65) 162 that we should decide now to buy out the Fairfields' creditors and take over the yard. While I agree that our object should be to take the firm over, perhaps in association with private industry, I am sure it is essential that we should avoid taking on the encumbrance of the firm's present liabilities (which could be up to £8 million) and thus responsibility for bailing out the creditors.

2. If we are to avoid paying a grossly inflated price for the firm as a going concern we can only contemplate a take-over after bankruptcy, thus acquiring only the physical assets. I am told this would be very difficult to achieve since during and after bankruptcy operations the yard would probably have to close down, creating, apart from immensely tangled legal questions, precisely the problems of labour wastage and unemployed plant, equipment and site which we are striving to avoid. This leads me to consider whether a take-over might be arranged to take place more or less simultaneously with the declaration of bankruptcy at a price to be determined by arbitration. This would have the obvious advantages of circumventing the need to negotiate with the creditors and preventing any running down of activity. It also has the attraction of leaving open the possibility of flanking our stake in the enterprise with a contribution from private industry. In this connection Sir Isaac Wolfson told me that he had spoken today to the Receiver to the effect that he was still interested in the possibility of his (Wolfson's) participation, though he felt that the only means of keeping Fairfields going would be through a radical reconstruction, involving a new company and renegotiated contracts. Sir Isaac Wolfson is meeting the Receiver again on Thursday, 2nd December; and I feel that it would be desirable to await the outcome of this meeting before taking final Government decisions.

3. I am advised that recourse to the arbitration solution outlined above would also present serious difficulties, but I think it merits very careful examination before we become committed to any of the alternatives.

L. J. C.

Treasury Chambers, S.W.1.
29th November, 1965
1st December, 1965

CABINET

PRICES AND INCOMES POLICY

Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

In the baking dispute we are now faced with a real test of our intentions. I understand that the Minister of Labour feels there is a chance that the threatened national strike may now be called off on the basis approved by the Cabinet on 30th November, (CC. (65) 66th Conclusions, Minute 4), i.e. an interim 3½ per cent wage increase from 1st January, 1966, and an investigation of the union's claim for a further increase by the National Board for Prices and Incomes. I am willing to accept the decision to try and reach a settlement on this basis and believe that it can just be reconciled with the prices and incomes policy.

2. We must however recognise that even on this basis the policy will have suffered some damage, bearing in mind the fact that the workers had a reduction in hours from 42 to 40 (equivalent to a 5 per cent increase in rates and a 7 per cent increase in earnings) as recently as May, 1965. A further wage increase will inevitably involve a further increase in the price of bread which we have been trying to hold steady. All this will make it extremely difficult to persuade other unions who can exercise power to refrain from doing so and to go to the Board or observe the principles of the prices and incomes policy. It will also help to foster a sense of injustice among those groups, such as the armed forces, who cannot or traditionally do not exercise such power.

3. These considerations make it imperative to avoid making any further concessions if the bakers refuse to call off their strike on the basis we have agreed. Bearing in mind the strong power of example in this field it is clear that further concessions would do damage to the policy and its credibility in the eyes of observers at home and overseas. This in turn would require a fundamental reappraisal of our economic policies in general and of the objectives in the National Plan. I do not pretend that the possibility of a national strike or other action by the union which would seriously affect bread supplies is a pleasant one. But this is a test case. We have always known that we should have to face these difficulties sooner or later. In my view we must be ready to face them now, if this proves necessary.

4. I have an impression that a number of my colleagues are unwilling to face the consequences of their own decision to support the prices and incomes policy. I am accordingly proposing to circulate a general paper on the policy next week in order that we may have a full discussion of it.

G. B.

Department of Economic Affairs, S.W.1.
1st December, 1965
3rd December, 1965

CABINET

EARNINGS-RELATED SHORT-TERM BENEFITS: CONTRIBUTION LIABILITY AND CONTRACTING OUT

Memorandum by the Chancellor of the Duchy of Lancaster

At their meeting on 25th November (C.C. (65) 64th Conclusions, Minute 2), the Cabinet invited me to arrange for the Social Services Committee to consider the relative advantages of the alternative proposals for those contracted out of the graduated pension scheme.

General Background

2. The Government are committed to the introduction of earnings-related short-term benefits. It follows that these should be financed by earnings-related contributions. To be consistent with the principles underlying the national insurance scheme since 1948 it also follows that particular groups of individuals should not be excepted from this charge because their risk of unemployment is small or because they get pay during sickness. Therefore it is necessary to impose the extra \( \frac{1}{2} \) per cent graduated contribution on all those who are contracted out of the graduated scheme and who at present pay no graduated contribution. There can be no escape from requiring them to pay the \( \frac{1}{2} \) per cent graduated contribution towards the new earnings-related benefits. The only question is whether, while we are about it, we should take the opportunity of reforming the present unsatisfactory contracting out arrangements. This will have to be done later in any event, as part of the major review. There is much to be gained by doing it now.

The Alternatives

3. It should be understood that the question for decision relates solely to those contracted out of the graduated scheme. Those within the graduated scheme will pay the extra graduated contribution on top of their present \( \frac{4}{5} \) per cent and no difficulties arise. All is straightforward there. As regards those contracted out we can do one of two things -

(a) reform the contracting out arrangements so as to remove existing anomalies, the chief of which arises from the higher flat-rate contribution payable by those contracted out of the graduated scheme (2s. 5d. a week more for men); or

(b) impose the minimum graduated contribution necessary for the new earnings-related unemployment, sickness and widow’s benefits - and stop there.

These alternatives are now examined in detail.
Course A

4. This is to change the basis of contracting out as proposed by the Minister. It involves payment by the contracted out of the full graduated contributions like everyone else in return for the same benefits as everyone else. These people would by definition also be in an approved occupational scheme (otherwise they could not have been contracted out). To avoid an excessive total contribution a reduction would be made in their flat-rate contribution, with a corresponding reduction in their flat-rate pension.

Advantages of Course A

5. In summary the principal advantages are:

(1) Provision for the contracted out of cover for graduated widow's pension.

(2) Reduction of the total contribution payable by the lower paid contracted out on whom the present special flat rate contribution bears unduly heavily.

(3) Removal of the obstacle built into the present contracting out arrangements which virtually precludes future increases of the graduated pension (the rate of which has been unchanged since 1959) and the introduction of dynamism until such time as contracting out of the graduated scheme is discontinued.

(4) Removal of the obstacles in present arrangements to future enlargement of the graduated scheme to help finance future general benefit increases, (flat-rate and graduated) which would benefit both the lower paid contributor and the Exchequer, since graduated contributions attract no Exchequer supplement. For this reason too the change proposed will produce additional revenue of some £40 million for the national insurance fund without attracting extra Exchequer supplement.

Disadvantage of Course A

6. The disadvantage of course A lies entirely in its effect on a large number of employees in the public sector who are contracted out, because it raises the difficult issue of "abatement" of their occupational pension. Under existing "abatement" conditions public employees would pay and qualify for a graduated pension which would be offset against their public service pension. That would mean that they would pay for something they would not get. In addition, as already explained, they will get less flat rate pension than they do at present. The effect is especially serious, and the issue of abatement therefore most acutely raised, in the case of civil servants and members of the Armed Forces in non-contributory public service pension schemes, since in their case the extra national insurance contribution cannot be offset by reduction in occupational contribution. About half a million of them would, under present rules, be required to pay more and receive less by way of total pension provision. Additionally, there is a special problem in relation to the substantially increased contribution liability of married women (including 70,000 married women teachers) who are both contracted out of the graduated
scheme and have themselves "opted out" of the national insurance flat rate scheme. To the extent that concessions would have to be made permitting both graduated national insurance and occupational pension to be paid together in full, this would be expensive to public authorities in the long-term, result in over-pensioning, particularly among the lower paid, and be liable to prejudice the subsequent working out of a viable relationship between occupational pension schemes in the public sector and the Government's eventual national superannuation plan.

How Far Can The Disadvantages of Course A be Eliminated?

7. The Committee considered but ruled out making arrangements whereby existing public servants might draw both their occupational pension in full together with graduated pension in full, and "abatement" imposed only on those joining the public services after the scheme was introduced (on the lines of the arrangements made in 1948 in relation to the introduction of compulsory insurance for flat rate national insurance pensions).

8. The Committee gave closer consideration to the possibility of an arrangement whereby all graduated contributions paid by public servants in the period between the appointed day for the introduction of the scheme for earnings-related short-term benefits and the implementation of the major review should qualify for National Insurance pension on top of public service pension entitlement. There would be no abatement of benefits accrued during this period. This transitional arrangement would be entirely without prejudice to any future arrangements for "abatement" or for the re-shaping of the public service pension schemes which may be found necessary (and which would in any case be discussed with staff interests) when the relationship between occupational schemes and the proposed new national superannuation scheme emerges more clearly from the major review now in progress.

9. On this suggestion a majority of the Committee felt that there was a serious risk of a temporary concession of this nature becoming difficult subsequently to withdraw and that it would therefore prejudice future negotiations in the context of the national superannuation plan. At the same time, since it would be made as a purely temporary arrangement it would introduce an atmosphere of uncertainty about the future. Moreover, it would not avoid the difficulty inherent in course A of charging a substantial additional contribution to members of the Armed Forces and teachers who represented fields of particular sensitivity in matters of pay.

10. The minority of the Committee however felt that the risks were minimal and that an arrangement on these lines offered an opportunity of achieving a generally acceptable settlement at negligible cost which ought to be taken in order to gain the advantages offered by course A in the development of the Government's pension plans and in the elimination of present inequities. The minority argued that the staff interests themselves would never expect or desire to be in two full-scale pension schemes at the same time after the major review, and that no prejudice would result from covering all graduated benefits accruing in the meantime.

Course B

11. To leave the contracting out arrangements unchanged and to charge the contracted out the minimum contribution of ½ per cent required to finance earnings-related short-term benefits.
Advantage of Course B

12. The advantage of course B is that the contribution increase for the higher paid is smaller and there is no reduction in pension entitlement. (Nevertheless, it raises in a less acute form exactly the same problem of abatement as scheme A). It is also argued that, unsatisfactory as it is, it is better to leave the existing graduated pension scheme unchanged until all its inequities can be swept away together.

Disadvantages of Course B

13. The principal disadvantage of course B is that it will not do the job of course A, i.e. that it will perpetuate the inequities and anomalies of the present arrangements and lead to difficulties in financing the next benefit increase. Additionally however:

1. It will involve a disproportionate increase in work for employers and the Ministry in collecting the relatively small graduated contribution of 1/16 per cent of earnings for the 5 million contracted out.

2. It will not avoid raising the issue of abatement. Although the amount of graduated pension for which the 1/16 per cent contribution will qualify the contracted out will be derisory, this is unlikely to stop people raising the same issue of principle as course A. The temporary arrangement suggested in paragraph 8 may still be necessary to remove a sense of grievance or alleged "prejudging of the issue".

3. It will increase the already heavy contribution burden on the lower paid contracted out.

4. There will be embarrassment for the Government in departing from course A which the Minister discussed with the T.U.C. and other bodies concerned and very largely persuaded them to accept (although a Working Party of the Local Authority Associations in fact prefers course B).

Conclusions

14. The majority of the Committee preferred course B to course A since it avoided raising, in as acute a form as course A, the difficult issue of abatement at a time when no complete solution could be found, nor (in their view) any satisfactory temporary arrangement devised to reduce to tolerable dimensions the disadvantageous effect of course A on the employees in the public sector. Course B also avoided tinkering with the graduated pension scheme until it could be replaced by national superannuation; in particular it avoided extending the "swindle" to the contracted out at a time when no immediate improvement in the value for money offered by the graduated pension scheme could be made.

15. Among the supporters of course B the Minister of Defence for the Royal Navy, on behalf of the Secretary of State for Defence, stressed the sensitivity in the Armed Forces to any worsening of terms of service, and considered that, pending the introduction of national superannuation, there should under course B be no abatement of pension benefits accruing in the interval between the introduction of the scheme and the major review, i.e. the temporary arrangement referred to in paragraph 8 should apply to course B.
16. A minority of the Committee preferred course A to course B because of the advantages if offered in eliminating the inequities of the present contracting out arrangements; in the financing of future benefit increases; and in opening the way to improvement of the graduated pension scheme. They felt that a satisfactory temporary solution of the problem of abatement could be achieved on the lines suggested in paragraph 8, whereby, pending the introduction of national superannuation, pay and pensions in the public sector would not be reduced by reference to national insurance graduated benefits. They also took the view that there was greater objection to perpetuating all the inequities of the present scheme pending national superannuation than there was to making improvements in the meantime. In their view it would be a serious matter to be diverted by a sectional interest from a major reform having for its aims the removal of injustices and a desirable measure of redistribution of the burdens of the scheme in favour of the lower paid.

17. The Cabinet are asked to decide which course shall be followed, A or B, and, if B, whether the strong representations of the Secretary of State for Defence outlined in paragraph 15 should be met.

D. H.

70 Whitehall, S. W. 1.

2nd December, 1965
3rd December, 1965

CABINET

LONDON TRANSPORT

Memorandum by the Chancellor of the Duchy of Lancaster

At their meeting on 23rd November (C. C. (65) 63rd Conclusions, Minute 1) the Cabinet invited me to arrange for the Sub-Committee on Transport Policies to report within two weeks on the prospects of finding positive and foreseeable solutions to the fundamental problems of London Transport, as a basis for an immediate decision to be taken about raising fares.

Fundamental problems

2. The problem is formidable and of growing urgency. It is how to arrest the growing deterioration in the services and finances of London Transport and ease traffic congestion, especially in the peak hours - and how to accomplish this in the comparatively short run.

3. The root cause of this triple problem is the rapid growth in the use of the private car. At present 72 per cent of all the road passenger vehicles coming into Central London between 7.00 and 10.00 a.m. are private cars. They carry only 31 per cent of the total passenger load on the roads (and only about 7 per cent of the total numbers coming into London daily by transport of all kinds). Buses, carrying 61 per cent of the total road passengers, account for only 5.2 per cent of the vehicles on the roads. Private cars, motor cycles, etc., constitute 95 per cent of all passenger vehicles. Evidence suggests, however, that a reduction in the use of private cars by commuters at peak hours only would not of itself provide the remedy for the London Transport Board's financial problem. This is because London Transport has suffered a heavy loss of traffic outside Central London and outside peak hours. Unless, therefore, we deliberately both encourage people to use public transport at all times by providing an efficient and comfortable service and discourage people from using cars in areas and times of congestion, we shall not get a return of passengers to public transport sufficiently large to make a real impact on the London Transport Board's financial problem.

The role of public transport

4. The private car can never replace public transport in London. There is not the room for it. The point of strangulation would be reached long before the private car could bring into Central London the 1.5 million who are daily carried on public transport of all kinds.

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What the private car is doing however is to make such inroads into the efficiency and financial viability of public transport as to imperil its future. London is in a vicious circle. As passengers leave public transport for the private car, so public services decline in efficiency and increase in price. That sets the circle in motion again and that is the rot that has to be stopped.

How to stop the rot

5. The first essential is to devise workable and effective means of reducing the number of private cars coming into Central London certainly at peak periods and probably at some other times of the day.

6. The second essential is to provide and finance the improved public transport services necessary to take the extra load.

7. On peak hour service we need drastically to reduce congestion in Central London, and on the main commuter routes to make bus and rail services better at reasonable fares. Restraint of traffic in Central London and other congested points must be used to persuade people to switch from private to public transport. We must also maintain adequate off-peak services even though they may be run at a loss. A switch of traffic from private to public transport will increase the London Transport Board's revenue; but the provision of better services will add to their costs. We cannot expect this combination of measures by itself to make the Board financially viable again. If public transport in London is to continue to provide broadly speaking the same type of service as at present and unless restrictions on the use of the private car at off peak hours and throughout the metropolitan area are to be imposed, there seems no alternative to the long term prospect of periodic increases in fares as costs rise, and some form of subsidy (which might be met by appropriating the revenues from parking fees, or other restrictions on the private motorist).

What form of subsidy?

8. The possibility of a general Exchequer subsidy to London Transport as a permanent arrangement has not formed part of our study of this problem. People outside London will not see why they should pay to keep down fares and support transport services in London. Therefore we must look to some kind of revenue raised especially in London. There are two main possibilities -

(a) To place additional charges on vehicles using congested areas of London and use the revenue to subsidise public transport (whether charges are parking meters, or charges on off-street parking, or a supplementary licence for use in Central London, or full "road pricing", is being studied urgently and can be decided later).

(b) A tax on employment in the most congested areas, perhaps graduated by the extent to which the hours of work coincide with peak traffic hours (this has not yet been studied closely).
Both these techniques would have the advantage of helping to reduce peak hour congestion in the streets and would make it easier to provide a decent service.

9. While there is no need to decide now on the precise method, we do need to be reasonably sure that a solution can be found, that it will be effective, and that it can be brought into operation within a reasonable period. Is that solution in sight? If so, we can begin to talk about it and promise action.

Action

10. The Sub-Committee believes that studies so far made are hopeful in this respect.

11. Information is rapidly becoming available upon which decisions on the choice of method can be made with confidence.

12. The Sub-Committee therefore feel able to suggest the following steps -

(1) We should announce in the near future that we intend to bring forward measures to arrest the growing deterioration of public transport and traffic conditions in London.

(2) To this end we should say -

(a) That an efficient and reasonably priced public transport system is essential to the life and work of London and that the services of London Transport by road and rail must not only be maintained but improved.

(b) That the imperative need is to keep people and traffic moving in London and enable public transport to give better, quicker, more comfortable and more punctual services, even if this means restricting or discouraging the use of private cars.

(c) That private users who contribute to the costly congestion of traffic in London should make some contribution to the maintenance of development of public transport for those who do not possess motor cars or who co-operate by not bringing them into London.

(d) That this contribution may be made by a possible combination of -

(i) extra charges for the use of vehicles in Central London (and possibly in other congested areas);

(ii) a tax on employment (possibly linked to hours of work) in Central London (and possibly in other congested areas).
While not committed to precise methods, which are under urgent study, the Government are resolved to find a solution to a problem which is manifestly getting worse.

(3) In addition -

(a) We should consult with the Greater London Council on the problems of transport and traffic management in London and what role and responsibility the G.L.C. should have in finding solutions to these problems.

(b) We should recognise that even with the aid of subsidies and improvements in productivity public transport fares will have to rise with costs and prices, especially wages, and that subsidies could well be used to maintain and improve services rather than to provide cheap commuter fares in peak periods.

13. If the Cabinet endorse these principles we believe it should be possible to work out a policy for London Transport on this basis within about six months.

14. It is for the Cabinet to decide whether to defer the increase in fares meanwhile. But whenever the announcements are made, some forecast of intended measures should be made at the same time.

D.H.

70, Whitehall, S.W. 1.

2nd December, 1965
I submit for the approval of my colleagues a White Paper on the Planning and Control of Public Expenditure which I would hope to present and publish on 14th December.

2. The main purpose of the White Paper is to give a clear statement of the way in which the control and planning of public expenditure now operates. To a very considerable extent we have broken new ground since we took office by our adoption of a fixed percentage increase for the growth of total public expenditure and the system of allocating resources to the main blocks of expenditure within an overall limit. My colleagues know only too well how difficult the operation has been. That it has so far succeeded is no mean achievement. Therefore we should set out in this way what we have done and the way in which we have done it. It is right that we should take credit for what is generally regarded as a remarkable advance in the control of public expenditure, and that we should make available to students of this important field this exposition of the working of the Government machine.

3. The main figures on public expenditure were all included in Chapter 18 of the National Plan. The figures in this White Paper set these out again and supplement them in various ways, e.g. by giving a breakdown by spending authority which was not included in the earlier document. They also give for the first time the public investment figures for 1966-67 and the outcome of the 27th July measures for deferment of capital projects; and the White Paper firms up the Plan's figures for nationalised industries' investment up to 1970, incorporating the Government's decisions since the Plan was published.

I. C. C.

Treasury Chambers, S. W. 1.

3rd December, 1965
PUBLIC EXPENDITURE: PLANNING AND CONTROL

Presented to Parliament by the Chancellor of the Exchequer by Command of Her Majesty December 1965

LONDON
HER MAJESTY'S STATIONERY OFFICE

Cmnd.
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PUBLIC EXPENDITURE: PLANNING AND CONTROL

I—Introduction

One of the Government's first tasks when they came into office was to examine the prospects and priorities of public expenditure. There were large expansion programmes in progress for the various public services, which had been published in outline in December 1963*. These did not, in the Government's view, provide adequately for the nation's social or economic needs. Even so, they would have fully absorbed for the years ahead the future growth of revenue at the rates of taxation then ruling, even if the nation had managed to achieve a regular rate of growth of the gross national product as high as 4 per cent a year.

2. The Government began a review of public expenditure in order to redeploys for more productive purposes and for the strengthening of the balance of payments the resources which were engaged on work of low economic priority for the Government; to give effect to the Government's own concepts of social priority; and to bring the growth of public expenditure into a sounder relationship with the development of the national economy.

3. The process of reshaping involved:

(a) A decision to limit the total growth of public sector expenditure to an average of 4\frac{1}{2} per cent a year at constant prices from 1964–65 to 1969–70: this was subsequently confirmed as part of the National Plan.t

(b) Within this total, a long-term allocation of resources to each of the main public services to provide the quantitative framework for their development.

(c) A strict review of individual programmes, in particular of defence.

(d) A review of the investment of the nationalised industries to fit in with the National Plan.

(e) More effective implementation of the programmes and an improvement of financial control, to get better value for money.

4. This White Paper describes the first results of this re-shaping, the procedure which the Government adopted to carry it out, and the methods by which the Government intend to continue the process in the future, to enable the public services to make the best possible contribution to the development of the national economy and to provide for the most important social priorities, the programmes of social improvement and economic expansion going forward together, each dependent upon the other, as part of the National Plan. The relevant statements of Government policy appear in Appendix I.

II—Aggregate of Public Sector Expenditure

5. The Government's object throughout has been to look at public expenditure as a whole; to make the best possible estimate of the cost when each question has come forward for decision, and to present the choices between different programmes and between alternative courses within them.


In their first days in office, the Government considered the choices open to
them in this way, and decided their first social priorities, which were to
increase the rates of national insurance and associated benefits and to remove
the prescription charges.

6. These choices are made from a comprehensive aggregate of public
sector expenditure, including both current and capital expenditure by central
and by local government, and the gross outgoings of the National Insurance
Funds, but excluding debt interest. This total was about £10,500 million in
1964-65. It involves expenditure of many kinds: e.g., purchases of defence
equipment and laboratory supplies; the employment of soldiers and hospital
staffs by the central government, and of teachers and firemen by local
government; the construction of houses, schools and roads; payments of
national insurance benefits and of national assistance to those in need;
support for agriculture; loans and grants to firms moving to the development
districts; aid to under-developed countries.

7. These expenditures are linked by three common strands. First, all
are decided by Government, central and local, on grounds of public interest.
Secondly, they generally involve directly or indirectly a claim on the nation’s
productive resources—a direct claim where the Government are employing
manpower, buying goods or paying for construction, and an indirect claim
where the Government pay pensions or family allowances, or give grants to
universities or loans to industrial enterprises. Such “transfer payments”
give their recipients a claim on resources, which becomes an addition to
demand except to the extent that the payments are saved; and in most cases
the circumstances are such that the payments are spent. Thirdly, all these
expenditures are paid for either from taxation, local rates or national insurance
contributions, or by borrowing from the public*; the extent of both taxation
and borrowing will depend primarily upon the economic situation.

8. The investment of nationalised industries and certain other public
corporations, like the B.B.C., and the Exchequer advances to them, are
handled separately. This is because the nationalised industries are enterprises
producing goods and services for sale; and the size and composition of their
investment are considered in relation to the industrial needs of the economy
and the commercial policy of the undertakings themselves, and have less in
common with the generality of central and local government expenditure
than with the rest of industry. Subsidies to them are of course included in
the aggregate.

9. For review and control purposes the aggregate of public sector
expenditure is divided into functional blocks. Each heading—defence
budget, education, health and welfare, benefits and assistance, and so on—
includes all the expenditure for the particular purpose. For example, the
education total includes the pay of teachers and other running costs, new
building, provision of equipment, student awards and teachers’ superannua-
tion, for the whole range of publicly-financed educational institutions from
primary schools to universities, whether these are the responsibility of the
Department of Education and Science and the Scottish Education Depart-
ment, or of the local authorities, or of private bodies, such as universities,
receiving grants and loans from Government Departments and local
authorities.

* The receipts and expenditure of the public sector are analysed in Appendix IV.
10. This classification enables the Government to consider the development of the various services as a whole, and to decide the priorities between them. Each main block is within the scope of one Minister (except where there are separate Departments for Scotland and Wales); and each Minister is able to decide how to use the resources allocated to him within it. The extent to which the whole block of expenditure is under the detailed control of the Minister will vary from case to case; but even where the Minister has no formal control, as with much local authority expenditure, the Government Department’s policy and the procedures for determining the level of Government grant or the loan sanctions for capital expenditure may bring the dimensions and direction of the development of the services within the influence of the Minister.

11. The aggregate of public sector expenditure is dominated by a few large programmes. The defence budget, roads, public housing investment and subsidies, education, health and welfare, benefits and assistance account for about three-quarters of the total. Some important programmes, such as assistance to industry, cannot be realistically predicted over a long period; so the main programmes represent an even greater proportion of those expenditures for which long-term programmes can be drawn up in advance.

12. The period 1964-65 to 1969-70 was chosen for the review. The out-turn for the base year 1964-65 was not then known and an estimate was used: the expenditure for the year 1965-66 was to a considerable extent determined by the plans of the previous Government: four more years were then covered to 1969-70. In general, this is the most convenient period for considering the development of most of the main public services—for many it is the time required to train skilled staffs and to plan and build new capital facilities.

13. The phasing of development of these services is such that it is difficult to make substantial changes of direction, even four years ahead, without the risk of dislocation. The defence review is aimed at eliminating a prospective 20 per cent increase in expenditure from 1964-65 to 1969-70: and this is involving a radical review of world-wide commitments and weapon systems and procurement arrangements. The practical problem of allocation between the main civil programmes was concerned with the distribution between them in the year 1969-70 of an amount of resources equivalent to about 3 per cent of the total. It would be possible, with some dislocation, to alter the course of development of these services more rapidly, but the nature and technology of most of the main public services require a planning period of four or five years.

III—The 1965 Survey and Allocation

14. In order to draw up a comprehensive set of public sector expenditure programmes, the Government had to decide at an early stage how much public expenditure should be provided for in the period up to 1969-70. The preparation of forward estimates of the cost implications of public expenditure policies was a familiar one: there had been an annual Survey of public sector expenditure from 1961 onwards, in accordance with the
recommendations of the Plowden Committee*. The essential and novel element was the procedure of deciding first how much the country could afford; then deciding how this could best be deployed; and finally requiring each spending Minister to arrange his expenditure within his agreed allocation.

15. The Department of Economic Affairs and the Treasury therefore prepared an initial assessment of the growth of gross national product which could reasonably be expected, and then of the resources which were required to improve the balance of payments, to strengthen private and nationalised industries' investment, to provide for the expansion of public expenditure on the lines of the policies then ruling, and to allow for the growth of private consumption.

16. The outcome was the Cabinet's decision in January to impose a limit on the rate of growth of the aggregate of public sector expenditure (as defined above) from 1964-65† to 1969-70 of 23 per cent (i.e. an average of 4¼ per cent a year) at constant prices. It was necessary to decide this provisional guideline first in order to establish an effective starting-point for the reshaping of programmes. The decision was announced in Parliament by the Chancellor of the Exchequer on 22nd February, 1965, when presenting the Vote on Account.

17. The 1965 Survey of public sector expenditure began as soon as the Cabinet decision had been made, starting with instructions for a detailed costing by all spending Departments of their policies for the period 1964-65 to 1969-70. These were divided between "basic" programmes, which were to be drawn up within limits laid down in advance and related to the developments of the individual services already in train, and "additional" programmes representing the cost of further improvements which could be made if more resources were made available. The programmes were prepared at constant prices, so that the change in expenditure shown from year to year excluded any effect which price changes (including changes in wages and salaries) might have on the amount of money to be spent.‡

18. The returns by Departments covered the whole field of public sector expenditure. They were subjected to a rigorous scrutiny in order to ensure:

(a) that the financial implications of existing policies had been fully taken into account in the "basic" programmes:

(b) that realistic costings had been made of the "additional" programmes and policies.

There was available to the Government in June, following this examination, a detailed Survey of the prospects for public expenditure, which covered both "basic" and "additional" programmes, and this was agreed by the

† The out-turn for 1964-65 was lower than was expected last January: the Cabinet's decision related to the comparison with the figures and definitions at the time of the original statement, which are set out in the tables in Appendix III.
‡ The figures for current expenditure on goods and services were prepared as nearly as possible on the same price basis as the 1965-66 Budget Estimates. Figures for capital expenditure were mostly at March, 1965 prices. Payments such as subsidies and grants and loans to industry, which do not involve the direct purchase of goods and services, were measured in such a way as to make no allowance for any effects from price changes. The costings prepared on the basis described are referred to collectively as "at 1965 Survey prices".
spending Departments and the Treasury and the Department of Economic Affairs to be as realistic and accurate a costing as was possible.

19. The Survey provided for a contingency allowance of £100 million for 1969–70 in order to make some provision for possible needs for extra expenditure by the Government in circumstances which cannot be foreseen e.g., for unforeseeable natural calamities; and for the tendency for the implementation of policies to cost more than expected. The allowance made is three-quarters of one per cent of total expenditure.

20. While the Survey of public expenditure was taking place, the preparation of the National Plan was proceeding. More refined analysis of the economic prospects for 1964 to 1970 confirmed the initial decision limiting the growth of public sector expenditure to 4½ per cent a year at constant prices. The examination of the prospects of the construction and engineering industries, and the prospective supply and demand for manpower, showed where special pressures were likely to exist; and these were taken into account in the scrutiny of the expenditure programmes. One fact of particular importance was the requirement of the health and education services together with public administration for some 500,000* extra people between 1964 and 1970, a requirement greater than the total increase of manpower expected to be available. This conclusion put great weight on the importance of efficiency in the use of manpower throughout the public sector, and illustrated the existence of physical as well as financial limitations to the expansion of these services.

21. The Survey was considered, together with the relevant evidence accumulating from the work on the Plan, by a group of senior Ministers, none of whom had large Departmental responsibilities for any particular block of expenditure, under the chairmanship of the Chancellor of the Exchequer. The Ministers responsible for the main expenditure programmes were consulted one by one. In the light of this examination, the Group recommended the adoption of specified limits for each of the main programmes of expenditure, both for 1966–67 and for 1969–70. The Group made their report to the Cabinet, in July, and decisions were taken on each of the main programmes for the two years in question. These decisions were announced in the National Plan.†

IV—Composition of Public Sector Expenditure

22. In parallel with this process of Survey and allocation, the review, announced in October, 1964, of certain programmes was in progress; and the ultimate shaping of the programmes resulted from the combined effect of these operations and also from the day-to-day decisions taken in the course of the year.

23. The defence review was under way by Christmas 1964. The Defence White Paper‡ presented in February 1965 formulated the problem of finding the means by which defence expenditure during the next few years might be contained at roughly the then current figure in real terms. The continua-

* The National Plan, Chapter 3, paragraph 18.
† The Tables in Appendix III are developed from and supplement those in Chapter 18 of the National Plan.
tion of previously existing policy would have involved an increase at constant prices from an estimated £2,000 million in 1964–65 to £2,400 million by 1969–70; and after the first stages of the review, the Government were able to adopt the reduction to £2,000 million in 1969–70 as a definite objective on which economic planning could be based. A series of decisions was taken from January onwards, notably on aircraft procurement, the future of the Army reserves, and the cancellation of the 5th Polaris submarine which went more than half-way towards the target of a saving of £400 million.*

24. A similarly radical review has been made of civil defence

25. Expenditure on overseas assistance, which is to a large extent determined some two years in advance by previous decisions, is expected to rise from about £190 million a year in 1964–65 to about £225 million a year in 1966–67 on the basis of existing commitments. The future programme will depend on periodic reviews in the light of progress made in overcoming our economic problems.

26. In the social and community services, the main characteristics of the reshaping of programmes† have been:

   (a) A very large expansion in public sector housing investment and a substantial increase in subsidies, involving increases of 33 per cent and 68 per cent respectively from 1964–65 to 1969–70.‡

   (b) A continuing expansion from 1964–65 to 1969–70 in education (32 per cent) and health and welfare (23½ per cent).

   (c) In benefits and assistance, an increase of 38 per cent, of which 7 per cent is attributable to higher numbers: the first priority has been given to the introduction of earnings-related benefit in the early months of unemployment, sickness, industrial injury and widowhood.

   (d) The police and prisons services show together an increase of 22 per cent.

   (e) For roads, the increase is just over 40 per cent, with construction and major improvements showing an increase of over 70 per cent to £364 million in 1969–70, but these are not keeping pace with the increasing pressure on road space.

   (f) The control of miscellaneous local authority investment (town halls, parks, etc.) has been tightened.

27. On the economic side, a large number of measures have been taken or announced to stimulate mobility of labour and advanced technology, with considerable extra expenditure, e.g. expansion of training facilities, redundancy payments to improve the mobility of labour, extension of development districts, special funds for the National Coal Board to expedite closure of uneconomic pits, increased funds for the National Research Development

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† The programmes (a), (b), (c), (e) are more fully described in Chapters 12, 17, 20, 21 and 22 of the National Plan.
Corporation's investment in innovations in such fields as computers, machine tools and process control; encouragement of farm amalgamations; export promotion; and the National Ports Council's development programme for ports. Arrangements have been made (see Appendix II) to get clearer criteria by which to judge of the circumstances in which proposals for civil technological research and development should be approved.

28. The composition of public sector expenditure (Appendix III, Table 1) will change considerably in the next few years. Defence and related expenditure will proportionately be taking much less: there will probably be greater expenditure on incentives and services which are designed to improve the performance of the national economy: the need to improve the social infrastructure, notably in housing but also in communications, related to regional development, will certainly involve large increases particularly of capital expenditure: the education and health services will continue to expand: and the growing numbers of old people, and the desire to improve their standard of living in line with that of the rest of the community, will involve rapidly increasing expenditures on benefits and assistance of all kinds.

29. In terms of economic category also the composition of public sector expenditure will change (Appendix III, Table 2). Capital formation (i.e. expenditure on houses, roads, schools, hospitals, etc.) is likely to increase by nearly 50 per cent: this expenditure together with the investment of the nationalised industries* and other domestic capital expenditure† is set out in greater detail in Appendix III, Table 6 and shows a total capital increase of nearly 28 per cent. Current expenditure on goods and services is likely to increase by only 15 per cent, with the stabilisation of defence expenditure, nearly all of which, whether of current or capital character, is included in this category. The 38 per cent increase in current grants to persons is due predominantly to benefits and assistance, but there are other rapidly expanding items here, such as grants to universities.

30. In Appendix III, Table 3, the totals are divided by spending authority—Government Departments, national insurance funds, local authorities. The increase in local authorities' expenditure, current and capital, is put at 35 per cent, reflecting the rapid growth of education, roads and housing. This rapid prospective growth of local authorities' expenditure underlines the need for the change in the financial relationship between central and local government which is now under discussion between the Departments and the local authority associations, and which will be the subject of legislation during the present Session.

V—Development of Long-Term Programmes

31. The 1965 Survey and allocation operations have established guidelines for the development of each of the main services, with specific limits for 1966-67 and 1969-70. Similar limits will be established for those smaller services for which it is practicable to draw up a long-term programme.

32. These five-year guidelines have a dual purpose, for they provide a framework both for the planning of the service and for financial control. The Minister in charge of each service has as much assurance as it is prac-
ticable to give of the resources which will be at the disposal of the service. This enables him to plan how to use them to the best advantage; and it greatly eases the day-to-day operation of financial control.

33. The extent to which there are specific long-term programmes in physical terms depends upon the administrative and technological content of each service. In defence, the period of weapons production is so long that ten-year costings are needed, and have been used for some years. The functional costing system* has also been set up as a tool for long-term defence planning. The technology of the road programme requires that it should be planned in detail four years ahead, with some judgment made of what development will be possible for a further period of years. In the education programme, the two crucial long-term factors are the supply of teachers and the supply of buildings; and in the latter it is the general practice for programmes of starts to be authorised to local authorities and universities three years ahead (i.e. in respect of buildings to be finished five or more years ahead). In the health service, a long-term hospital programme is in progress, and the allocations for running costs are settled firmly for the coming year and provisionally for the next year or two thereafter. In housing the need to plan well ahead, covering both the public and private sectors, has become increasingly evident.

34. This long-term planning of the public services has developed far in recent years and will be extended further; and this can now be done with more assurance. The shift of emphasis to the evaluation and appraisal of long-term programmes and the long-term allocation of resources to them is leading to the development of better methods to measure and compare the cost-effectiveness of alternative courses of action. In the various economic services, and particularly the investment of nationalised industries, the techniques of appraisal are being continuously improved (see paragraph 42 below). Likewise in defence, the appraisal of the military effectiveness of alternative weapon systems in relation to their cost is now being increasingly developed: the process makes it possible to choose either the cheapest means of accomplishing a defined military objective, or the means of deriving the maximum military value from a given expenditure of resources. There are analogous opportunities for applying similar techniques in the social and community services; and as the long-term programmes become more clearly defined, the use of these tools of management will extend, and better value for money will result.

35. The extension of commitment of the national resources for several years ahead means that there has to be an element of flexibility in the programmes, as is shown in paragraphs 54 et seq. below. They represent too large a part of the use of resources to be independent of the fluctuations in the national economy. The physical programmes themselves need to be flexible enough, moreover, to be adjusted for unexpected population movements, changes in costs and techniques, and new social and economic developments.

36. About 85 per cent of the whole of public sector expenditure is of a kind which is suitable for long-term planning within fixed financial limits on the lines described, though the scope for specific long-term programmes

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defined in physical terms is much less. For this 85 per cent it would appear to be possible to draw up five-year costings of expenditure with a sufficient degree of realism to permit an allocation to be made and financial control to be exercised accordingly.

37. For the remaining 15 per cent, in which it is impracticable to draw up a long-term programme or to work to a long-term financial allocation, other forms of control ensure that aggregate expenditure on these does not increase excessively fast and carry the total public expenditure above the level which has been laid down.

38. In most of these cases, the cost of a specific policy in a particular year can be forecast only within wide limits. The outturn of the agricultural subsidies every year will depend heavily upon the level of production and the course of world prices: under the present guaranteed price system, therefore, it is impossible to confine this part of expenditure on agriculture within predetermined limits. Expenditure on agricultural services and on the long-term improvement of agriculture is also difficult to forecast: but it is less subject to wholly unpredictable factors. Firms moving to the development districts are entitled to standard grants for buildings and for plant and machinery; but it may be impossible to say, particularly when a new development of this policy is introduced, how many applicants there will be and how long will elapse before the grants require to be paid. The size of the British Railways Board deficit depends in part on variable factors beyond the Board’s control. Some kinds of work, particularly but not exclusively in the field of advanced technology, are subject to large and unforeseen escalations of cost.

39. In each of these illustrations, however, the Government’s actions are of major importance to the cost. The strength of the stimuli given to production in the Farm Price Review, the size and attractiveness of grants under the Local Employment Act, decisions on proposals to close uneconomic railway services, the cost control of the projects which are liable to escalate: all lead clearly to short-term and long-term increases or decreases in cost. The importance of cost-effectiveness and the appraisal of proper choices are as great here as in the services for which long-term programmes are practicable.

VI—Nationalised Industries

40. For reasons described in paragraph 8, the investment of nationalised industries is not included in the aggregate of public sector expenditure, and is not therefore subject to the limits imposed upon this aggregate. The investment of these industries, and their sound development, are at the centre of the National Plan, partly because of their strategic importance to the economy, and partly because of their size (capital £8,800 million; labour force approaching 2 million; output about one-tenth of gross domestic product; investment of £1,350 million in 1965–66, or about the same as that of the whole of manufacturing industry). They are also of great significance because they depend upon the Exchequer for their supplies of new capital in so far as they cannot provide these from their own resources.

41. These investment programmes were examined in order to ensure that their size and content were adequate to provide the necessary energy, transport and communications for the economic expansion provided in the Plan. The
estimated capital expenditure in 1964–65/-66/-67 and in 1969–70 is set out for each undertaking in Table 5 in Appendix III. This table incorporates the decisions on these programmes taken by the Government since the publication of the National Plan.* The rapid expansion in recent years which is expected to take the total of nationalised industries’ investment up from £1,180 million in 1964–65 to £1,470 million in 1966–67 is coming to an end, and the total is expected to fall to £1,400 million by 1969–70. The effect of this course will be to free more resources after 1967 for public service investment, for private manufacturing investment, and for exports.

42. Of the increase from 1964–65 to 1966–67 of £286 million, or 24 per cent, on nationalised industries’ investment, £132 million is attributable to electricity, £61 million to gas, and £70 million to the Post Office. In the following years to 1969–70, the level of Post Office investment will expand substantially. This is expected to be more than offset by the fall in the electricity programme as the increased generating capacity initiated in recent years to overcome the dangers of power shortages in the expanding economy comes into service; the position will be reconsidered in the spring in the light of this winter’s experience.

43. The scale of the investment is such that the Government and the industries themselves are devoting increasing attention to the techniques and criteria for investment appraisal. Allowance must be made for the social and non-economic obligations which most nationalised industries are required to undertake. But having done this, it is essential, in order to ensure the most efficient deployment of the national resources, that the minimum return on new capital in the nationalised industries should be comparable with that obtainable elsewhere in the economy. The most up-to-date techniques are being developed in order to carry this into effect. The appraisals of the development of the nuclear power programme, of the choice between the various projects for developing the South Wales iron ore ports, and of the electrification of the railway line from London to Southampton and Bournemouth are important recent examples.†

44. The financial objectives which are agreed from time to time between these industries and the Government define the return to be sought on the industries’ capital assets as a whole, and are the guideline for the industries’ commercial policies. The nationalised industries, like any other industries, are subject to the Government’s general policy on prices and incomes. The Government have made it clear that they expect these industries to do all they can to absorb increases in costs by increasing efficiency; and have referred nationalised industries’ price proposals to the National Board for Prices and Incomes.

45. Over the entire field of nationalised industry, the return on capital in 1964–65 averaged 4.2 per cent. There is a wide variation between the financial objectives of 8 per cent (net of historical depreciation) and 12.4 per cent (gross) for the Post Office and the Electricity Council respectively, and the losses of the railways and the coal industry. The lower the return, the greater is the financial call on the Exchequer; and in spite of the improved

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* The National Plan, page 57.
† “Iron Ore Imports into South Wales”, Cmnd. 2706 (July, 1965) and “Fuel Policy”, Cmnd. 2798 (October, 1965).
financial performance in recent years, the industries borrowed over £550 million from the Exchequer in 1964–65, and their borrowing will be more in 1965–66.

46. Where it has been necessary to undertake full scale reorganisation of an industry to meet changed economic circumstances, substantial sums of capital have also had to be written off or placed in suspense: £1,192 million for the British Transport Commission in 1962 and £110 million for the British Overseas Airways Corporation and £415 million for the National Coal Board in 1965. These write-offs are, in accounting terms, a recognition of the changed value of the assets they represent, but the cancellation of the industries' debt to the Exchequer which enables these sums to be written off in no way reduces the burden on the community. The Exchequer lends to the industries at the same rate as it borrows in the market. The interest payments made by the industries to the Exchequer just suffice to meet the interest payments which the Exchequer must itself make to those from whom it has borrowed. When Exchequer loans to the industries are cancelled as part of a capital reconstruction, the Government must of course continue to pay interest to the original lenders. The cancellation of Exchequer loans to the amount of over £1,700 million in respect of the three reorganisations above involves an annual permanent burden to the Exchequer on this account, which is at present of the order of £70 million.

VII—Phasing and Implementation

47. The preceding sections describe the method by which the Government have undertaken the reshaping of public expenditure programmes which they began in October 1964. They start from the Government's decision to contain the aggregate of public sector expenditure within a definite limit up to 1969-70: and describe the process of Survey of public expenditure and long-term allocation of resources between the main public services which followed; and set out the pattern of expenditure which is likely to develop. This is the establishment of a framework; and this final section sets out the problems that arise in working within this framework.

48. First, the time-scale of decisions, the great variety of public expenditure, in its purpose and function, its economic nature, and the various authorities which are responsible for it, present a formidable problem of forecasting future costs and containing expenditures within the limits laid down. Within the 85 per cent of the aggregate of public sector expenditure for which forward costings of policy can realistically be undertaken, there is no reason to doubt that the quality of the costing will improve, though there will probably continue to be a tendency to underestimate the future cost of carrying out particular policies.

49. The question of control is more complex, because of the variety of public authorities whose expenditure is involved. The expenditure of the Government Departments is of course under the continuous control exercised through the annual Estimates; and the out-turn is normally within a reasonable margin of the original Estimates: in the last five years, the differences have been +1.7 per cent, +3.5 per cent, +1.5 per cent, −2.3 per cent, and −1.1 per cent respectively (all in money terms). But the margins increase
considerably as the period lengthens. The expenditure of the National Insurance Funds follows precisely from the Government’s decisions on the various benefits and the numbers eligible for them, which can usually be predicted within a narrow margin. The extent to which the central government can affect the level of local authorities’ expenditure, which is about one-third of public sector expenditure, varies widely. There is control over their capital expenditure through loan sanctions and in some cases through specific statutory powers. For current expenditure, there is in general no specific Government control; but the local authorities’ policies are in many cases the expression of national policies, and are subject to Departmental regulations, and the fixing of levels of grants affects the ability of the local authorities to incur expenditure.

50. Taking public sector expenditure as a whole, it is not possible to exercise a fine control over substantial periods ahead, but the essence of the long-term allocation system is to ensure that the decisions involving commitments of economic resources for the future are taken according to a rational pattern of priorities and a realistic view of the implications for the national economy of providing these resources; and the technical possibilities of costing and of financial control would seem adequate to support this.

51. A problem not yet fully resolved is that which arises from the fact that the survey and allocation of public sector programmes, and consequently the long-term programmes of the Departments, have to be carried out in terms of constant prices because price changes do not affect the different programmes in a uniform way. There is difficulty in comparing the actual expenditures recorded after the event with the provision made in the programmes. Moreover, figures at constant prices obscure the fact that there may be pay and price increases of an exceptional character. Further, from the point of view of financing, the increases in costs caused by increases in pay and material prices are as significant as those required by the expansion of the public services, and anomalies may arise when one kind of cost increase is treated differently from another.

52. The treatment of future expenditure in terms of constant pay and prices tends to underestimate the future weight of the public services in relation to the national economy as a whole. Wages and salaries represent a larger part of the total cost of public services than of industry generally, and the concept of the “productivity” of workers in services like defence and health and education cannot be as clear as in industry. Hence, if pay goes up in the public services at the same rate as in the private sector, the “price” (cost per unit in money terms) of providing these services will rise faster than the average price level for the economy as a whole; and this tendency is obscured in the programmes based on constant prices, and emerges in practice only as events unfold.

53. Secondly, there is the need to work the system with a due flexibility. To control public expenditure too rigidly in terms of an aggregate could lead to anomalies. Some kinds of public expenditure are potentially advantageous in their effect upon the national economy: the composition of the total of public expenditure is as important as its size; and if the composition is favourable for economic growth it is possible for the nation to “afford” a larger total than if the composition were unfavourable. Some kinds of
public expenditure, on the other hand, call for particularly scarce kinds of resources, and must be limited accordingly. Great restraint on Government expenditure overseas is likely to be necessary for as far ahead as can be seen. The public sector is such a large user of construction and some kinds of skilled manpower that the requirements have to be examined carefully from this point of view. The total amount of such public expenditure that the nation can "afford" will depend upon the measures taken both in increasing supply and restraining demands to deal with these particular constraints. Again, there may be changes in fiscal policy which will substitute Government expenditures for tax reliefs or vice versa; and although such changes might be fiscally exactly equivalent, they would result in more or less "public sector expenditure" as defined in this section, and it would be necessary to redefine the total limit accordingly.

54. The Government are likely to continue to need to establish a limit to the total of public sector expenditure in order to serve as a guideline: but there may in future be room for changes in the definition and boundaries of the aggregate to which a limit is applied.

55. Thirdly, there is the phasing of the programmes. In the early stages of the 5-year programme, the rate of increase in public expenditure is above the average rate from 1964-65 to 1969-70 of 4\% per cent. Thus, the increase at constant prices from 1964-65 (as estimated at the time of the Survey) to 1965-66 is likely to be 7-1 per cent. This is mainly because the programmes which the Government inherited on coming to power provided for very large increases in this period. The increase at constant prices from 1965-66 to 1966-67 is likely to be much less than this; and during the later years of the programme the growth of public expenditure may slow down to less than 4\% per cent, with the flattening out of the defence programme playing an important part in this result.

56. Thus the pattern of the programmes in the 5-year period was a faster increase in the early years than in the later, a similar course to that in the total of nationalised industries' investment programmes (see paragraph 41).

57. The immediate increase in public expenditure was more than the economy could bear, having regard to the pressure on resources and on the balance of payments, and the Government therefore took the special measures announced by the Chancellor of the Exchequer on 27th July. These were designed to moderate the rate of growth of public expenditure as effectively as possible, and with the least possible interference with the most urgent social programmes. They concentrated on slowing down the rate of expenditure on capital expenditure and on deferring purchases of equipment and stores, and they covered the whole of the public sector, including Government Departments, local authorities and nationalised industries.

58. It was necessary to act rapidly to reduce the overload, and this made it impossible to carry out a detailed adjustment of programmes. The Government therefore decided to postpone the starting dates of non-industrial projects for six months, but exempted all projects in development districts, and houses, schools and hospitals. Loan sanctions were to be given only in special circumstances for local authority loans for expenditure on land purchases in advance of requirements, on civic buildings, offices and a variety of miscellaneous projects; and lending by local authorities
on mortgages for house purchase was restricted. Government Departments were instructed to act accordingly; circulars were sent to local authorities inviting their action likewise; and the chairmen of the nationalised industries were asked to help also.

59. It is estimated that in the three months ending 31st October 1965 central and local government capital expenditure projects to a total value of about £200 million have been deferred for six months. The effect of these deferments will be to reduce expenditure in 1965–66 by some £40 million and in 1966–67 by about £60 million. In addition to this the deferment of expenditure by Government Departments on stores and equipment will lead to further savings of £7 million in 1965–66 and £6 million in 1966–67.

60. The Chancellor wrote to the chairmen of the nationalised industries drawing their attention to the measures being taken to restrain expenditure in the public sector and asking for their co-operation in comparable measures. He made it clear that he was not asking for postponement of projects which were essential to economic growth over the next few years. As a result the chairmen have offered to defer expenditure of the order of £60 million.

61. In the development of the long-term programmes the question of phasing will recur, for public expenditure is too large an element in the national economy to be treated entirely on a long-term basis independently of the short-term economic situation.

62. It was made clear in the National Plan* that the successful accomplishment of these programmes is contingent upon the success of the economy in developing along the lines indicated in the Plan. It will be necessary for the Government to control the phasing of the public expenditure programmes within the general limit of the average increase of 4½ per cent a year at constant prices over the five-year period so that the load on the economy which they represent does not increase faster than the economy can bear.

63. In conclusion, the Government has two approaches to the problem of expenditure planning and control, one the relatively long-term and one the short-term. The decisions establishing limits for the main programmes for 1969–70 have provided a framework for the development of these services, and enable the Ministers in charge of these services to make their priority choices and plan ahead. This covers most of the field, and should ensure that these main services will be expanded on a scale which can be accommodated within the country’s resources and taxable capacity. Once the total has been established, to spend more on one item means spending less on something else; and this is a true system of economic and social priorities. It is for debate and discussion how these choices should be modified in the years ahead.

64. The problem is at the same time tackled for the short-term, with the purpose of containing expenditure in 1966–67 within a reasonable limit. For the expenditure under direct Government control, the Estimates for 1966–67 are the crucial point, and limits have been established within which each Department is required to prepare its Estimate. The Government’s object is to ensure that total public sector expenditure in 1966–67 does not exceed that

* The National Plan, page 181.
of 1965–66 at constant prices by more than 4½ per cent; and the limits within which the Departments have framed their Estimates were prepared with this intention; but the total of Estimates in any one year is always liable to fluctuations as a result of the movement of those items which can vary widely according to the economic or international situation, and the increases in costs, which are bound to make the increase in money terms substantially more, must of course be taken into account when the total is determined.

65. The Survey of public sector expenditure is an annual one, and the 1966 operation will decide what aggregate increase over the level established for 1969–70 will be practicable for 1970–71, and how this is to be allocated between the main programmes. This is how part of the Plan will roll forward another year, with guidelines for the development of the main services for a further year ahead. At the other end of the time-scale, decisions will be taken on the limits for 1967–68, which will again be the basis for the work on the Estimates in the autumn of 1966. As the process becomes more firmly established, the Survey and allocation operation will increasingly take the form of a determination of long-term strategy in the outlay of public sector expenditure, brought to a point of decision in the allocation between the main programmes for the fifth year ahead, and the fixing of the limit for the short-term need for cash for the Estimates for the year immediately ahead.
APPENDIX I

STATEMENT BY THE CHANCELLOR OF THE EXCHEQUER ON PUBLIC EXPENDITURE

Extract from the Budget Statement, 11th November, 1964

(O.R. Cols. 1029-31)

[Mr. Callaghan]

The expenditure programmes that we found in being for defence, the social services, houses, schools, hospitals, roads, will all entail substantially increased expenditure every year. By 1968 the total expenditure in the public sector will be £2,000 million more than it is today, without making any allowance for increased prices in the interim. This future expenditure is based on the revenue and savings that would accrue from a growth rate of 4 per cent in our gross national product. Hon. Members will know that the average annual increase in our national product over the last five or six years has been only about 3 per cent, or a little less, and over the whole period from 1951 onwards has been no more than 2½ per cent.

Putting it another way, the previous Administration have pledged our future revenues for the next four years on the basis of an underlying growth rate that they did not achieve and, looking at their record, they were unlikely to achieve. Of course, it is possible that the previous Government would have achieved and maintained a 4 per cent growth rate for the next four years in a row. I do not say that miracles cannot happen, but the programmes that we have taken over have been planned on the assumption that the miracles have already happened. Many of these programmes—current and capital—are, in practical terms, already committed. It will take time to reshape them, but we intend to do this.

Our first objective is to get the deployment of economic resources right. For example, large and important parts of our industrial and technological manpower and capacity are locked up in production and research for the Government. It will be our urgent task to see how far this pattern should be modified in the national interest so as to release resources for more productive purposes and for the expansion of exports. Defence will be in the forefront of this examination. This year's figure is over £2,000 million, of which £350 million is spent overseas and is a direct burden on the balance of payments. This is the important point. The failure to secure value for money in the defence field has become a byword throughout the country: by relating commitments to resources it is our intention to ensure that the Armed Forces are able to discharge their task with greater effectiveness and economy.

We shall also examine those Government expenditures in the civil field which have an economic aspect to ensure that an adequate economic and financial return can be secured for the industrial and scientific manpower and capital which they absorb. The purpose of much of this expenditure is sound enough and it is not our intention to hack it with a meat chopper. In the first instance, therefore, we intend to ask a task group of senior officials including scientific and economic advisers to sort out these projects and appraise their economic priority. We shall then have a firm basis for action.
Next, my hon. Friend the Chief Secretary will be reviewing the remaining field of civil expenditure and I have asked him to consider whether the priorities at present established are right or whether it is possible for the Government to release valuable men and plant for work which will strengthen the balance of payments and help expanding industry. We are looking for all economies, not just tiny economies, although it must be part of the Chief Secretary's task to try to get rid of the kind of waste to which the Comptroller and Auditor General has drawn attention in recent years. But our basic objective is to find substantial cases where expenditure is not yielding full value in social and economic terms.

To turn to the other side of the medal, there are, clearly, fields in which increased expenditure by the Government can help the modernisation of the economy and the improvement of the rate of technical progress. The help that is being given to ensure more rapid development in the under-employed areas of the country is a good example of this. I very much welcome the discussions which my right hon. Friends the First Secretary and the Minister of Labour are about to have with industry to help men move easily from jobs where productivity is relatively low and opportunities are few to more productive and progressive employment.

Extract from a Statement by the Chancellor of the Exchequer on 22nd February, 1965, about Supply Expenditure, 1965–66

[O.R. Cols. 35–37]

[Mr. Callaghan]

The Vote on Account, covering the Civil Estimates and the Defence (Central) Estimate, is being published this afternoon . . . 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 social and economic priorities can be duly secured in the National Economic Development Plan which the Government are preparing.

We have accordingly been considering the problem of planning the longer-term course not only of Central Government expenditure, but of the total expenditure of the whole public sector. 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, will be related to the prospective increase in national production, which in our present judgment means limiting the average increase in public sector expenditure, taking one year with another, to 4½ per cent a year at constant prices. This will mean a corresponding containment of the rise in private sector expenditure. Only as a nation succeeds in raising the annual rate of production can public and private expenditure be increased.

These decisions will provide a sound base for our policies for modernising and expanding the national resources. They 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.
[Mr. Callaghan]

I now come to public expenditure. Both in my statement of 22nd February and in my opening remarks today I have made it clear that it is our intention to plan the use of economic resources and to control the growth of public expenditure so that the right balance of economic and social priorities can be duly secured. The control of public expenditure will therefore be used positively as well as negatively. The Government have decided that the growth of public expenditure between 1964–65 and 1969–70 will be related to the prospective increase in national production. In the Government’s present judgment this means limiting the overall increase in public sector expenditure excluding the investment of the nationalised industries, and taking one year with another, to 4½ per cent a year at constant prices. We are examining the whole of public expenditure again in order to determine a proper order of priorities and to control waste.

In the field of defence, reviews are being conducted to ascertain the changes that would be required to contain expenditure at roughly the 1964–65 figure in real terms. One of the most serious aspects of this problem is the growth of overseas military expenditure. This includes maintaining our troops in Germany, the Middle East and the Far East. Since 1959—I ask the Committee to note these figures—this total has gone up year by year without let or hindrance from about £175 million to over £300 million, including defence aid. These payments across the exchanges constitute a serious drain on our balance of payments. A reduction in them depends upon others as well as ourselves, but the economy badly needs some of the foreign exchange resources absorbed by the defence programme; and the Government intend to secure a reduction in the existing burden.

Altogether, about 1½ million men and women are employed in the Forces and in industry to supply them. These are important and scarce resources of manpower, needed for industrial expansion and for exports. It is against this background that the Government have had to consider the future of the TSR2 project. My right hon. Friend the Secretary of State for Defence hopes to catch your eye later in the debate this evening, Dr. King, in order to make a full statement about the Government’s policy and its decision to cancel the project.

The effect of this decision is to save £35 million of Government expenditure in 1965–66, after taking account of the terminal costs which may become due to be paid this year. But, so far, this aircraft has cost £125 million, and the cost is mounting fast every week. It has, and would have, diverted hundreds of factories employing thousands of skilled and semi-skilled men from other work of national importance, including exports in particular. This is not a sensible use of our overstrained resources. The Government’s decision will, in the next five years, release £350 million of resources of an advanced kind for more productive work.

On expenditure in industry, my colleagues’ statements in the last few days about postal charges, railway closures and agricultural support demonstrate our policy—and we do not intend to be moved from it—that
these industries should continue to increase their contribution to the national economy. Where we believe that Government expenditure can have a constructive and fertilising effect on industry, we have shown ourselves ready to make the money available. In education, in health, in social security and in housing we are engaged in arranging our priorities so that we can get the best combination of programmes and the best value for money within the expenditure which can be devoted to these purposes.

Side by side with this is the review of local government finance which is going on, which will enable us to decide how the expenditure on the public services can best be shared between central and local sources of finance. It is no easy matter to reshape public expenditure in a short time and we must look further ahead than just the current year if we are to make a real impact on these expenditures. But I commend to the Committee, and especially to my hon. Friends, the words of Robert Owen:

"Beneficial changes can alone take place by well digested and well arranged plans temperately introduced and perseveringly pursued."

I know only too well, as my predecessors did, of the pressure for higher pensions and for better pay; and I do not need to recall to any hon. Member the recent outcry about the state of some of our schools, the condition of some of our hospitals and the wretchedness of some of London’s housing. My earnest wish is to see the nation freely and willingly devoting the necessary resources to satisfying the simple needs of ordinary men and women—a home to live in, a school to learn in, a hospital when we are sick and a modest living for the elderly. But the fulfilment of these plans jostles against the need for a healthy balance of payments as well as the desire by all of us as individuals for an increase in our own personal standards of living.

For the reasons which I gave at the outset, in 1965 first priority must be given to balancing our overseas payments. I have already indicated the manner in which we are setting about this. Until we get this, we shall need to contain the rise in private expenditure. For the rest, a healthy balance of payments is necessary to enable the economy to grow at a steady pace. Our most important task is to reconcile faster growth with a satisfactory balance of payments. We look to the economic plan which is now being prepared to co-ordinate the conflicting claims made upon our resources by private expenditure, social expenditure, defence and industrial investment; and also to stimulate the economy into greater efficiency and productivity.

Extract from a Statement by the Chancellor of the Exchequer on 27th July, 1965

[O.R. Cols. 228–30]

[Mr. Callaghan]

... This year's balance of payments deficit is likely to be well below half last year's figure. To ensure that we reach our aim of eliminating the deficit in the course of next year and of maintaining the strength of sterling, the Government have decided to adopt the following measures.

First, expenditure at home. The Government intend to slow down the rate of expenditure on capital projects and to defer as far as possible
purchases of equipment and stores by Government Departments, local authorities and nationalised industries.

Housing, schools and hospitals will be contained within their existing programmes. For other non-industrial capital projects for which contracts have not yet been signed, the starting dates will be postponed for six months. Exemptions will be made for projects in development districts and areas of high unemployment. Similarly, purchases of goods will be deferred to the maximum possible extent.

All Government Departments have been instructed to carry out this policy and to arrange for other bodies for which they are responsible to do likewise. The nationalised industries will be called on to follow a similar course of action. Local authorities will be asked to follow suit.

Loan sanction and grants will only be given to local authority projects which are urgently required. In particular, sanction will not be given except in special circumstances to loans for expenditure on land purchases in advance of requirements, on civil buildings, offices and a variety of miscellaneous projects which, though desirable in themselves, are not essential at this time. The expenditure in these categories is now running at £150 million a year.

Lending by local authorities on mortgage for house purchase has trebled in England and Wales in the last five years, and in 1964–65 reached £180 million. With the co-operation of the local authorities this will be restricted to the average of the three years ended 31st March, 1965, namely, £130 million.

The House will recall that last spring I undertook to review the swollen programmes of public expenditure left behind by our predecessors. This review is now complete. As I forecast before the election, the examination revealed that it would not be possible to carry out all the programmes we inherited within the limits of our resources until the necessary rate of growth of production has been achieved. We have, accordingly, reshaped the total programme and I can inform the House that from now on expenditure will be kept to the level that we as a nation can afford. I am giving instructions to Departments that the 1966–67 Estimates shall be drawn up within a limit which has been determined for each Department within the agreed total.

APPENDIX II

Criteria for the Appraisal of Civil Technological Projects

Introduction

1. Every civil technological project, however small, should be sanctioned only if it represents a worthwhile expenditure of resources; but the process of appraisal assumes even greater importance when the proposal is likely to engage a substantial part of the available funds, facilities and manpower, or when a choice must be made between two or more projects which compete for such resources. This memorandum has been prepared to help in making assessments of the economic and technological merits of proposed research and development projects and in weighing the priority of one project against another. Those questions which cannot be answered quantitatively may be considered in qualitative terms. It is not expected
that every worthwhile project will fulfil all the requirements. For each project, some criteria will be more important than others, and the judgment must be made on the merits of the case as a whole.

2. Both technical and economic criteria must be taken into account; and when there is a proposal for collaboration with other countries, account must be taken of international considerations.

Technical Evaluation

3. First, the technical evaluation of a project should normally be based on an outline research and development programme in which the objectives and duration of each stage (exploratory, feasibility and development) are clearly set out. Has the programme been drawn up so that it can be terminated on review at the end of any stage, and has the contract been framed accordingly? Have the prospective user(s) of the final product and those responsible for the project worked closely together to determine the requirements and define them as specifically as possible?

4. Second, is the project highly advanced, scientifically and technically? If not, it will normally have to stand or fall solely on its economic merits. If it is highly advanced, the following are the questions:—

   (i) What is its scientific feasibility? Is the basic science well established? Does it depend on a single advance not yet assured, or on several such advances?

   (ii) To what extent does it go beyond present technological experience? Does it, for example, depend on new materials, new manufacturing techniques, or involve new operating conditions? Do these innovations in turn depend on further basic scientific work or long-term technical studies?

   (iii) Are there alternative technical routes, in case some of the critical steps prove intractable? Will these alternatives be studied in parallel or in sequence?

   (iv) Have working models of the product been built and operated successfully? In what respects will the finished product operate under different conditions and for different lengths of time than these? Are these differences expected to raise further scientific or technical problems?

   (v) Would there be competition from other countries, and where research has been done abroad, could the results be obtained more economically through licensing arrangements?

5. Third, what scale and quality of manpower and capital facilities are required for research, development, design, test evaluation and production; and what resources could be made available for the project? Are these resources over-stretched or under-used at the present time? To what extent will the project be in competition with other projects for the same resources? Would the project strengthen the research and development capacity of the industry?

6. Fourth, if the research and development is successful:—

   (i) Will the production require workers with special skills? Are these available, or have plans been made to acquire or train the necessary people?
(ii) Will the production require special manufacturing equipment in short supply or available only by import?
(iii) Will the product have to be constructed from special materials or components, which are scarce or must be imported?

7. Fifth, is the research organisation or manufacturer capable of carrying out the work efficiently and reliably and within whatever cost and time limits are specified? For example, is there a critical path programme for the project? What standards of quality will be set and how will quality be controlled? Are there adequate facilities and programmes for testing? If this is the first project of its kind, has allowance been made for the inexperience of those carrying out the feasibility and project studies?

Economic Appraisal

8. First, what is the economic purpose of the product resulting from the project, and in particular:—

(i) Is it to satisfy a commercial market which is reasonably certain to exist, or a commercial market which must at present be regarded as conjectural, or a non-commercial—i.e. Governmental-market (e.g. defence, basic research)?
(ii) What is the nature of the competition for these markets?
(iii) What contribution can the project be expected to make to the economic recovery of the country within the next five or ten years?

9. Second, what are the prospects for a rapid application if the development is successful? What are the factors in the industry or in the market which would help or hinder this?

10. Third, what is the financial cost of the project, capital and current, year by year; and what is the expected financial return on the cost, assuming the project is successful? When the return is a long way ahead, this must be properly taken into account in the rate at which future earnings are discounted; normally a rate of 8 per cent. should be taken. If the contract is to be placed with a private firm, the extent of their willingness to invest their own money in it should be given considerable weight.

11. Fourth, what should be the effect of the project upon the balance of payments, both at the outset and in the future?

12. Fifth, what are the potential gains to other firms and industries through the advance in technology and productivity that the project may bring about if it is successful? Would the undertaking of the project itself lead to desirable changes in industrial structure? Would the project be an indirect support to exports by strengthening industrial prestige?

13. Sixth, does the Ministry of Defence expect the project to have significant defence application? If so, part or all of the cost will normally fall on the Defence Budget.

14. Seventh, what contribution would the project make to basic science? If this was the main result the project would normally be financed by the Research Councils and other sources of funds for scientific research.

15. Eighth, these various costs and benefits, both the estimated financial return on the project itself and the wider costs and benefits to the economy generally, will often be difficult to quantify; but it is necessary nevertheless
to list them systematically. It is also necessary to consider whether risks would be incurred or damage suffered by the national economy if the project was not undertaken; and whether the avoidance of such risks or damage would be commensurate with the cost of the resources which would be employed.

International Considerations

16. When projects involving international collaboration are considered, some additional questions are necessary. It is often more costly to carry out research and development on a collaborative rather than a national basis, and multilateral collaboration may be more costly than bilateral: it is therefore necessary to compare the costs and benefits of collaborative action with those of independent national action.

17. First, are the scale and nature of the resources involved, both to launch the project successfully and to meet competition from elsewhere, beyond the scope of this country alone?

18. Second, to what extent are the prospective partner-countries interdependent in research and development in the relevant fields? Each country will normally have made some progress in the field. Do their relative positions make for easy collaboration? A great disparity is in general undesirable.

19. Third, do the countries have a common interest in the project, and what are their respective needs for knowledge, experience, facilities and markets in relation to it? What arrangements will there be for collaboration and sharing in the development (if the project is for research only), production and marketing of the product if the project is successfully completed? Would collaboration in any case lead to a desirable broadening of the industrial base, a satisfactory sharing of costs, and wider assured markets?

20. Fourth, what is the nature of the financial arrangements in the proposed partner-countries, and what is their suitability for getting realistic decisions at critical points in the development of project? Does the draft agreement include suitable break clauses so that the programme can if necessary be terminated at the end of any stage in the development?

21. Finally, what is the importance of the project for foreign policy?
### APPENDIX III

#### TABLE 1

Public sector expenditure(1) by function(2) (excluding nationalised industries, etc.)

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<td>Out-turn at prices(4)</td>
<td>£ million</td>
<td>£ million</td>
<td>£ million</td>
<td></td>
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<tr>
<td>Defence Budget</td>
<td>1,918(6)</td>
<td>2,073</td>
<td>2,075(6)</td>
<td>41.6%</td>
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<td>Roads</td>
<td>393</td>
<td>406</td>
<td>575</td>
<td>91%</td>
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<td>Housing subsidies, etc.</td>
<td>539</td>
<td>519</td>
<td>691</td>
<td>79%</td>
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<tr>
<td>Police and prisons</td>
<td>147</td>
<td>153</td>
<td>257</td>
<td>41%</td>
</tr>
<tr>
<td>Public housing investment</td>
<td>223</td>
<td>230</td>
<td>281</td>
<td>10%</td>
</tr>
<tr>
<td>Education (with school meals and milk)</td>
<td>1,472</td>
<td>1,459</td>
<td>1,923</td>
<td>99%</td>
</tr>
<tr>
<td>Health and welfare (with welfare foods)</td>
<td>1,213</td>
<td>1,238</td>
<td>1,529</td>
<td>42%</td>
</tr>
<tr>
<td>Benefits and assistance (with family allowances)</td>
<td>2,045</td>
<td>2,120</td>
<td>2,920</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,950</td>
<td>8,198</td>
<td>10,251</td>
<td>125%</td>
</tr>
</tbody>
</table>

**Other programmes:**

- Aid programme: 179
- Other overseas expenditure: 92
- Railways and waterways deficit grant: 123
- Agricultural support: 261
- Other assistance to industry, transport and agriculture: 226
- Industrial research and research councils: 133
- Environmental services(7): 594
- Tax collection and other financial administration: 122
- Other: 807

**Total**: 2,537

**Contingency allowance**: 100

**Grand Total**: 10,487

---

(1) For the purposes of Tables 1, 2 and 3 public expenditure is defined as in paragraphs 6 to 8 above. The total is that which the Government decided to contain within an average increase of 4 1/2 per cent a year at constant prices in the period 1964-65 to 1969-70.

(2) The expenditure shown for each function is that of Great Britain spending authorities. The expenditure of Northern Ireland spending authorities is included in the last item under "other programmes".

(3) Estimates of summer 1965 at prices related to the Budget Estimates of 1965-66. This price basis is used for the 1969-70 figures also and is called "1965 Survey prices".

(4) The figures for out-turn in 1964-65 agree with those in the table at the end of the 1965 Blue Book on National Income and Expenditure showing the "Treasury analysis of public expenditure", the difference in total being on account of the exclusion of the capital formation of nationalised industries, etc.

(5) These are estimates for 1964-65 made for the Government's first analysis from which the "4 1/2 per cent" decision was taken, adjusted to 1965 Survey prices (see note (3) above).

(6) The out-turn for 1964-65 is after deductions of large, special receipts in respect of the handing over of military assets in Kenya and Malta. The amount for 1969-70 is the equivalent, at 1965 Survey prices, of the ceiling of £2,000 million fixed for the Defence Budget at the prices of the 1964-65 Estimates.

(7) Environmental services cover water supply, sewerage, refuse disposal, parks and pleasure grounds and other miscellaneous services provided by local authorities.

(8) This total does not take account of the deferment measures announced by the Government on 27th July, 1965, the effect of which can be expected to be a reduction of the order of £50 million in 1965-66 (see also paragraph 59 of main text above).
**Table 2**

Public sector expenditure by economic category⁽¹⁾
(excluding nationalised industries, etc.)

<table>
<thead>
<tr>
<th></th>
<th>1964-65</th>
<th>1965-66</th>
<th>1969-70</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Out-turn at out-turn prices</td>
<td>1964 estimate at 1965 Survey prices</td>
<td>Estimates at 1965 Survey prices</td>
</tr>
<tr>
<td>Current expenditure on goods and services ...</td>
<td>5,506</td>
<td>5,735</td>
<td>5,906</td>
</tr>
<tr>
<td>Capital formation⁽²⁾ ... ...</td>
<td>1,516</td>
<td>1,467</td>
<td>1,672</td>
</tr>
<tr>
<td>Subsidies ... ...</td>
<td>529</td>
<td>580</td>
<td>565</td>
</tr>
<tr>
<td>Current grants to persons, etc. ... ...</td>
<td>2,391</td>
<td>2,485</td>
<td>2,784</td>
</tr>
<tr>
<td>Current grants abroad ... ...</td>
<td>164</td>
<td>158</td>
<td>179</td>
</tr>
<tr>
<td>Capital grants to private sector ... ...</td>
<td>139</td>
<td>149</td>
<td>180</td>
</tr>
<tr>
<td>Net lending to private sector ... ...</td>
<td>153</td>
<td>130</td>
<td>191</td>
</tr>
<tr>
<td>Loans to overseas governments ... ...</td>
<td>78</td>
<td>82</td>
<td>79</td>
</tr>
<tr>
<td>Other lending abroad ... ...</td>
<td>11</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total⁽³⁾ ... ...</strong></td>
<td><strong>10,487</strong></td>
<td><strong>10,800</strong></td>
<td><strong>11,576⁽³⁾</strong></td>
</tr>
</tbody>
</table>

⁽¹⁾ See footnotes (¹) and (³) to Table 1.

⁽²⁾ Gross domestic fixed capital formation and increase in value of stocks.

⁽³⁾ See footnote (⁸) to Table 1.

Current expenditure on goods and services covers all direct current expenditure on goods and services, including wages and salaries, by the central government and local authorities. All current expenditure on the National Health Service, net of revenue from charges raised, is included. Current expenditure on goods and services also includes defence expenditure on fixed assets (other than married quarters, ordnance factories, and other items with a potential civilian use) and building and construction expenditure overseas.

Capital formation comprises all expenditure on fixed assets (with the exceptions noted in the immediately preceding paragraph), net of the proceeds from the sale of assets, by the central government, local authorities and certain other public corporations. An allowance for the increase in the value of stocks is also included.

Subsidies include the deficit grant paid to the British Railways and Waterways Boards, all subsidies in support of agriculture and the housing subsidies paid by the central government and local authorities.

Current grants to persons, etc., comprise a wide variety of current transfer payments of which benefits and assistance paid to residents of the United Kingdom under the National Insurance and related schemes form the largest single item. Also included are awards to students, school meals (net of parental contributions) and school milk, and grants in support of the current expenditure of the universities, voluntary schools, and other private non-profit-making institutions.

Current grants abroad consist for the main part of grants to overseas governments under the aid programme; expenditure on certain United Kingdom-based institutions whose activities are directed to the needs of
countries overseas is treated as grants abroad. Military aid, subscriptions to international organisations, and benefits and assistance paid to residents overseas are also included.

Capital grants to the private sector include building grants to universities and other educational institutions, together with grants in the form of assistance to industry under, for example, the Local Employment Acts, and housing improvement grants by local authorities.

Net lending to the private sector consists mainly of loans, net of repayments, by local authorities for house purchase. Ship-building loans (net) are also included.

Loans to overseas governments. The coverage of this item is self-explanatory.

Other lending abroad comprises drawings from the United Kingdom subscriptions to the International Development Association and loans in support of projects sponsored by the Commonwealth Development Corporation.

<table>
<thead>
<tr>
<th>Table 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector expenditure by spending authority(1) (excluding nationalised industries, etc.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1965–66</td>
<td>1969–70</td>
<td></td>
</tr>
<tr>
<td>Central government:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Votes (G.B.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Insurance Funds (G.B.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other(2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authorities(2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Town Corporations (G.B.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other(2)(3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total(2)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>£ million</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5,165</td>
<td>5,489</td>
<td>5,632</td>
<td></td>
</tr>
<tr>
<td>1,543</td>
<td>1,609</td>
<td>1,832</td>
<td></td>
</tr>
<tr>
<td>316</td>
<td>355</td>
<td>353</td>
<td></td>
</tr>
<tr>
<td>3,392</td>
<td>3,258</td>
<td>3,639</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>63</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>26</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>10,487</td>
<td>10,800</td>
<td>11,576(4)</td>
<td>13,295</td>
</tr>
</tbody>
</table>

(1) See footnotes (1) and (7) to Table 1.
(2) Includes expenditure of Northern Ireland spending authorities.
(3) Including contingency allowance.
(4) See footnote (4) to Table 1.

The figures shown in this table represent final expenditure by the various spending authorities, including transfer payments outside the public sector but excluding all transfers between authorities. Thus the actual payments of social security benefits are included against either central government Voteborne (Supply) expenditure or expenditure by the National Insurance Funds, depending upon the type of benefit; the Exchequer contribution to the Fund is however excluded, since this ranks as an internal transfer within the public sector. Similarly all expenditure by local authorities, irrespective of the way in which it is financed, appears against local authorities, while grants by the
Central government to local authorities (estimated at £1,300 million in 1965-66) are excluded. It follows therefore that, because of these transfers and various other transactions between Departments and the Exchequer, the element of total public expenditure by the central government on Votes will differ from the total of the published Estimates. For a reconciliation of total Estimates with total public expenditure see Table 4.

Table 4
Reconciliation between total supply expenditure (Estimates) and total public expenditure

<table>
<thead>
<tr>
<th>Description</th>
<th>1964-65 Out-turn at out-turn prices</th>
<th>1965-66 Estimate at 1965 Survey prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total supply expenditure (net Votes—Great Britain) less grants etc. to local authorities less Exchequer contribution to National Insurance Funds plus National health contributions less other Vote payments not included as part of total public expenditure plus other vote receipts not deducted</td>
<td>6,446 -1,195 -219 163 -30</td>
<td>7,134 -1,305 -289 164</td>
</tr>
<tr>
<td>2. Vote element in total public expenditure</td>
<td>5,165</td>
<td>5,632</td>
</tr>
<tr>
<td>3. Central government expenditure not on G.B. Votes:</td>
<td>169</td>
<td>193</td>
</tr>
<tr>
<td>(a) Consolidated fund loans, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) National Insurance Funds (G.B.)</td>
<td>1,543</td>
<td>1,832</td>
</tr>
<tr>
<td>(c) Northern Ireland central government</td>
<td>147</td>
<td>160</td>
</tr>
<tr>
<td>4. Expenditure of local authorities (U.K.):</td>
<td>2,113</td>
<td>2,274</td>
</tr>
<tr>
<td>(a) Current expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Gross domestic fixed capital formation</td>
<td>1,141</td>
<td>1,207</td>
</tr>
<tr>
<td>(c) Other capital expenditure</td>
<td>138</td>
<td>158</td>
</tr>
<tr>
<td>5. Capital formation of certain public corporations (mainly New Towns, but excluding nationalised industries etc.)</td>
<td>71</td>
<td>120</td>
</tr>
<tr>
<td>6. Total Public Expenditure covered by the &quot;4½ PER CENT&quot; decision</td>
<td>10,487</td>
<td>11,576</td>
</tr>
<tr>
<td>7. Capital formation of nationalised industries, etc.*</td>
<td>1,186</td>
<td>1,320</td>
</tr>
<tr>
<td>8. &quot;Total Public Expenditure&quot;</td>
<td>11,673</td>
<td>12,896</td>
</tr>
</tbody>
</table>

* See footnote (1) to Table 5.
### Table 5

**Investment of nationalised industries, etc.**

<table>
<thead>
<tr>
<th>At out-turn prices</th>
<th>Estimates at 1965 Survey prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Coal Board</td>
<td>90</td>
</tr>
<tr>
<td>Gas Council</td>
<td>90</td>
</tr>
<tr>
<td>Electricity Council</td>
<td>572</td>
</tr>
<tr>
<td>South of Scotland Electricity Board</td>
<td>44</td>
</tr>
<tr>
<td>North of Scotland Hydro-Electric Board</td>
<td>...</td>
</tr>
<tr>
<td>British European Airways</td>
<td>18</td>
</tr>
<tr>
<td>British Overseas Airways Corporation</td>
<td>15</td>
</tr>
<tr>
<td>British Railways Board(5)</td>
<td>...</td>
</tr>
<tr>
<td>British Transport Board(6)</td>
<td>113</td>
</tr>
<tr>
<td>British Transport Docks Board(6)</td>
<td>21</td>
</tr>
<tr>
<td>British Waterways Board(6)</td>
<td>5</td>
</tr>
<tr>
<td>Transport Holding Company(7)</td>
<td>14</td>
</tr>
<tr>
<td>Post Office Holding Company</td>
<td>180</td>
</tr>
<tr>
<td><strong>Total Nationalised Industries</strong></td>
<td>1,190</td>
</tr>
<tr>
<td>British Broadcasting Corporation</td>
<td>12</td>
</tr>
<tr>
<td>Independent Television Authority</td>
<td>1</td>
</tr>
<tr>
<td>Covent Garden Market Authority</td>
<td>...</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>1,203</td>
</tr>
</tbody>
</table>

(1) This table incorporates decisions taken by the Government since the publication of the National Plan.

(2) The figures in these columns take account of the deferment of expenditure called for in the Chancellor’s statement of 27th July, 1965 (see Appendix I and paragraph 60 of main text above).

(3) This figure is the industry’s estimate only—see paragraph 13 of the White Paper on the Finances of the Coal Industry (Cmnd. 2805).

(4) Includes nuclear fuel.

(5) The financial year for these authorities is the calendar year. The figures in this table have therefore been adjusted.
<table>
<thead>
<tr>
<th>Domestic capital expenditure(^{(1)}) (including nationalised industries, etc.)</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At out-turn prices</strong></td>
<td><strong>Estimates at 1965 Survey prices</strong></td>
</tr>
<tr>
<td>Defence Budget</td>
<td>23</td>
</tr>
<tr>
<td>Roads</td>
<td>208</td>
</tr>
<tr>
<td>Housing (including improvement grants)</td>
<td>553</td>
</tr>
<tr>
<td>Police and prisons</td>
<td>24</td>
</tr>
<tr>
<td>Education</td>
<td>261</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>104</td>
</tr>
<tr>
<td>Nationalised industries(^{(4)})</td>
<td>1,184(^{(5)})</td>
</tr>
<tr>
<td>British Broadcasting Corporation, Independent Television Authority, Covent Garden Market Authority</td>
<td>12(^{(5)})</td>
</tr>
<tr>
<td>Other...</td>
<td>669</td>
</tr>
<tr>
<td><strong>TOTAL DOMESTIC CAPITAL EXPENDITURE</strong></td>
<td>3,038</td>
</tr>
<tr>
<td>less Sales of fixed assets</td>
<td>-82</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,956</td>
</tr>
<tr>
<td>of which:—</td>
<td></td>
</tr>
<tr>
<td>Gross domestic fixed capital formation:</td>
<td></td>
</tr>
<tr>
<td>Central government</td>
<td>292</td>
</tr>
<tr>
<td>Local authorities</td>
<td>1,141</td>
</tr>
<tr>
<td>Nationalised industries</td>
<td>1,153</td>
</tr>
<tr>
<td>Other public corporations</td>
<td>78</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,664</td>
</tr>
<tr>
<td>Capital grants to private sector</td>
<td>139</td>
</tr>
<tr>
<td>Net lending to private sector</td>
<td>153</td>
</tr>
</tbody>
</table>

\(^{(1)}\) "Capital formation" in national accounting terms does not include grants and loans to the private sector (e.g. universities) for capital purposes. These are, however, included in "domestic capital expenditure". Thus the figures in this table provide a total for domestic asset-creating expenditure by the public sector.

\(^{(2)}\) Based on information available at time of publication of the 1965 Blue Book on National Income and Expenditure and hence consistent with the table at the end of the Blue Book showing the "Treasury analysis of public expenditure" by financial years and with Tables 1-4 and Table 7 of this White Paper.

\(^{(3)}\) Except for the nationalised industries, the figures in these columns do not take account of the deferment of expenditure called for in the Chancellor’s statement of 27th July, 1965. (See also paragraphs 59 and 60 of main text above).

\(^{(4)}\) See footnote \(^{(1)}\) to Table 5.

\(^{(5)}\) The figures in Table 5 for these items differ slightly because of the use in that table of later information.
### Table 7—Receipts and expenditure of the public sector, 1964-65 (1) (including nationalised industries, etc.) £ million

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Economic classification of expenditure</th>
<th>Functional classification of expenditure(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT INCOME</strong></td>
<td><strong>CURRENT EXPENDITURE</strong></td>
<td><strong>Defence Budget</strong></td>
</tr>
<tr>
<td>Taxes on income</td>
<td>Current expenditure on goods and services(2)</td>
<td>...</td>
</tr>
<tr>
<td>National insurance contributions</td>
<td>1,291</td>
<td>...</td>
</tr>
<tr>
<td>National health contributions</td>
<td>168</td>
<td>...</td>
</tr>
<tr>
<td>Taxes on expenditure, central government</td>
<td>3,521</td>
<td>...</td>
</tr>
<tr>
<td>Local rates</td>
<td>1,120</td>
<td>...</td>
</tr>
<tr>
<td>Gross trading surpluses(3)</td>
<td>101</td>
<td>...</td>
</tr>
<tr>
<td>Central government and local authorities</td>
<td>940</td>
<td>...</td>
</tr>
<tr>
<td>Gross rental income</td>
<td>630</td>
<td>...</td>
</tr>
<tr>
<td>Interest, dividends, etc.</td>
<td>224</td>
<td>...</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>TOTAL CURRENT EXPENDITURE</strong></td>
<td><strong>TOTAL CURRENT EXPENDITURE</strong></td>
</tr>
</tbody>
</table>

| **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** |
| **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** | **CURRENT EXPENDITURE** |
| Taxes on capital | 299 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Capital transfers | 10 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Loan repayments from overseas governments | 24 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Proceeds from disposal of iron and steel | 18 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Receipts from certain pension funds (net) | 54 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Adjustments for accruals: | -16 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Taxes on expenditure | - | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Subsidies | 67 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Miscellaneous | 26 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** |

(1) Provisional out-turn, see footnote (3) to Table 1.
(2) For greater detail, see table at end of 1965 Blue Book on National Income and Expenditure showing the "Treasury analysis of public expenditure." The classification differs in some respects from that in Table 1 above.
(3) Excludes current expenditure on goods and services on operating account of public corporations and other public enterprises.
(4) Includes current expenditure on goods and services on operating account of public corporations and other public enterprises.
(5) Before providing for depreciation or stock appreciation.
(6) Equal to net borrowing, less increase in foreign reserves.
(7) Includes net borrowing from central government.
(8) The definition differs from that of the figures of domestic capital expenditure for nationalised industries in the top half of Table 6. In the figures in this table sales of fixed assets have been deducted and expenditure on nuclear fuel added in accordance with national accounting definition of gross domestic fixed capital formation.
6th December, 1965

CABINET

HOUSING PROGRAMME 1965/66

Memorandum by the Minister of Housing and Local Government

The Secretary of State for Wales and I need urgently to know what level of house-building by local authorities we can authorise during the remainder of this year and next.

2. When the Cabinet considered this in July last (C. C. (65) 43rd Conclusions, Minute 3) the level of approvals for local authority building was left at 150,000 for this year, and the same for next; though it was agreed that I should keep this under review.

3. Since then three things have happened:

(i) We have announced our intention to reach a United Kingdom output of somewhere near 250,000 public sector houses by 1970 as part of a total output of half a million.

(ii) We have announced new subsidies for local authority houses — with the result that requests for approvals, which have been quiet while the authorities waited for this, will now come flooding in.

(iii) An official group which has been studying the forward loan on constructional capacity has reported (E. D. (65) 115) that, following the steps which have been taken to cut down inessential work, demand in 1966 is likely to be some £55 million below productive potential.

4. My view is that the right plan now would be to let public sector housing rise slowly but steadily so that we should reach the 250,000 mark by 1970 without any jerks. This would mean, for England and Wales, a level of 156,000 approvals this year, 161,000 next — and so on by some 5,000 additional each year. (Since this year has already run, the right way to secure this smooth progression would be to see the first stage of this as an addition of 17,000 approvals between now and the end of next year, instead of pushing through as many as possible during the rest of this month and then steadying.)

5. This has been considered by the Economic Development Committee and they concluded that an addition of 6,000 approvals this year (as the Secretary of State and I proposed) and 6,000 next year (i.e. 12,000 between now and the end of next year, instead of 17,000) could be accepted, provided that the distribution could be on a regional basis acceptable both to the Chancellor of the Exchequer and myself. No
question, I think, arises on the distribution; I should be prepared to see as many houses as is physically practicable built in the development areas, and also to provide for transferring industrial workers, especially coal-miners - which I am told is what the Chancellor wants. For the rest, my priority must be to provide for the conurbations where the need for rented housing is overwhelming. But I understand that the Chancellor does not feel able, even so, to accept the total of 12,000 additional approvals.

6. One issue is the amount of slack which is desirable in the building industry; 12,000 additional approvals between now and the end of next year - which I am prepared to accept - would mean about £13 million additional work in 1966, and rather more in 1967. But the other issue is whether we can afford to keep down house building by local authorities, having announced a rising programme and having imposed building licensing to make the rising programme possible. Even if 12,000 additional houses are authorised, I shall have to cut back hard the programmes of many authorities whose needs I judge to be not of first urgency; with less than 12,000 I should have to cut back some whose needs are plainly very urgent.

7. It is essential that this should be decided now. I must settle forward programmes with the main house-building authorities to cover at least three years ahead. Only so can the authorities organise their building efficiently, and only so can I get the maximum use made of industrial systems.

R. H. S. C.

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

6th December, 1965
6th December, 1965

CABINET

LONDON TRANSPORT

Memorandum by the Minister of Transport

Since the papers by the Chancellor of the Duchy of Lancaster and myself (C.(65) 168 and E.D. (T)(65) 39) were prepared, there has been a new development. I am now faced with a debate on the Report on the Select Committee on Nationalised Industries (London Transport) on Thursday next, 9th December.

2. As my colleagues know, I am committed to a statement on London Transport's affairs before the Recess. In the circumstances, I think I must make some statement during the debate about the Government's policy towards London Transport and what should be done about fares in the New Year.

3. There are two possible alternative statements. One would be in the form of a "package deal" announcing all that we can straight away, including the necessity of raising London Transport's fares early next year. The other would have much less to say; would shelve the issue of fares for, say, six months; and would promise a further statement at that time.

4. I very much prefer the former approach, because:

(a) Parliament - and the public - expect us to announce firm measures now. What I propose to say will be unwelcome to many motorists and users of public transport alike. But it at least shows that as a Government we are dealing with the whole problem, not patching and piecing together bits of it.

(b) We have a good case to put. It is set out broadly in paragraph 12 of the Chancellor of the Duchy's paper. (I would only dissent - at this stage - from the reference to the possibility of a takeover by the Greater London Council). Paragraph 12(3)(b) - the fares point - is as important as any other, and in my view ought to be made.

(c) It is unlikely that we shall in fact be able to produce in six months a statement about solutions to traffic conditions and the right balance between public and private transport that will sound much more impressive than what we could say now. Certainly we should by then have a clearer idea of what is practicable and when it can begin to take effect; but we will not be able to show any solid results, or even to promise that they are only just round the corner. If what we say then can only be in much the same terms as what we can say now there is everything to gain by an announcement at once.
(d) To delay the fares increase will merely make the situation we eventually have to deal with worse than it need be.

5. I have placed at Annexes A and B drafts of two alternative statements. I strongly recommend statement A, and seek the agreement of my colleagues to my making a statement on these lines during the course of any early intervention in the debate.

T. F.

Ministry of Transport, S. E. 1.

6th December, 1965
DRAFT STATEMENT A

As the House knows, the Government have been making a comprehensive study, in conjunction with the London Transport Board, of the circumstances in which the Board operates. This study has ranged beyond London Transport's financial affairs: the days are past when we could deal piecemeal with the road, the rail, the public transport or traffic problems of a city like London. We have looked at them all as a whole. Long-term policies need further investigations, notably those still being carried out within the London Transportation Study. But the Government are now ready to state their immediate intentions.

As a result of our analysis of the situation we adopt the following broad objectives:

First, to call a halt to the deterioration of London's transport facilities - of all kinds - and to make the positive improvements necessary to meet the economic and social needs of a great city, and to ensure that the traffic vital to those needs shall have freedom to move.

Second, to take measures to ensure the best use of scarce road space.

Third, since we regard public transport systems as essential, to ensure that necessary public transport services are not only maintained but improved.

Fourth, to find means to achieve a more equitable distribution of the burden of paying for London's transport in all its forms.

To achieve these objectives, complementary measures will be needed, on the one hand to discourage the use of private cars, notably at peak times, and on the other to improve public transport.

To discourage the use of private cars, the Government have decided that the most immediate and effective measure is a new policy towards parking in Central London. Parking restrictions must be used as a deliberate deterrent to the peak hour car commuter, not merely - as in the past - as a means of keeping clear the road space needed for moving traffic. The new policy must bite on both on- and off-street parking. I am opening discussions at once with the Greater London Council and local authorities concerned to decide how the new policy can most quickly and effectively be given effect.
Other possible measures of restriction are being considered in detail, including extra charges for the use of vehicles in Central or other congested areas of London; and a tax on employment, possibly linked to hours of work. Precise methods of restriction are being considered in detail with the Greater London Council and others concerned. What can be stated now is the Government's determination to achieve a marked improvement in a situation which, without special measures, will manifestly get worse.

Some of the measures concerned might, if they are to be implemented in the most effective way, involve legislation. The Government are also considering whether changes in the present tax arrangements for the provision and use of cars by business users could contribute towards alleviating traffic problems in large cities, notably London.

On the public transport side, we need better, quicker, more comfortable and more punctual services. The easing of peak-hour road traffic should go a long way towards achieving shorter-term improvements by helping to clear the roads; by encouraging people back to public transport; and by enabling transport providers to reshape their services in the light of changed conditions. Moreover, measures of restraint can be so arranged as to ensure that, directly or indirectly, those who contribute to congestion in London will contribute to maintaining and developing the public transport services.

In the longer term, public transport will have to be improved in more radical ways; through new investment and by intensifying the effort devoted to research and development so as to achieve increased productivity and other far-reaching improvements in techniques.

Meanwhile, it will still be necessary, as the costs—particularly wage costs—of providing public transport rise more steeply than can be matched by increased productivity to accept some increases in fares to help bridge the gap. Further deterioration in the financial position of the London Transport Board would make the eventual problems more difficult to solve. I have therefore told the Chairman of the Board that the Government do not propose to ask for any further deferment of the fare increase originally intended to take effect earlier in the year.

Notwithstanding this increase in fares it is likely that the London Transport Board will require some measure of financial assistance in 1966 and in due course the Government will present to the House their proposals for providing this.
While it remains to be seen how far the measures proposed will help to mend London Transport's finances, they will halt the decline, and set the London Transport Board in particular, on the way towards a situation where, in the words of the Select Committee, they can provide "an efficient, economic and adequate service of public transport throughout their Area, for which the travelling public would be willing to pay".
As the House knows, the Government have been making a comprehensive study, in conjunction with the London Transport Board, of the circumstances in which the Board operate. This study has ranged beyond London Transport's financial affairs; the days are past when we could deal piecemeal with the road, the rail, the public transport or traffic problems of a city like London. We have looked at them all as a whole.

Further investigations are still necessary. Longer-term policies, in particular, will depend on work at present being carried out within the London Transportation Study. But the Government, having assessed the shorter-term London Transport situation in relation to the deterioration of public transport and to increasing traffic congestion, are now able to state the broad lines of their approach to the problem.

The Government's broad objectives for London's transport are:

First, to call a halt to the deterioration of London's transport facilities - of all kinds - and to make the positive improvements necessary to meet the economic and social needs of a great city, and to ensure that the traffic vital to those needs shall have freedom to move.

Second, to take measures to ensure the best use of road space.

Third, since we regard efficient public transport systems as essential, to ensure that necessary public transport services are not only maintained but improved.

Fourth, to find means to achieve more equitable distribution of the burden of paying for London's transport in all its forms.

To achieve those objectives, complementary measures will be needed, on the one hand to discourage the use of private cars, notably at peak times, and on the other to improve public transport.

Possible methods of further restricting private cars are being examined by my Department in conjunction with the Home Office, the Police, the Greater London Council and others concerned. Their work relates to the country as a whole, but with special interest in London. I expect detailed conclusions early in the New Year. It will then be possible to work out and propose specific schemes. The most likely possibilities at the moment would seem to be further controls on parking in central or congested areas of London; extra charges for the use of vehicles in such areas; and fiscal measures - possibly by means of a tax on employment linked to hours of work.
Meanwhile, I must state the Government's determination to achieve a marked improvement in a situation which, without special measures, will manifestly get worse.

On the public transport side, we need better, quicker and more comfortable and more punctual services. The easing of peak-hour road traffic should go a long way towards achieving shorter-term improvements by helping to clear the roads; by encouraging people back to public transport; and by enabling transport providers to reshape their services in the light of changed conditions. In the longer term, public transport will have to be improved in more radical ways; through new investment and by intensifying the effort devoted to research and development so as to achieve increased productivity and other far-reaching improvements in techniques.

Whatever is done to discourage private cars in Central London and to improve public transport, it will still be necessary to accept increases in fares to meet increases in costs - particularly wage costs. But a fare increase in London now would still fall short of restoring the balance of the London Transport Board's finances, and outside financial assistance would still be necessary. I have therefore asked the Chairman of the Board to accept a further deferment of the fare increases originally proposed to come into effect earlier in the year. By the end of that time I hope to be able to announce the measures we shall be taking to restrain private car commuting and to restore the balance between public and private transport.

In due course I shall also present to the House the Government's proposals for providing the London Transport Board with the financial assistance they will require in 1966.
Memorandum by the Chancellor of the Exchequer

The Cabinet agreed in July (C. C. (65) 43rd Conclusions, Minute 3) that the local authority housing authorisations (England and Wales) should be kept at 150,000 in 1965 and in 1966, which determined the capital expenditure for 1966-67, at £477 million. The Minister of Housing made the reservation that, if there was a substantial fall in private sector house building in 1966 the public sector should be increased, and that this would involve higher capital expenditure than was being allowed for; and it was agreed that the position should be kept under review.

2. In the public expenditure allocation, the group under my chairmanship had given great weight to housing, which had been allocated (capital expenditure and subsidies) £110 million out of the "additional" total of £240 million for 1969-70 allocated to the programmes under consideration at that time.

3. The report of the Group on the Construction Industries, circulated with E.D. (65) 115, showed the following prospective situation:

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<tr>
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<th>1966</th>
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<tr>
<td>Public Sector</td>
<td>180,000&lt;sup&gt;*&lt;/sup&gt;</td>
<td>200,000&lt;sup&gt;*&lt;/sup&gt;</td>
</tr>
<tr>
<td>Private Sector</td>
<td>210,000</td>
<td>235,000</td>
</tr>
<tr>
<td>Total</td>
<td>390,000</td>
<td>435,000</td>
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<tr>
<th></th>
<th>£m.</th>
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<tr>
<td>Public Sector</td>
<td>450</td>
<td>480</td>
<td>+ 7%</td>
</tr>
<tr>
<td>Private Sector</td>
<td>515</td>
<td>540</td>
<td>+ 5 1/2%</td>
</tr>
<tr>
<td>Total</td>
<td>965</td>
<td>1020</td>
<td>+ 5 1/2%</td>
</tr>
</tbody>
</table>

<sup>*</sup>Corresponding to 150,000 authorisations in each year for local authorities (England and Wales)

4. It clearly cannot be argued that the prospective situation in 1966, either of starts or of output, calls for any new special action.
5. The report of the Group on the Construction Industries said that the pressure on the construction industry would be slightly (about 2 per cent) less in 1966 than in 1965. But in 1965 there was a serious overload, with lengthening construction periods and rapidly rising construction earnings (hourly earnings up by 9 per cent from April, 1964 to April, 1965). Shortages in the main crafts are expected to continue in 1966.

6. Just as important and relevant is the course of the economic situation and the balance of payments situation, which are not showing the easing which we hoped and, with the continuing rapid increase of public expenditure, are going to confront me with a very difficult Budgetary situation. It is early to judge the outcome, but it seems clear that any additional load which we put on the economy for 1966 will have to be compensated at Budget-time. There is no room in the economy for taking on new additional demands.

7. The Minister asks for 156,000 authorisations in 1965 and in 1966 compared with the present agreed rate of 150,000 in each year. If the extra 6,000 approvals for 1966 are given in the early part of the year, this adds another £19 million to expenditure in 1966/67. If the extra 1966 approvals were spread evenly over the year, the additional expenditure in 1966/67 would be £16.8 million, but in that case a large number of the extra approvals would not add at all to construction in 1966.

8. I understood at the Economic Development Committee meeting that the extra were needed to deal with development area and other special regional questions, and on this basis was prepared to go a little higher. But I gather that the development area and similar needs are given priority in any case, so this does not arise. Indeed, the additional houses may well be in places of great shortage of labour and inflationary pressure.

9. I understand that up to 3rd December 132,000 houses have been authorised for 1965, with 4,000 to come for the Greater London Council. The Minister believes there has been some reluctance in applying for authorisations in advance of the announcement of the new subsidy arrangements. To safeguard this, I should be ready for there to be a carry-over into January if 150,000 cannot be authorised in time before the end of December, 1965.

10. I fully understand that the new subsidies may increase the requests from local authorities; but the levels of subsidies had been fully discussed when we fixed the level of authorisations for 1965/66; and I do not think there is any new factor there.

11. To sum up, I cannot accept the view that we need to increase housing further in order to stabilise the economic situation. That view was founded months ago, when it was feared that the measures which we had taken might lead to serious deflation. But that is not the case at all; and the better we do with exports in 1966 the greater will be the inflationary pressure inside the economy. I sympathise with the Minister's desire for a larger programme, but he shares that ambition with most of our other colleagues, and he has not established any special reasons for re-opening his programme in isolation from others.
12. I propose, therefore, that we ask the Minister to stick to £150,000 in 1965 (and carrying some over into 1966 if necessary), and stick for the time being to £150,000 for 1966, with a further review in the light of the course of the economy and the Budget prospects in, say, three months' time.

L. J. C.

Treasury Chambers, S. W. 1.

6th December, 1965
6th December, 1965

CABINET

DIPLOMATIC RELATIONS WITH THE VATICAN

Memorandum by the Secretary of State for Foreign Affairs

The present position is that Her Majesty is represented at the Holy See by a Minister, while there is no diplomatic representative of the Vatican in this country. (The present Apostolic Delegate has no diplomatic status, and is accredited only to the Anglican hierarchy).

2. In my memorandum of 31st March, 1965 (C.(65) 56), I invited my colleagues to consider a proposal to seek the approval of The Queen to our suggesting to the Holy See that diplomatic representatives with the rank of Ambassador should be exchanged. Since that memorandum was written, it has been represented that acceptance of a Papal diplomatic representative in London would be repugnant to some sections of non-Catholic opinion in this country, and that there might even be an outcry against it.

3. One alternative and more limited proposal which we might consider is that the status of our Minister at the Holy See be raised to that of Ambassador, without any change in the Vatican's representation here. The Apostolic Delegate has suggested to our Minister at the Holy See that it would be very welcome to the Vatican if we were to raise our Legation to an Embassy, even without accepting an envoy from the Holy See. In any event, our Minister considers it unlikely that the Vatican would take the initiative in asking for the accreditation of a diplomatic envoy to this country. If such an envoy were eventually to be appointed, he would not be a full Nuncio (automatically taking precedence). Such Nuncios are normally appointed only in predominantly Catholic countries.

4. There are some practical reasons in favour of this limited proposal:

(i) The Holy See is now the only place at which we maintain a Legation, rather than an Embassy. This is an administrative anomaly which I should like to see tidied up.

(ii) At the Papal Court, where protocol is important, the junior status of Her Majesty's Representative can be an inconvenience to the proper discharge of his duties.

(iii) Furthermore, it seems inappropriate for him to rank equal, among others, with the representatives of San Marino, Monaco and The Order of Malta. The other seven countries which accredit Ministers to the Holy See are similarly not of the first significance. It is true that the United States, the Soviet
Union and the old Commonwealth countries, i.e. the major non-Catholic powers, have no diplomatic representation at all at the Holy See. But I am not sure that this is an argument why our own representative (we have had one since 1914) should be a Minister rather than an Ambassador.

(iv) Under the present Pope, as under his predecessor, the Vatican is becoming a more important influence in world affairs in the promotion of peace, disarmament, the war against poverty, and support for the United Nations. These are goals which are worthy of support, and the gesture of upgrading our representative at the Holy See might be appropriate on these grounds also.

5. On all these grounds there is a good deal to be said for the limited proposal to upgrade the status of our present Minister at the Holy See to the rank of Ambassador. I recognise of course that there are also factors pointing in the other direction, notably the fact that the Archbishop of Canterbury does not favour even this limited move. I should greatly value the views of my colleagues in this matter.

M.S.

Foreign Office, S.W.1.

6th December, 1965

SECRET
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M. S.

Foreign Office, S.W.1.

6th December, 1965
THE TRAINING OF JUSTICES OF THE PEACE IN ENGLAND AND WALES AND THE POSITION OF EX-OFFICIO JUSTICES OF THE PEACE: DRAFT WHITE PAPER

Memorandum by the Lord Chancellor

At their meeting on 3rd December the Home Affairs Committee had before them a draft of a white Paper on the Training of Justices of the Peace in England and Wales and approved the draft for publication, subject to the concurrence of the Cabinet. The draft White Paper is annexed to this memorandum. At the meeting of the Home Affairs Committee I mentioned that, at the request of the Scottish Home and Health Department, I would make certain minor verbal amendments to the draft to make it clear that the Government's decisions conveyed therein apply only to England and Wales; these will be made in the printed text.

2. As long ago as 1948 the Royal Commission on Justices of the Peace* recommended that Justices on first appointment, and Justices who are appointed to Juvenile Court Panels, should be required to undertake some training. The National Advisory Council on the Training of Magistrates, which was appointed in June 1964 by my predecessor to advise him in regard to all matters relating to the training of lay Justices of the Peace, has now advised me to give effect to the Royal Commission's recommendations and I propose to accept this advice; this is the purpose of the proposed White Paper.

3. All those who have had to consider the training of lay Justices of the Peace have had to face the problem of those persons who become Justices by virtue of holding some other office, and in particular those who are elected to various local government offices (Mayors of Boroughs and Chairmen of County and Urban and Rural District Councils). A list of these persons is appended; they amount in all to about 2,400 persons in England and Wales, which compares with the 16,400 Justices on the Active List who have been appointed by name. The Royal Commission recommended† that Chairmen of County and Urban and Rural District Councils should cease to be Justices ex-officio but that a Mayor, being the symbol of the corporate character of the Borough and having had for centuries the duty of keeping the peace, should continue to be a Justice during his term of office. The Royal Commission also thought that Privy Councillors and other "high officers" should remain Justices ex-officio both because they do not often act as Justices in fact and because they generally held office for life or at least for a substantial period of time.

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† Paragraph 159
4. Most of those who gave evidence to the Royal Commission thought that at least some of the Justices ex-officio, should be abolished, but, in spite of the weight of opinion against the retention of local authority of Justices ex-officio, this recommendation of the Royal Commission was not implemented in the Justices of the Peace Act, 1949; and indeed the Government resisted, in the passage of the Bill through Parliament, an attempt to abolish ex-officio Justices on the grounds that nothing should be done which might affect the prestige and status of local authorities at a time when the whole future structure of local government was about to be reviewed.

5. I am, however, firmly of the opinion that it is in the interests of the administration of justice that no person should become a Magistrate solely by virtue of holding some other non-judicial office. Only those persons who are best qualified to administer justice should be appointed to the Bench; and it does not follow that because a person holds some other office, such as the Chairmanship of a local authority, he is necessarily best fitted for the work of a Magistrate. Such a person, if he is in fact suitable for the Bench, should be considered for appointment together with other candidates, under the normal procedure for the selection of Justices.

6. Now that I wish to introduce the compulsory training of Justices, set out in the White Paper, the existence of ex-officio Justices becomes even less justifiable. My colleagues on the Home Affairs Committee agreed that in general the abolition of Justices who served only by virtue of local government office would be acceptable, provided that it was applied throughout local government.

7. To abolish the ex-officio Justices of the Peace will require legislation and I appreciate that it may well not be practicable to introduce this in the present Session.

8. Subject to the Cabinet's approval of the White Paper, I have arranged with the Lord President to publish it on the 22nd December.

9. I invite the Cabinet -

(a) to approve the publication of the attached White Paper, subject to the formal amendments mentioned above; and

(b) to approve the introduction of legislation at an early date to abolish Justices of the Peace ex-officio.

Lord Chancellor's Office, S.W. 1.

7th December, 1965
INTRODUCTION

Justices of the Peace have administered justice in this country for more than 600 years. In addition to the criminal jurisdiction which they have long exercised, other duties have been laid upon them over the years. Until the last quarter of the Nineteenth Century they were responsible for the local government in every county. The institution of elected county corporations and the birth of local government as we now know it removed from the Justices most of their administrative functions, but since that time there has been a steady growth of crime and an ever increasing regulation of affairs by successive Governments through legislation. Much of this legislation has imposed on the Justices new responsibilities and has extended their jurisdiction. A host of offences unknown to their forbears have been created, notably in relation to road traffic, while the availability of Legal Aid particularly in domestic proceedings has not only added to the number of cases coming before the Courts but has tended to extend the length of time taken to hear each case. This has had the result that, in the cities and boroughs especially, the number of attendances which individual Justices are called upon to make has greatly increased and is still increasing, and that the sittings themselves are becoming longer.

2. The Justice of the Peace today has to devote more time than ever before to administering a legal system which is at once far more sophisticated and far more detailed than anything with which his predecessors had to deal.

3. In recent years, moreover, an ever increasing interest has been taken in the treatment of offenders. This is due to a desire in the first place to ensure that law-breakers are dealt with in the most efficacious manner from the point of view both of the offender and of the community, and secondly to achieve, as far as possible, a measure of consistency in dealing with similar offences.

4. To carry out these varied and onerous duties we still rely upon the ordinary men and women of this country. To this task they have brought commonsense, sympathy and a wide experience of life and of affairs. Few of them are lawyers and it would now be impracticable and, indeed, undesirable, to seek to replace our lay magistrates by a professional and stipendiary system.

5. Nevertheless, having regard to the increase in the importance and the complexity of their work it has become apparent that there is an urgent need, both in the public interest and for the sake of the Justices themselves, that they should receive some training for the difficult and responsible work which they so unselfishly undertake.
6. Until the foundation of the Magistrates' Association in 1920 there was no central organisation of Justices of the Peace for any purpose. Any training which a Justice may have received, therefore, came about as a matter of chance.

7. One of the fundamental purposes of the Magistrates' Association was to encourage Justices of the Peace to undertake some measure of training and to provide the necessary means in the form of meetings, conferences, discussions and literature. The training of Justices was not, however, officially or formally considered until 1946, when the Royal Commission on Justices of the Peace was appointed. In consequence of evidence which the Commission received, both from the Magistrates' Association and from other witnesses, it recommended that new Justices should be given some instruction in the duties they had to perform. Two paragraphs from the Report of the Royal Commission which deal with the instruction of Justices are as follows:

"89. The law that justices have to administer is extensive and complex and any attempt to give lay justices an adequate knowledge of it would not usually succeed. What we think is possible and should be done is to train justices to understand the nature of their own duties rather than the substantive law that they administer. In the forefront we should put the meaning of "acting judicially". The Lord Chief Justice of England, Lord Goddard, in his evidence points out that justices do not get reproved for being wrong in law, but that a failure to act judicially is a reason for censure. In the course of court proceedings a Justice must be sufficiently instructed to perform his duties without constant reference to the Clerk. Thus he must know the procedure in ordinary cases; it is for instance not unknown for a bench to misunderstand the nature of a submission that there is no case to answer. He should know something of the law of evidence, at least enough to enable him to avoid mistakes in any questions that he may ask. When justices know and understand their duties they and the clerk can work satisfactorily together: if they are ignorant the clerk must either watch them make mistakes that may be serious to the parties and to the justices, or intervene and take too much part in the proceedings.

*Cmd. 7463 (1948)
90. A particularly important part of the work of justices lies in the decision as to the course they should take with an offender or other person before the court. Knowledge of the various courses that may open is not sufficiently widespread, and we think that this should receive special attention. It is essential that every justice should understand the meaning of the various sentences that can be given and orders that can be made. New methods of dealing with persons found guilty must also be studied as they come into operation."

9. The Royal Commission recommended that on appointment a Justice should be required to give an undertaking that he would follow a prescribed scheme of instruction and that he should not sit judicially until he had completed that training. This recommendation was not implemented. The Justices of the Peace Act, 1949, however, created Magistrates' Courts Committees to administer Magistrates' Courts throughout England and Wales, and section 17 of the Act imposed upon every Magistrates' Courts Committee the duty, in accordance with arrangements approved by the Lord Chancellor, of making and administering schemes for providing courses of instruction for the Justices of their area. When, in 1952, that section came into operation, the Lord Chancellor's Office circulated, as a guide to every Magistrates' Courts Committee, a Model Scheme for Elementary Training. The Magistrates' Courts Committees almost without exception either formally adopted that scheme or evolved schemes of training of their own based very closely upon it. Difficulties were experienced, however, by some Committees in carrying out any scheme of instruction. This was in part due to the fact that, although every Committee was under an obligation to provide training for its Justices, the individual Justices themselves were not correspondingly bound to undertake any form of training which had been arranged for them. In addition, practical difficulties were encountered. Some newly appointed Justices were unable to attend lectures, either because of the nature of their employment or because they lived in remote areas and travelling was difficult. A further problem arose in those areas where only one or two new Justices were appointed each year and where there were therefore too few to justify a course of lectures.

9. For these reasons, the Lord Chancellor's Office and the Magistrates' Association co-operated in preparing a course of instruction which could be sent to Justices by post. In the past ten years over 3,000 magistrates have taken advantage of this course and it has constantly been revised and brought up to date. It suffers, however, from the disadvantages inherent in any postal system of instruction and, in particular, it gives no opportunity for oral discussion. Furthermore, it is hard to gauge the extent to which individual Justices have benefitted from the course, since it has never contained any provision for them to answer questions on it.
10. Since 1956 the Lord Chancellor's Department has sent to every Justice of the Peace on appointment a copy of a booklet entitled "Notes for New Magistrates" which gives an outline of Magistrates' duties, the conditions in which they are performed and the rules by which magisterial proceedings are governed. In addition, copies of the Home Office handbook, "The Sentence of the Court", were sent on publication in 1964 to every Justice then on the Active List and since that date a copy has been sent to each new Justice on appointment. This handbook contains comprehensive information about the various forms of treatment available to the Courts, and what is involved in each of them, and its purpose is to help the Magistrates in selecting the right sentence.
11. After discussions with the Council of the Magistrates' Association, the Lord Chancellor decided that the present situation was not entirely satisfactory and accordingly in June 1964, he established a National Advisory Council on the Training of Magistrates, charged with the duty of advising the Lord Chancellor generally on the policy to be applied to the training and instruction of Justices of the Peace throughout England and Wales.

12. The National Advisory Council has made exhaustive enquiries as to how the present arrangements for the training of magistrates are being carried out by Magistrates' Courts Committees and to what extent Justices of the Peace, and particularly newly appointed Justices, are availing themselves of the facilities which are being provided for them.

13. These enquiries have been addressed both to Magistrates' Courts Committees and to Justices of the Peace. Magistrates' Courts Committees have been asked not only to give details of their present arrangements for the instruction of newly appointed Justices, but also to estimate the practical consequences if the Royal Commission's recommendation for compulsory training were implemented. The Council also decided to consult a representative cross-section of newly-appointed Justices and, for this reason, a questionnaire was sent to all those Justices who had been appointed between 1st July, 1962 and 30th June, 1963. This questionnaire asked what training had been made available to the Justices and to what extent they had availed themselves of it. If they had been unable to attend training which was offered to them, they were asked the reason for this. These Justices were also invited to give their opinion generally on the need for training new Magistrates, the form which any courses should take and the times and places where training could best be provided.

14. A very high percentage of replies was received to these questionnaires and, as a result of them and of the answers given by the different Magistrates' Courts Committees, the Government is satisfied that for the most part Committees are doing their best to provide at least some elementary training for the thousand or so new Justices who are appointed each year and, furthermore, that a very large majority of these Justices do in fact receive some form of training.
15. It was the overwhelming, and indeed almost unanimous, opinion of the Justices who were questioned that newly appointed magistrates do require some basic training. It is significant that many of these Justices also commented that such training should be made compulsory.

16. In addition to obtaining the views of individual Magistrates' Courts Committees, the National Advisory Council sought the opinion of the Central Council of Magistrates' Courts Committees. The National Advisory Council also had the advantage of a memorandum by the Justices' Clerks' Society. Both these organisations were in favour of the compulsory training of newly appointed Justices.

17. The National Advisory Council has accordingly advised the Lord Chancellor that the time is now opportune to introduce obligatory training for Justices in the manner described in the following paragraphs. This recommendation has been accepted and the Government has decided that the new arrangements for compulsory training shall apply to all Justices appointed after the 1st January, 1966.
IV

COMPULSORY TRAINING

18. Those who are appointed to the office of Justices of the Peace are nature and responsible persons, many of whom already occupy prominent positions in the community before they become magistrates. Although the vast majority of these persons are anxious to receive some training for this important and technical, but novel, task, it must be recognised that they are giving up their time to a Voluntary Service. The Government has accordingly decided that obligatory training should not be imposed by legislation but should be achieved by requiring all those who have been approved for appointment as Justices to give an undertaking that, if they are appointed, they will complete a prescribed course of instruction within a year. A Justice who fails to comply with this undertaking without good cause may be removed from the Commission. The Lord Chancellor will have power, at his discretion, to grant an extension of time in which to complete the course in appropriate cases. When exercising this power in respect of Justices in Lancashire, the Lord Chancellor will normally act in consultation with the Chancellor of the Duchy of Lancaster.

19. The Lord Chancellor will also be able to exempt any individual, or any specified class of person, from having to undertake a course of instruction, or any part of it; for example, a person who already holds, or has held, judicial office at the time of his appointment as a Justice.

20. The amount of instruction which a newly appointed Justice should be required to undertake must be governed by the amount of time that he can reasonably be expected to give to the work. Some apprehension has been expressed lest if too much training is demanded the best candidates will be reluctant to accept appointment. This applies particularly to young men and women who are required for service in the Juvenile Courts as well as in the Adult Courts. It is extremely difficult to find men and women between the ages of 30 and 45 who can spare enough time to discharge the duties of a Justice of the Peace. At this age both business and family commitments may be expected to be at their greatest.

21. For these reasons the Government have decided that obligatory training should be limited to a basic course of instruction for all Justices newly appointed to the Commission and to a special course of instruction for those Justices who are appointed to the Juvenile Court Panels.
22. It is the view of the National Advisory Council on the Training of Magistrates, based on overwhelming evidence from practised Justices and Clerks, that experience on the Bench is itself the finest form of training and that theoretical instruction, although desirable and indeed necessary, must be based on the foundation of at least some practical experience if it is to be intelligible and of value. On the other hand, the vast majority of Justices of the Peace have never been in a Magistrates' Court before they are appointed and it is therefore necessary to give a new Justice some elementary information and instruction about his functions before he attends Court for the first time, even as an observer. The National Advisory Council has therefore recommended, and the Government has accepted, a syllabus for the Basic Training of Newly Appointed Justices, which is to be taken in two stages. This syllabus is set out in Appendix A. The first stage is to be completed before the new Justice sits to adjudicate and the second within one year of his appointment.

23. The objects of this training are set out in the syllabus, which is so designed that the theoretical and the practical instruction of new Justices can proceed simultaneously and as parallel phases of one continuing operation.

24. It is intended that the first stage of the training should be carried out locally; that is to say, at the court at which the new Justice will sit. In the case of cities and boroughs this will, of course, be the city or borough Magistrates' Court; in the case of county Justices, it will be the court of the Petty Sessional Division to which the Justice is assigned. This will be of assistance to the new Justice, who will have no further to travel than he will have to go when performing his ordinary magisterial duties. It will also have the advantage of introducing the new Justice as quickly as possible to his colleagues and to his Clerk and of making him familiar with the surroundings in which he will be working.

25. The second and more substantial stage of the Basic Training should not start until the new Justice has had some experience on the Bench, and it is implicit in the scheme that special care should be taken to ensure that newly appointed Justices, at least during their first year, should always sit with at least two experienced colleagues.
26. The syllabus for the second stage calls for instruction under six headings, but the precise number of periods of instruction is not specified. It would be possible to complete this stage in a course extending over one weekend (Friday afternoon to Sunday afternoon); but two such weekends would be preferable, in order to allow more time for instruction and discussion. Such weekend courses might be residential for those Justices who have far to come, while those who live nearer to the place where the course is held may attend daily. It would also be possible to carry out the second stage in a series of instructional periods held once a week or once a fortnight over several weeks or months, at whatever time of day or in the evening might be most convenient for the Justices concerned.
INSTRUCTION FOR JUVENILE COURT JUSTICES

27. The Royal Commission on Justices of the Peace recommended that each Magistrates’ Courts Committee should prepare a scheme for the training of Juvenile Court Justices and that every Justice appointed to the Juvenile Court Panel for the first time should undertake not to adjudicate in the Juvenile Court until he had completed the requirements of the scheme. This recommendation was not implemented, but in 1953 a Model Scheme for Juvenile Court Training was circulated by the Lord Chancellor’s Office to all Magistrates’ Courts Committees with a recommendation that it should be adopted and put into effect as soon as possible.

28. In 1960 the Departmental Committee on Children and Young Persons (the Ingleby Committee) issued its Report in which it made certain recommendations as to the training of Juvenile Court Justices. Paragraph 161 of its Report reads:

"161. It is our view that every member of a juvenile court panel, whether lay or stipendiary, should be adequately trained for his duties. He needs not only a grasp of law and court procedure – which the professional magistrate will already have – but a knowledge of the services available to the court, including the medical and psychiatric services, and the ways in which it can deal with the children who come before it; and not least important, familiarity with the technique of handling young people that the best juvenile courts have so successfully developed. We hope that magistrates’ courts committees will lose no time in drawing up schemes of specialised training for juvenile court magistrates on the lines of the model scheme to which we have referred. While we do not consider it practicable for the law to require a magistrate to complete such a course of training before he adjudicates in a juvenile court, we should like to see this rule adopted in practice."

29. The enquiries which have been made by the National Advisory Council on the Training of Magistrates show that in fact only a relatively small number of Magistrates’ Courts Committees administer special schemes of instruction for their Juvenile Court Justices.

* Cmd. 1191 (1960).
30. The Children and Young Persons Act 1963 gave effect to the Report of the Ingleby Committee, but it did not implement the recommendation for compulsory training. When the Bill was before the House of Commons an amendment was moved to provide that a Justice should not be qualified to sit as a member of a Juvenile Court Panel unless he had followed a course of instruction in the work of a Juvenile Court provided in accordance with section 17 of the Justices of the Peace Act, 1949 (see paragraph 9 above). The Government at that time resisted the proposed amendment to the Bill, but undertook to secure compulsory training for Juvenile Court Justices by amending the Juvenile Courts (Constitution) Rules, 1954. The Rules were not amended, however, because the Lord Chancellor decided that the whole question of the training of Justices should be reconsidered and he accordingly referred the subject to the National Advisory Council on the Training of Magistrates. The Council, having considered this problem, recommended that obligatory training should be introduced for Juvenile Court Justices on lines similar to those already described for Justices newly appointed to the Commission.

31. It would be illogical for the compulsory training of Juvenile Court Justices to be secured by a different method from that used for Justices newly appointed to the Bench. The Government has therefore decided that the training of Justices on a Juvenile Court Panel should also be effected by means of an undertaking. The problem is complicated, however, by the fact that a Justice may never be appointed to a Juvenile Court Panel at all. Furthermore, appointment to a Panel is by election by and from the Justices of the area in which the Panel operates. It is not possible, therefore, to obtain undertakings from Juvenile Court Justices before they join a Panel because it is not known in advance who they will be. The Government has decided that the only practical way to deal with the matter is to obtain an undertaking from all Justices at the time of their appointment to the Commission that they will complete, not only the course of Basic Training, but also a course of Juvenile Court Training, either before (if they so wish and it is possible to do so) or within a year after they are elected to a Juvenile Court Panel.

32. This undertaking will be required of all Justices appointed in the future. Those Justices who are already on a Commission, but are not yet serving on a Juvenile Court Panel, will be asked to take the new course of Juvenile Court Training either before or immediately after they are appointed to a Panel.
33. The Government have accepted a syllabus for the training of Juvenile Court Justices which has been recommended by the National Advisory Council. This, like the syllabus for Basic Training, is to be taken in two stages. The details are set out in Appendix B. The objects of the training are contained in the syllabuses. The observations made in paragraphs 24 to 26 above in respect of Basic Training apply also, mutatis mutandis, to the Juvenile Court Training.
VII

FURTHER TRAINING

34. It is the Government's intention that, in addition to the courses for Justices newly appointed to the Commission and to the Juvenile Court Panel, courses of instruction for all Justices on the Bench should continue to be arranged by Magistrates' Courts Committees, either separately or in collaboration with neighbouring Committees. These courses will not be compulsory, but all Justices will be exhorted to attend them from time to time throughout their active careers. Although experience of sitting in Court is itself the finest form of training, Justices can help themselves to perform their tasks with greater efficiency by refreshing their knowledge, in particular with regard to developments in the treatment of offenders. In this connection all Justices, and not only those newly appointed to the Bench, should visit institutions for the treatment of offenders from time to time in order to see for themselves how these may have changed in the light of contemporary ideas and practice. Magistrates' Courts Committees should make arrangements for Justices to visit such institutions periodically.

35. The Government also wishes to encourage Justices in every area to meet together regularly to discuss problems of common interest. Such meetings can be particularly useful for considering sentencing problems with a view to achieving consistency in dealing with similar offences involving offenders in comparable circumstances.

36. The Government hopes that Magistrates' Courts Committees will not only take the initiative in making arrangements for the instruction of Justices throughout their careers on the Bench, but will also encourage the activities of other bodies who are providing facilities in this field. The Magistrates' Association, through its Branches, has long been active in furthering the training of Justices; more and more Universities and other institutions of higher or further education are arranging courses either directed specifically to Justices or appealing to wider audiences which include Justices. The Government recognises the value of all these endeavours and wishes to encourage them.
37. The Royal Commission on Justices of the Peace* pointed out that varying local conditions do not allow of any rigid national scheme of instruction to Justices. Local circumstances and conditions, and people themselves, vary throughout the country. The training of Justices in rural areas has always presented more difficulty than in the urban areas. In the case of cities and boroughs with their own Commissions it is usual for a substantial number of Justices to be appointed at the same time, and it is not difficult to assemble them for training. Public communications in urban areas are normally available and adequate. In rural districts, on the other hand, only one or two new Justices are usually appointed at a time in each Division, and the problem of assembling them for training in a reasonably convenient centre is a very real one. Public communications may be inadequate and bad weather can be a decisive factor. Another feature of country districts is that most benches are served by part-time Clerks, who although they discharge the ordinary work of a Magistrates' Clerk conscientiously and efficiently, yet have other commitments and are not always available to give instruction to the Justices. The boroughs, on the other hand, are almost entirely served by full-time Justices' Clerks who are more easily able to devote time to this important task. It is right, therefore, that the Local Magistrates' Courts Committees, which were established to administer the magistracy, should be charged specifically with responsibility for providing training schemes in their respective areas. This responsibility they have, on the whole, discharged effectively; especially having regard to the absence in the past of any corresponding obligation on Justices to undertake training. The Government sees no reason to alter this arrangement now, and it proposes to leave to the Magistrates' Courts Committees the responsibility for administering the schemes of instruction in accordance with local conditions and requirements.

*Cmd. 7463 (1948) Paragraph 92.
38. While it is for the Magistrates' Courts Committees to arrange who shall give the prescribed instruction it seems likely, and indeed right, that Justices' Clerks will usually be asked to carry out a large part of the Basic Training and of the Juvenile Court Training. This training is essentially practical and Clerks are better qualified to impart the requisite information than persons not immediately engaged in the administration of justice in Magistrates' Courts. Many Clerks already have considerable experience in this work, since they have been carrying into effect the existing arrangements for training. There may be some difficulty in this regard in Divisions which have only a part-time Clerk; but in these cases the first stage of the Basic Training syllabus may well be carried out by the Chairman of the Bench or by another senior and experienced Magistrate. The second stage may be arranged on a collective basis at some convenient centre. The Government, however, exploring the possibility of making available suitably qualified persons to give instruction to Justices.

39. It will be the duty of Magistrates' Courts Committees, as it is now, to see that Justices are provided with such books as they require, and the Government hopes that in all areas small libraries of books will be available for the use of Justices, not only during the course of their training, but also at all other times.

40. The Lord Chancellor's Office will assist Magistrates' Courts Committees in the discharge of their obligation to train Justices and will issue notes for the guidance of the Committees. The Lord Chancellor has appointed a Training Officer who has been charged with this specific responsibility. The Training Officer is also Secretary of the National Advisory Council on the Training of Magistrates.
IX

THE COST OF TRAINING

41. The expenses incurred by Magistrates' Courts Committees in discharging the administrative responsibilities imposed on them by the Justices of the Peace Act, 1949 are met by the county and borough councils concerned. These expenses include specifically the provision of courses of instruction for Justices and the payment of travelling and subsistence allowances in connection with the attendances of Justices at approved courses of instruction. The Government repays to the local authorities by far the greater part of the amount which they have made available to Magistrates' Courts Committees.

42. No Justice will have to pay any of the cost of his training while following any course which he is required to complete or any approved course, and he will be entitled to travelling and subsistence allowances in appropriate circumstances. This will apply not only to the courses normally administered by the Magistrates' Courts Committee but also those arranged by other bodies, such as the Extramural Department of a University, provided that the course has been approved by the Lord Chancellor for inclusion in a scheme of training.

43. The amount of additional expenditure which will arise from the new arrangements outlined in this Paper cannot be precisely estimated, but it should be small. The extent of the new compulsory training is little more than that which Justices are now encouraged, but not obliged, to undertake.
JUSTICES OF THE PEACE IN OFFICIO

44. The Lord Mayors and Mayors of boroughs and the Chairmen of county councils, urban district councils and rural district councils are Justices of the Peace by virtue of holding their respective offices. They number approximately 1,600. Some of these persons may already be Justices of the Peace appointed by name, before they are elected to local government office, but upwards of three-quarters of them will not have been so appointed personally. The Royal Commission on Justices of the Peace* discussed the position of Justices ex officio and recommended that Chairmen of county councils and of urban and rural district councils should cease to be Justices by virtue of their office. This recommendation has not been implemented, but the introduction of compulsory training for Magistrates makes it necessary to re-examine the position of the Justices ex officio.

45. Clearly compulsory training, if it is to be applied at all, should cover all Justices and not only those who are appointed to the Commission by name. The local government ex officio Justices, however, assume office as the result of an election and it is not practicable therefore to make his appointment conditional on his undertaking to follow a course of instruction. Moreover, a large number of these persons hold office for one year only and therefore they would barely have time to complete their training before they ceased to be Justices. The Government is considering whether persons should continue to become Justices by virtue of holding some other office. In the meantime, the Government hopes that those who become Justices of the Peace ex officio will not exercise their right to act as Magistrates regularly unless they complete the first stage of the Basic Training Course.

*Cmd. 7463 (1948) paragraphs 151-161.
XI
The Future

46. The arrangements now announced for the obligatory training of Justices are only a beginning. The National Advisory Council will observe how these arrangements work in practice and will advise the Lord Chancellor from time to time whether, and if so how, they should be improved or modified in the light of experience.

47. The National Advisory Council are also considering whether the two booklets ("Notes for New Magistrates" and "The Sentence of the Court") which are now supplied by the Lord Chancellor's Office to all newly appointed Justices (see paragraph 10 above), should be replaced by an instructional manual which would be kept up to date and could be used also as a continuing work of reference, albeit of a somewhat general and elementary character.

48. The desirability of using other forms of training, including instructional films, is also under consideration.

49. Although the Government is aware of the practical difficulties inherent in enforcing the training of busy people who are asked to become Justices of the Peace, it regards the proper administration of justice in the Magistrates' Courts as being of supreme importance. It is therefore determined that every reasonable step should be taken to ensure that those who are appointed to the office of Justices of the Peace are wholly fitted for the important work which they have to perform. What is now to be carried out is only the first step.
50. In summary, the arrangements for the instruction of Justices of the Peace will in future be:

(a) Compulsory training will be introduced for all Justices of the Peace appointed after 1st January, 1966.

(b) Compulsory training will be achieved by requiring all those who have been approved for appointment as Justices to give an undertaking that, if they are appointed, they will complete a prescribed course of basic instruction within a year. They will also be required to undertake to complete a course of Juvenile Court Training either before they are elected to a Juvenile Court Panel or within a year of becoming a member of such a Panel.

(c) A Justice who fails to comply with this undertaking without good cause may be removed from the Commission. The Lord Chancellor will have power, at his discretion, to grant an extension of time in which to complete the course in appropriate cases.

(d) The Lord Chancellor will have power to exempt any individual or any specified class of person from having to undertake a course of instruction, or any part of it.

(e) Both the basic course of instruction for Justices newly appointed to the Commission and the special course of instruction for Juvenile Court Justices will be in two stages and will be carried out in accordance with a syllabus prepared by the National Advisory Council on the Training of Magistrates.

(f) In addition to the compulsory courses of instruction, courses for all Justices on the Commissions of the Peace will be arranged by Magistrates' Courts Committees on a voluntary basis. These will include visits to penal institutions.

(g) The Government will encourage Magistrates' Courts Committees to make greater use of courses organised by the Magistrates' Association, by Universities and by other similar bodies.

(h) Responsibility for administering the schemes of instruction will rest with the local Magistrates' Courts Committees, who will receive assistance and guidance from the Lord Chancellor's Department.

(i) Magistrates' Courts Committees will provide such books as may be required by Justices during the course of their training and at other times.
(j) Expenses necessarily incurred by Justices in following courses of instruction which have been approved by the Lord Chancellor will be defrayed out of public funds.

(k) The amount of additional expenditure which will be incurred in consequence of the arrangements outlined in this Paper is likely to be small.

(l) Justices of the Peace ex officio must be subject to obligatory training to the same extent as other Justices, but there are practical difficulties in the way of applying training schemes to these persons. The Government is considering whether persons should continue to be Justices by virtue only of holding some other office.

(m) The arrangements now announced for the obligatory training of Justices are only a beginning. They will be extended and improved in the light of experience.
1. For the purposes of Basic Training, a newly appointed Justice of the Peace is a person who is first so appointed after 1st January, 1966. The Lord Chancellor may exempt any particular individual or any class of person from undertaking this training or any specified part of it (e.g., persons who on appointment to the Bench already hold judicial office or are practising lawyers).

2. The Basic Training Course does not include any instruction in relation to the work of Juvenile Courts; there is a separate syllabus for this training which Justices need not undertake unless they wish to do so. Justices who are appointed to Juvenile Court Panels will, however, be required to complete this specialised training if they have not already done so.

3. The Basic Training of newly appointed Justices is to be carried out in two stages and is designed to enable them:
   (a) To understand the nature of their duties so that they shall acquire the judicial mind and accordingly act judicially whilst sitting on the Bench.
   (b) To obtain sufficient knowledge of the law to follow with understanding any normal case they may be called upon to hear.
   (c) To acquire a working knowledge of the rules of evidence particularly in relation to what is admissible and what inadmissible.
   (d) To learn the various courses which may be taken in dealing with offenders so that they understand the nature and purpose of the sentence which they impose, and the other methods of treatment which they may use, and their effect.
   (e) To understand the relationship which should exist between members of the Bench, the Clerk to the Justices, the Probation Officers and the staff of the Courts, and the duties in court of the police and of advocates.
4. The First Stage of the Basic Training Course is to be completed before a newly appointed Justice sits to adjudicate. It may be carried out before or after, or before and after, a Justice is sworn in, and it will in any event be completed as soon as may be practicable.

5. The First Stage will consist of -
(a) Attendance as an observer on not less than three occasions for a total period of not less than six hours at a Magistrates' Court sitting in Petty Sessions. It is highly desirable that one such attendance should be at a court other than the Justice's own court. After each attendance of a new Justice at his own court the Chairman, Clerk or a senior Justice will spend a short time with the Justice to explain what has happened in court or to answer any questions.

(b) Instruction on the Magistrate and his Office. This will deal generally with a Justice's duties and his relationship to the public. It will stress what is meant by a judicial attitude, a judicial mind and acting judicially. It will explain the necessity for decorum on the Bench and for the action to be taken if there is any possibility of bias, whether real or apparent, through any interest which a Justice might have in a particular case or in the parties in any proceeding before the Court. The relationship between the Bench and the Clerk and other staff will be explained, and also the positions and functions of advocates and the police. A few words will be said about the work of a Justice out of Court, if only to warn a new Justice not to sign documents unless he is convinced that he can and should sign them.

(c) Instruction on the practice and procedure in Magistrates' Courts and evidence. This will be extremely elementary and will give an outline of the manner in which cases are conducted, explaining the difference between civil and criminal cases and between summary and indictable offences, and between the procedure when cases are being tried and when they are being heard with a view to committal to another court for trial. The organisation of the Court will be explained and new Justices will be shown specimens of forms and other documents in common use. In relation to evidence, it is important to stress the kind of evidence that is admissible and inadmissible. The difference between the burden of proof in civil and criminal cases and between matters of law and matters of fact will be pointed out.
(d) Instruction on the methods of punishment and treatment. This will cover in the simplest terms possible methods of dealing with offenders.

(e) Instruction on Domestic and other Civil proceedings. This will explain as simply as possible the jurisdiction of Justices in domestic proceedings and the various other kinds of civil and administrative work which they may be called upon to do.

6. Newly appointed Justices are expected to read any books which are supplied to them on their appointment, or are recommended for their instruction, by the Lord Chancellor.

SECOND STAGE

7. The Second Stage of the Basic Training of newly appointed Justices will not begin until the Justice has sat and adjudicated on at least three occasions in Petty Sessions, and it must be completed within twelve months of his being sworn in. It will consist of instruction in six subjects and certain visits to institutions.

8. Instruction

(a) The Magistrates' Court and its place in the judicial system, expanding upon the matters referred to in the Basic Training and including the review of Magistrates' decisions by way of appeal. At this stage something more will be said about the rules of evidence, the burden of proof, and about practice and procedure. A brief description of the arrangements for providing legal aid will also be given.

(b) Road Traffic offences and penalties, with special emphasis on the statutory penalties enjoined in certain circumstances.

(c) The problems of punishment and treatment. In addition to recapitulating the methods of dealing with offenders, particular reference will be made to:

(i) the objectives of sentencing;
(ii) possible sentences, including fines;
(iii) the factors influencing the choice of a particular sentence;
(iv) the methods of obtaining information about offenders and advice as to their treatment;
(v) consistency in sentencing;
(vi) the mental condition of offenders and whether this needs specific attention, and if so, how this may be ensured;
(vii) the right of Justices to visit certain prisons and other institutions and their demeanour when visiting them.
(d) Probation, with particular reference to probation orders with special requirements, and including the related committee work.

(e) Domestic proceedings, including the jurisdiction of Magistrates' Courts, their powers and duties, with particular reference to the welfare of the parties and their children.

(f) Matters other than criminal or domestic proceedings which come before Magistrates' Courts. This will include the committee work of Justices in relation to liquor licensing and betting licensing, the registration of clubs, such civil proceedings as are heard in Magistrates' Courts and such applications as may be made to individual Justices (including the signing of documents).

9. Visits to Institutions
A newly appointed Justice must, within the first year of his appointment, visit a prison to which his Court commits on remand, and either a senior detention centre or a Borstal.

The objects of visiting institutions are to stimulate the interest of the new Justice in penal treatment and to acquaint him with the nature of the punishment which he can inflict.

RECOMMENDATIONS

10. Reading
In addition to those books with which newly appointed Justices are supplied on appointment by the Lord Chancellor and which they should read as soon as possible, all Justices are strongly advised to read any other books which may be recommended to them by the Lord Chancellor, their Magistrates' Courts Committee or their Clerk.

11. Attendance at Other Courts
Particularly in the early months after his first appointment, a newly appointed Justice should make every effort to visit other Courts (Assizes, County and Borough Quarter Sessions and other Magistrates' Courts). Justices appointed to County Commissions of the Peace should take any opportunity which is offered to them of attending and sitting at Quarter Sessions. Clerks will assist their Justices in any way that they can to carry out this recommendation.
12. *Bench Meetings*

Newly appointed Justices should take every opportunity of attending meetings of Justices of a Bench or any other meetings of Justices which may be arranged. These meetings, at which procedure, sentencing policy, new legislation and decisions of superior courts may be discussed, are of value to all Justices at all times, but they are of special value to newly appointed Justices, who are given an opportunity at such meetings to ask questions and to obtain advice from more experienced colleagues.
SYLLABUS FOR TRAINING OF
JUVENILE COURT JUSTICES

1. Justices on first appointment may complete this training for Juvenile Court Justices in addition to the Basic Training.

2. Justices on first appointment to Juvenile Court Panels will be required to complete this training if they have not already undertaken it.

3. The Lord Chancellor may exempt any particular individual or any class of person from undertaking this training if, for example, by reason of previous experience and qualifications, he considers that it is unnecessary.

4. The training of Juvenile Court Justices is to be carried out in two stages and is designed to enable them —
   (a) To understand the place of the Juvenile Court in the judicial system and certain special aspects of procedure in Juvenile Courts.
   (b) To appreciate the social and educational background of juveniles before the Court.
   (c) To know the services available to them, particularly the educational, medical and psychiatric services.
   (d) To learn the various courses which may be taken in dealing with juveniles who are brought before the Court, whether as offenders or in need of care and protection or control, so that they understand the nature and purpose of the sentences which they impose, and the other methods of treatment which they may use, and their effect.

FIRST STAGE

5. The First Stage of the training for Juvenile Court Justices is to be completed before a newly appointed Justice sits to adjudicate on a Juvenile Court; it may be undertaken at the same time as a newly appointed Justice is taking the First Stage of the Basic Training for Justices of the Peace.

6. The First Stage will consist of attendance as an observer on not less than three occasions at a Juvenile Court for a total period of not less than six hours.

7. Newly appointed Justices are expected to read any books which are supplied to them or are recommended for their instruction by the Lord Chancellor.
SECOND STAGE

8. The Second Stage of the training of Juvenile Court Justices may commence as soon as the Justice has been appointed to the Juvenile Panel and while he is attending Juvenile Courts as an observer, and it must be completed within twelve months of his appointment. The Second Stage will consist of instruction in six subjects and certain visits to institutions.

9. Instruction
   (a) The constitution, jurisdiction and procedure of Juvenile Courts in criminal and civil cases; the special provisions relating to appeals from Juvenile Courts.
   (b) The social and educational background of juveniles likely to come before the Court.
   (c) The statutory provisions relating to juveniles who are in need of care, protection or control, or who may be dealt with as if they came within that category.
   (d) The methods of treatment specifically available in respect of juveniles, distinguishing between criminal and civil cases.
   (e) The law and practice of adoption.
   (f) The relationship between the Juvenile Court and the Probation and After Care Service and the Child Care Service.

10. Visits to Institutions
    A Juvenile Court Justice must, within twelve months of his first appointment, visit a remand home for boys, a remand home for girls, at least one approved school and a junior detention centre for boys; an attendance centre, unless that facility is not available to the Court where he adjudicates; and an approved probation hostel or home, unless one is not available in the neighbourhood.

RECOMMENDATIONS

11. The recommendations in relation to Reading and Bench Meetings which are made in paragraphs 10 and 12 of the Syllabus for Basic Training of Newly Appointed Justices are equally applicable to Justices who are first appointed to Juvenile Court Panels and to all Juvenile Court Justices throughout their service as such.
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8th December, 1965

CABINET

NEGOTIATIONS FOR A FREE TRADE AREA AGREEMENT WITH THE IRISH REPUBLIC

Memorandum by the Secretary of State for Commonwealth Relations

We have now been negotiating with the Irish Republic steadily for about a year and, since Mr. Lemass visited London on 26th July, have virtually completed the drafting of a Free Trade Area Agreement and a series of connected documents. There are only about a dozen points of substance on which agreement has still to be reached, but some of these are of considerable difficulty.

2. A team of senior Irish officials are in London this week for negotiations with our officials and Mr. Lemass, accompanied by some of his colleagues, will be here on 13th and 14th December. It is hoped on both sides that at these meetings the negotiations can be concluded. Indeed, if all goes well, arrangements exist for the documents to be signed on the day after the agreements are concluded and for a White Paper (which would consist of some 50 pages) to be published on the following day.

3. I attach at Annex A a summary of the proposed Agreements. They would constitute a Free Trade Area fully consistent with the provisions of the GATT, covering virtually all the trade in both directions in agricultural as well as industrial items, but subject to special provisions on some items.

4. I also attach, at Annex B, a list of the outstanding points which will probably remain to be settled with Mr. Lemass on 13th December.

5. The Governments of Canada, Australia, New Zealand, the United States and EFTA countries have been kept informed in general terms of these negotiations. The attitude of all of them has been in principle sympathetic. We may have a little difficulty with some EFTA Governments on particular points, but we believe that there will be no serious effect on our relations with them. We have been much helped by Mr. Lemass's public statements that, after the conclusion of a Free Trade Area Agreement with the United Kingdom, the Irish Republic could consider joining EFTA. We expect no difficulty with Commonwealth Governments, even though the Irish Republic compete with Australia and New Zealand in dairy products and meat.
6. The initiative in this negotiation has come from the Irish Republic. Their objective is to join the European Economic Community but they realise that this is impossible unless the United Kingdom also joined. Meanwhile Mr. Lemass believes that the Republic cannot continue its present system of highly protected industries supplying a small market and hopes that, if the Republic's tariffs against the United Kingdom are lowered, Irish industry will be forced to be efficient and improve their exports to all destinations. In return the Republic wish primarily for a more assured market in the United Kingdom for their growing agricultural production.

7. It is difficult to estimate the balance of economic advantage which the two countries may expect to derive from the Agreements as they are emerging. Something turns, for both sides, on the settlement reached on the points still outstanding. On our side, at the end of the ten-year transitional period we might expect our exports to benefit from the Agreement to the extent of between £15 million and £25 million per annum (over and above any natural growth). On the other side of the account there would certainly be some increase in our industrial imports from the Republic, particularly of man-made fibre goods and of agricultural products, but some part of these increases may replace imports which we should otherwise have made from third countries. In addition, on the Irish side, the concessions which we have offered on store animals and meat may benefit the Republic, on our best estimate, by anything between £5.75 million and £8 million a year. These figures are not comparable with the estimate above of the possible benefit to us, because it is reasonably certain that they will accrue, and the major part will be paid from the outset of the Agreement, whereas what we will be getting will be opportunities increasing over 10 years, of which it would be for our exporters to take what advantage they can. In general, what is in prospect looks a fair economic bargain to both sides.

8. It would also have a political importance. The disappearance of old leaders in the Republic and the increasing prosperity there have introduced a new realism into Irish politics. There is a readiness to put less emphasis on the issue of Partition and, particularly among the growing middle class and the business leaders, to accept the economic interdependence of the Republic and Britain. There is an active desire to improve our mutual relations. The establishment of a Free Trade Area could help Mr. Lemass in his efforts to loosen up the Irish economy, should further increase prosperity in the Republic and should hence help the favourable development of opinion. Indeed, an Agreement could place our political relationship with the Republic on a better footing than ever in the past. There is a general expectation in both countries that an Agreement will be concluded and, if negotiations now broke down, a difficult situation would arise for both sides. Although the Irish are being very demanding on a number of points, if a breakdown took place in circumstances in which they could represent the British Government as having been ungenerous, there could be a revulsion of feeling in the Republic.
9. Public comment in this country on the prospect of this Agreement has been generally favourable. There will be some complaints from sections of industry and agriculture which consider that their interests will be adversely affected; this is inevitable with any arrangements which diminish protection. But the reduction of production on the Irish side will be far greater and the opportunities which this will afford for our industrial exporters should provide a sufficient answer.

10. The Sub-Committee on External Economic Policy of the Ministerial Committee on Economic Development considered the matter on 6th December, and agreed the line we should take on the issues listed in Annex B and on some other outstanding points which officials will probably be able to settle.

11. The discussions now in progress with Irish officials make it clear that Mr. Lemass will be very resistant to our proposals on cotton textiles and rules of origin (see points (a) and (b) in Annex B). Indeed, if we cannot go some way to meet the Irish on these issues, the negotiations may break down. On the other hand, if we can settle them, there is good hope of agreement being reached on the other issues.

12. I recommend that the Cabinet -

(a) Approve, subject to the settlement on satisfactory terms of the outstanding issues, the conclusion of the proposed Agreements with the Government of the Republic of Ireland.

(b) Leave to the Prime Minister, in consultation with the other Ministers who will be engaged in the discussions with Mr. Lemass, discretion on the outstanding issues, in the light of the negotiations.

A. C. B.
SUMMARY OF THE AGREEMENTS

Existing Position

At present we take approximately 70% of the Irish Republic's exports, and they take about half their total imports from the United Kingdom. Trade is running at about £170 million annually both ways. Our exports to the Republic are approximately 85% industrial goods and 15% agricultural products. The Republic's exports to us are roughly in the proportion of one third industrial goods to two thirds agricultural products. The general trading relations between the two countries are governed by the Anglo-Irish Trade Agreements of 1938, 1948 and 1960. Under these, broadly, the Irish are able to send us about 95% of their exports free of United Kingdom tariff and other restrictions, while about two thirds of our exports to them are similarly free. Both sides give each other preferential treatment over a wide range of goods, and in addition, Irish store animals are entitled to qualify for payment of the British Fatstock Guarantees after three months residence in this country, subject to an abatement of 2d. a pound in respect of store lambs.

New Agreements

2. (a) Industrial

We would remove our protective duties on the small number of Irish industrial products still subject to them. There would be special arrangements covering trade in cotton textiles originating in low cost countries. For goods on which duties are being removed, safeguards would be provided in the form of rules of origin.
origin against the Republic being used as a back door for industrial exports into Britain from third countries. On their side, the Irish would remove their tariffs on British industrial goods by 10 annual cuts of 10%, and would also eliminate quotas, in most cases, at once. We are likely to gain new *de facto* preferences over third countries as Irish duties come down although our existing guaranteed preferences over third countries will disappear. There would be provision for the Irish to withdraw a few items from free trade after 5 years where special difficulties had occurred. The Irish would be allowed to retain their present system of export tax incentives for a period of years. The effect of these arrangements would be to place the United Kingdom in a more favourable competitive position in the Irish market which has been growing at about 7% per annum. For their part, the Irish gains in the industrial sector would be very largely confined to increased opportunities for exports of goods containing man-made fibres and some of their inefficient industries will go out of business.

(b) **Agricultural**

We would give the Irish assurances that unrestricted and duty-free access for their agricultural produce to the United Kingdom would continue indefinitely. We could, however,
however, impose restrictions, except on store animals, as part of an intergovernmental commodity agreement or other arrangement for the purpose of orderly marketing but subject to conditions on access for Irish produce. We would retain our import controls on main crop potatoes and the existing arrangements for bacon, cereals and sugar would continue. Irish butter would remain under quota, but their quota will increase and there would be provision for its growth. We would reduce the waiting period for their store animals from three months to two months, and abolish the differential on sheep (see paragraph 1 above): the effect would be to increase the attractiveness of the United Kingdom market for Irish store animals. We have offered to pay annually the equivalent of our guaranteed prices on 25,000 tons of Irish carcase beef and 5,000 tons of Irish carcase lamb in order to help safeguard the Republic's meat-packing industry from diversion of supplies, which gives the Irish compensation in the agricultural field for the balance of the industrial arrangements being in our favour. The Irish would exclude from free trade on their side certain agricultural, horticultural and food commodities and on these our exports would still face tariffs and quantitative restrictions, but the Irish would undertake
to aim not to reduce our opportunities for exporting these commodities to the Republic and to consult us if they wanted to reduce our access to their market.

(c) General
There will be the usual safeguards for balance of payments difficulties, etc.: and provision for consultation. Subject to our approval in each instance, the Irish may reduce more speedily their tariffs in favour of Northern Ireland on particular items.
OUTSTANDING ISSUES

The following are issues which may have to be settled personally with Mr. Lemass, although it is hoped that some of them will be settled or reduced in scope at the meeting between officials now in progress and that others will not be pressed by Mr. Lemass:—

(a) Cotton Textiles. The Irish are ready to restrict their exports to the United Kingdom of cloth and made-up goods containing material imported by the Republic from low cost producers (which constitute the bulk of their exports of cotton textiles to us) and also their exports of cotton yarn. There will of course be no restriction on their exports of cloth and made-up goods manufactured from material of United Kingdom origin. We have asked them to accept a restriction on our imports from the Republic of cloth and made-up goods manufactured from material of Irish origin or from material from countries whose exports to the United Kingdom will not be under restriction, if in either case their exports to us in these categories grow at an excessive rate.

The Irish regard our proposals as inconsistent with a Free Trade Area. They argue that they should be as free to send to Britain goods made of say Swedish or American cloth as we would be to send such goods to them and they contest even more strongly the idea that their trade in goods made from genuinely Irish material should be under any restriction. Our difficulty is that the extent to which we appear not to restrain imports
from a growing source like the Republic, increases the problem of securing general acceptance of our import control scheme as a whole. In particular, we wish to negotiate some restriction on our imports of cotton goods from Portugal, despite our E.F.T.A. obligations, and this would be difficult unless the Irish agree to some restraint. The Irish on their side claim that, unlike Portugal, they are not low cost producers and should be treated like other E.F.T.A. countries.

(b) The Rules of Origin. Our concern is to devise rules in line with those in E.F.T.A. which will prevent back door imports from third countries. The Irish fear that the rules which we think necessary will deprive them of some of the benefits they expect from the elimination of our tariffs on goods containing man-made fibres.

(c) Termination of existing Trade Agreements. The Irish are resisting our desire to retain for a period of years our existing right to a preference of not less than 10% where they license imports duty free or at a reduced rate.

(d) Five Year Review. The Irish wish to have a greater freedom than we have felt able to concede, to exclude from the scope of the Free Trade Area in five years' time items produced by sensitive Irish industries which run into difficulties.
(e) **Butter.** The size of the Irish butter quota for 1966/7.

(f) **The Meat Agreement.** The Irish are asking us to increase the quantity of carcase lamb on which we pay our guarantee from 5,000 to 10,000 tons and for growth both on this and on the 25,000 tons of carcase beef on which we have agreed to pay the guarantee.

(g) **Balance of Payments Difficulties.** The Irish are still pressing us to undertake to compensate them for any "disproportionate effects" of any restrictions which we may have to place in future on our imports from the Irish Republic for balance of payments reasons.

(h) **Agricultural Items excluded on the Irish Side.** The list of items so excluded is still rather too long.
PROPOSALS FOR RE SHAPING NATIONAL ASSISTANCE

Memorandum by the Minister of Pensions and National Insurance.

At their meeting on 29th July (C.C.(65) 43rd Conclusions, Minute 3) the Cabinet agreed that, following the deferment of Income Guarantee, I should prepare for consideration by the Social Services Committee a scheme for remodelling National Assistance so as to incorporate in it as many features as possible of the Guarantee.

2. It is abundantly clear from the allocation made to my Department that for the next few years we shall be precluded from making any large scale advances in social security generally. This strengthens my conviction that if we are concerned about social priorities we must devise some means within the stringency of funds allocated to improve the lot of the most deprived of our people - those in receipt of National Assistance and those who could have it but for one reason or another will not apply for it. I have now worked out proposals which I believe will go a long way to make supplementary payments more attractive and more acceptable. They have the great merit of enabling us to curtail the detailed enquiries which are so widely resented by people in need and they remove many of the other less desirable features of National Assistance which led us to think of an Income Guarantee in the first place. Indeed the scheme contains most of the features of our earlier proposals for an Income Guarantee. Subject to bringing the proposals within the public expenditure allocated to me, they have been approved in principle by the Social Services Committee who considered my memorandum S.C.(65) 31 on 17th November (S.C.(65) 17th Meeting, Minute 2) which explained my proposals in detail.

3. The main features of my scheme are as follows:-

(a) the re-naming of national assistance;

(b) the transfer to the Minister from the (renamed) National Assistance Board of the power to initiate changes in the National Assistance regulations. I am pursuing separately more fundamental changes in the organisation of the Ministry of Pensions and National Insurance and the National Assistance Board within a Ministry of Social Security;

(c) the provision for people over pension age and other long-term cases of a standard allowance of 7s. 6d. a week in partial substitution for small discretionary additions;
(c) the replacement of the existing variable rent allowance for non-
householders by a standard rent allowance of 10s. a week;

(e) the rationalisation and modernisation of disregards;

(f) combined order books for retirement pensions and non-
contributory benefits as soon as practicable;

(g) an option for claimants over pension age to be interviewed at
home or to submit a written statement, to be followed by an
interview which could be at a departmental office;

(h) the renewal of claims for elderly and other long-term cases
covered by (b) to be put on an annual basis, with small interim
changes of circumstances ignored;

(i) new arrangements for following-up pensioners who do not claim
non-contributory benefit and do not indicate they do not want
it.

For reasons mentioned later, I am convinced that these proposals
should be brought into effect as soon as possible, which would be, for
the most part, in the autumn of 1966, when I expect that a normal
increase in National Assistance scale rates will be necessary. A Bill
would be necessary to give effect to the proposals at (a), (b), (c) and (f)
above. A place has been reserved in the legislative programme for a
Ministry of Social Security Bill.

4. There are also particular reasons why a decision is urgent. In
the early months of the New Year we must publish the results of the
recent survey of retirement pensioners, which confirms that there are
many pensioners eligible for Assistance but not receiving it. We must
also face a fresh Private Member's Bill designed to provide retirement
pensions for people at present ineligible for them. In order to settle
how these issues should be handled in Parliament, we must know within
the next few weeks what more we are prepared to do to make National
Assistance more acceptable to the minority of old people who, though
eligible, do not claim it. My colleagues will remember how heavily
we relied on what we thought at the time to be the early prospect of
Income Guarantee in dealing with Mr. Airey Neave's Bill last Session.

5. In my basic programme some provision has already been made
for a measure of success in the current publicity campaign to combat
reluctance to apply for National Assistance. After allowing for this
provision, the additional cost of my present proposals is unlikely to
exceed £32 million in the first full year or to reach £40 million
thereafter. On the basis of decisions so far taken, I still have £18
million in hand from my allocation of public expenditure for 1969-70.
The extra cost of my present proposals in that year is estimated at
£33 million. I am thus left with the problem of finding savings in my
basic programme to the tune of some £20 million in 1969-70. I under-
stand that the Chancellor of the Exchequer accepts that, with such
savings, the extra cost could be accommodated within my public
expenditure limits for the intervening years as well.

6. I regard the need to modernise and improve National Assistance
as so urgent and so important that I would be prepared to achieve such
a saving. As a matter of social priorities, I think it would be
justifiable to achieve it by increasing benefits generally on the next occasion - in 1967 - by somewhat less than would be strictly correct if we were fully reflecting the rise in earnings since the last general increase. (Since the extra cost of my Assistance proposals would be a permanent addition, the amount withheld in 1967 could not be restored later.) It is, of course, impossible to predict with complete accuracy what that rise would turn out to be and hence the increase in rates which we could afford to give and still save some £20 million in 1969-70. I can, however, give my colleagues a broad indication.

7. The best guess we can make suggests that by mid-1967 a strict and complete reflection of the rise in earnings, in money terms, would justify an increase of some 12s. a week in the standard rate of national insurance pension for a single person, with corresponding increases in other rates. If instead of giving the full increase we gave 1s. less (or the equivalent) all round, including Assistance and War Pensions, this would save about £25 million in 1969-70. Since the increases in the main rates of benefit would have to be rounded off at least to the nearest 6d., the adjustment is in practice unlikely to turn out exactly at 1s. a week and might need to be a little higher in order to ensure a sufficiently large total saving.

8. I ask the Cabinet -

(1) to endorse my proposals for remodelling Assistance with effect, generally speaking, from next autumn; and

(2) to agree that, to the extent necessary to accommodate their cost within my programme limit for 1969-70, the amount of the general benefit increase in 1967 should be somewhat less than would be justified by an exact and complete reflection of the rise in earnings since the last general increase.

M.H.


9th December, 1965
CABINET

ROAD SAFETY LEGISLATION: DRAFT WHITE PAPER

Memorandum by the Minister of Transport

Need for a White Paper

The Cabinet approved earlier this year (C.C.(65) 52nd Conclusions, Minute 2) the drink and driving provisions of the Road Safety Bill. It is now clear that the Bill will not be ready in time for publication before Christmas. Last June the Home Affairs Committee agreed that there should be no large-scale Christmas propaganda campaign on drink and driving this year on the assumption that publicity associated with publication of the Bill might take the place of a campaign. Since the Bill will not now be ready in time, the Home Affairs Committee agreed at its meeting on 8th December that a White Paper should be published instead. I hope to publish it on Tuesday, 21st December.

2. The second part of the White Paper will deal with the safety of lorries about which there is much public concern. It will enable us to set out the full range of measures we are taking to improve their safety. It will also make the goods vehicle provisions of the Bill itself easier to understand since they will be enabling and somewhat technical.

3. The White Paper will have the advantage of enabling the issues raised by the Bill to be discussed in public during the Christmas recess. This could be very helpful in judging public reaction to some of the severer measures that will be put before Parliament.

Text of White Paper

4. The Home Affairs Committee approved the draft of the White Paper subject to redrafting on a number of points and invited me to submit it for consideration by the Cabinet. The amendments suggested by the Home Affairs Committee have been incorporated in the attached revised draft, to which I seek my colleagues' approval.

T. F.

Ministry of Transport, S. E. I.

10th December, 1965
ROAD SAFETY LEGISLATION

INTRODUCTION

1. The Government's road safety legislation in the present session of Parliament will deal with two subjects: the prevention of accidents involving drinking drivers and the safety of goods vehicles. This White Paper explains the background to the Government's proposals.

PART I: ALCOHOL AND ROAD ACCIDENTS

THE PROBLEM

How alcohol affects drivers

2. Alcohol is only one of the many factors which combine to cause road accidents: but it is a serious one. Moreover, it can be avoided more easily than many others.

3. Research carried out since the war, both in this country and abroad, has shown beyond all reasonable doubt that the risk of accident increases as the concentration of alcohol in a driver's bloodstream rises beyond a certain level; and that the risk increases more rapidly the greater the concentration becomes.

4. The reason why alcohol impairs driving ability is that it affects the brain and central nervous system. What matters, therefore, is the concentration of alcohol in these tissues, rather than the amount of drink consumed. The alcohol is absorbed into the bloodstream and distributed rapidly in the body tissues. Ample experimental evidence shows that the concentration of alcohol in the blood is the best measurable indication of the amount of alcohol actually affecting a driver. In this country the concentration is usually expressed in terms of milligrammes of alcohol per 100 millilitres of blood (mg./100 ml.).
5. The amount of alcohol a person has to consume to produce a given concentration in the blood varies according to a number of factors, such as his weight and constitution, the period over which the alcohol is consumed, the form in which it is taken, and whether he drinks on a full or empty stomach. It is largely because differences in these factors affect the blood alcohol concentration that the same amount of alcohol can produce markedly different effects in different people or in the same person at different times.

How many accidents would be saved if drivers did not drink?

6. Until recently it has not been possible to estimate the proportion of accidents which would not have happened if none of the drivers involved had been drinking. On the one hand, the road accident statistics compiled in this country from police reports mention alcohol as a factor only if the accident is fatal or serious and if there is sufficient evidence to justify an arrest for driving while impaired by alcohol. For reasons which will be explained later, these figures have seriously under-estimated the real position and are no longer used.

7. On the other hand, various accident investigations, including the Road Research Laboratory's Reports on fatal road accidents at Christmas 1959, 1963 and 1964 (1) have shown the proportion of serious road accidents in which the driver was known to have been drinking. Studies of this kind are extremely useful, but they cannot show how many of the accidents

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accidents in which a driver had been drinking were "caused" by drink. To do this, it would be necessary to compare the blood-alcohol concentrations of drivers involved in road accidents with those of another group of drivers not involved in accidents. Studies of this kind require either a very large number of drivers willing to submit voluntarily to measurements of their blood-alcohol level when asked, or legal powers requiring them to do so. So far no investigation of this kind has been conducted in Great Britain.

8. But three such studies have been made — in Canada, Czechoslovakia and the United States. All of them show greatly increased accident risks with increasing concentrations of alcohol in the driver's blood. The largest, most thorough and most recent of these studies was made by Indiana University in the city of Grand Rapids, Michigan, U.S.A. under the direction of Professor Borkenstein (3). The results of this study, which have been further analysed in this country

(2) Accidents are caused by a combination of circumstances of which the driver's impairment by alcohol may be one. In some cases the accident would have happened whether he had been drinking or not; in others it would have been avoided if he had not been drinking. It might, of course, equally well have been avoided, even though he had been drinking, if one of the other factors present could have been prevented. As far as possible, the word cause is therefore avoided in this Paper, because it can be misleading. In those cases where it is used, in the interest of conciseness, it is used in the sense that the accident would not have happened if the driver had not been drinking and not in the sense that drink was the only cause, or that the accident could not have been prevented by the removal of other factors.

(3) BORKENSTEIN, R.F. et al. The Role of the Drinking Driver in Traffic accidents. Indiana University, Department of Police Administration, Indiana, 1964 (Indiana University)
by the Road Research Laboratory and are consistent with other research on this subject, are summarised below. Although these results relate to a study made in America, there is no reason to suppose that they are markedly different from what would be found for drivers on the road in Britain. Small scale studies carried out by the Road Research Laboratory in this country agree with the American figures, although they are based on samples too small to be conclusive by themselves. There is no reason to suppose that at a given blood-alcohol level the performance of British drivers is affected differently from that of American drivers.

Average increases in risk

9. The average risk of being involved in an accident for drivers as a whole increases as the concentration of alcohol in the blood rises beyond about 40 mg/100 ml. Above a concentration of about 60 mg./100 ml. the increase is rapid. In the Grand Rapids study the figures were as follows:

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<td>160 or more (mean value about 190)</td>
<td>21 times as great</td>
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<tr>
<td>100 - 119</td>
<td>6 &quot; &quot; &quot;</td>
</tr>
<tr>
<td>90 - 99</td>
<td>2 &quot; &quot; &quot;</td>
</tr>
<tr>
<td>80 - 89</td>
<td>1.9 &quot; &quot; &quot;</td>
</tr>
<tr>
<td>70 - 79</td>
<td>1.5 &quot; &quot; &quot;</td>
</tr>
<tr>
<td>60 - 90</td>
<td>1.4 &quot; &quot; &quot;</td>
</tr>
<tr>
<td>50 - 59</td>
<td>1.2 &quot; &quot; &quot;</td>
</tr>
</tbody>
</table>

*For the purpose of these figures drivers were treated as not having been drinking if their blood alcohol level was less than 10 mg./100 ml.
These figures show that at levels above 160 mg./100 ml., the chance of a driver's being involved in an accident is, more than twenty times what it would be if he had not been drinking. The figures are shown in the form of a graph in Figure 1.

Variations between individuals

10. It is not feasible to measure or compare the accident risk of individuals in studies of this kind, but individuals can be grouped according to characteristics such as age, sex, driving experience and drinking habits. Comparisons on this basis show that the increase in risk after taking alcohol varies from group to group. For instance young drivers and people who drink infrequently are more seriously affected by small amounts of alcohol than are older, more regular drinkers. But above a concentration of about 80 mg./100 ml., all groups of drivers are seriously affected.

Proportion of avoidable accidents

11. Some accidents in which a driver has been drinking even quite substantial amounts of alcohol would still have happened even if he had not been drinking. But the figures from the American study given in Table I can be analysed to show that when a driver involved in an accident has a high blood alcohol concentration, the chance that the accident was "caused" by drink is very high (Table II). A very high proportion of accidents involving drivers with high blood alcohol levels could therefore be avoided if those drivers had not been drinking. The proportion of avoidable accidents is smaller at the lower blood alcohol levels.
Table II: Proportion of drinking drivers involved in accidents who would not have been involved if they had not been drinking

<table>
<thead>
<tr>
<th>Blood alcohol level (mg./100 ml.)</th>
<th>Proportion who would not have been involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>160 or more</td>
<td>95</td>
</tr>
<tr>
<td>140 - 159</td>
<td>90</td>
</tr>
<tr>
<td>120 - 139</td>
<td>80</td>
</tr>
<tr>
<td>100 - 119</td>
<td>83</td>
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<tr>
<td>90 - 99</td>
<td>49</td>
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<td>80 - 89</td>
<td>47</td>
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<td>70 - 79</td>
<td>34</td>
</tr>
<tr>
<td>60 - 69</td>
<td>29</td>
</tr>
<tr>
<td>50 - 59</td>
<td>17</td>
</tr>
</tbody>
</table>

12. On the basis of these figures, if it were possible to dissuade or prevent all drivers from drinking, the number of drivers involved in road accidents would be reduced by 6%. The corresponding reduction in accidents would be between 5% and 9% depending on the number of single-vehicle accidents and accidents involving two or more drivers who had been drinking. Prosecutions under the present law are rare at blood alcohol levels below 150 mg./100 ml. But the figures show that out of every 100 drivers who would not have been involved in an accident if they had not been drinking, 56 had blood-alcohol levels below 150 mg./100 ml. and 14 had levels below 100 mg./100 ml.

13. If these American results are applied to the latest British road accident casualty figures, between 20,000 and 35,000 casualties a year could be saved if no driver drove with more than 40 mg./100 ml. of alcohol in his bloodstream. If no driver drove with more than 80 mg./100 ml. of alcohol in his bloodstream between 18,000 and 32,000 casualties could be saved.
14. Research has shown that accidents "caused" by drink tend to be more serious than accidents in general. So one would expect the proportion of fatal accidents that would not have happened if the drivers had not been drinking to be higher than the 5-9% range. This is supported by the analysis of the results of post-mortem examinations of the blood-alcohol content of drivers and motorcyclists killed in road accidents in England and Wales during December 1964 and January 1965. Over 13% of these drivers had blood-alcohol concentrations above 150 mg./100 ml. Over 22% had concentrations above 80 mg./100 ml. If the ratios obtained from the American research are true of drivers in this country, then over 20% of the drivers killed in those two months last winter would not have been killed if they had not been drinking.

The Social Problem

15. The prevention of road accidents caused by drink is largely a social problem; many people have grown accustomed to drive to and from places where they consume alcohol and, as the ownership and use of private transport increases, the problem will grow, unless steps are taken to solve it. If the deaths and casualties caused by alcohol are to be prevented social habits must change. People must either severely restrict the amount they drink before driving or they must arrange their social lives so that they do not need to drive after drinking. There is no other alternative.

16. It was with the object of placing these facts fully before the nation that the previous Administration planned a large scale government campaign last winter with the slogan: "Don't ask a man to drink and drive". The present Government supported this campaign and carried it out, at a cost of nearly half a million pounds. In some ways the campaign was successful. There is reasonably good evidence that it accelerated the change which was already taking
place in the attitude of the public on this subject and made drivers better informed about the problem.

17. But, while the campaign had a good effect on attitudes, there is little evidence that it affected the behaviour of those who drink before driving. This is, perhaps, not surprising since studies suggest that the larger part of accidents which are due to drink are caused by a relatively small number of drivers, who are in the habit of drinking fairly heavily. (On the basis of the figures in paragraph 11 more than 80% of the accidents which would not have happened if the driver had not been drinking involve drivers who have probably consumed at least the equivalent of 6 - 9 pints of beer or 6 - 9 double tots of spirits).

18. It is clear that even a massive and sustained campaign is unlikely to achieve any measurable change in the behaviour of such drivers. Persuasion must, therefore, be backed by an effective legal deterrent - not so much to punish drivers who offend but to dissuade from excessive drinking those drivers who at present are careless of the safety of themselves and others. This would also make it easier for drivers to refuse to drink before driving - without appearing unsociable.
THE PRESENT LAW

19. The present law on driving while unfit through drink (or drugs) is contained in Section 6 of the Road Traffic Act 1960 and Sections 1 - 9 of the Road Traffic Act 1962. The 1962 Act made it clear that a driver is guilty of an offence if his ability to drive properly is "for the time being impaired" by alcohol; and it requires the Courts to have regard to any evidence that might be produced showing by analysis or measurement the proportion of alcohol in the driver's blood or present in his body. But it gave the courts no guidance on the degree of impairment to be expected at different blood-alcohol levels.

Its Shortcomings

20. These new provisions have not been in force for three years and, although the number of cases brought before the courts by the police has risen, it is clear that they have had little effect. The scientific evidence proves that the ability of almost all drivers to drive properly is impaired at blood alcohol concentrations of 80 mg/100 ml and that over half the accidents due to drink involve drivers whose blood-alcohol level is less than 150 mg./100 ml. But prosecutions are rarely brought at concentrations less than 150 mg./100 ml., except where an accident has occurred. Moreover, a high proportion of drivers with very high blood-alcohol concentrations who are committed to Quarter Sessions for trial are acquitted; in the last quarter of 1964 in the Metropolitan Police District a third of the drivers committed for trial who had been shown by urine analysis to have blood-alcohol concentrations over 200 mg./100 ml. were acquitted and nearly half those with blood-alcohol concentrations between 150 and 200 mg./100 ml.

The main reason for this is that, despite the references to "impairment" introduced in the 1962 Act, conviction still depends to a large extent on evidence of the accused's manner
or driving or his personal appearance and behaviour. But by the
time a person's driving has become affected to such an extent
that it attracts the attention of a police constable, his
driving ability is likely to be grossly impaired. At levels
well below 150 mg./100 ml. a driver can be a serious risk to
himself and others but show little or no outward signs of it,
either in his manner of driving or his appearance or behaviour.
Even a clinical examination by a doctor is not sufficiently
sensitive or reliable to detect impairment at these levels
and the British Medical Association have recommended strongly
against its use for this purpose (4).

22. The second reason is that, where evidence of the blood-
alcohol concentration is available, some courts still ask for
it to be translated into the amount of drink the driver must
have consumed. This is an unreliable and misleading procedure.

For the reasons already given in paragraph 5 the amount of
alcohol needed to produce a given concentration of alcohol
in the blood varies according to a number of factors; and
this fact is one of the main reasons why some people are able
to drink more than others before being affected seriously. Thus
a concentration of 150 mg./100 ml. could be produced by as little
as 4 but might require as many as 15 pints of beer or double
measures of spirits. To give the accused the benefit of the
doubt the lower figure has to be given in court, whereas, if he
is a regular heavy drinker, the probability is that the amount
he has consumed is nearer the upper end of the range. It is
the blood-alcohol concentration and not the amount drunk that
really matters, because the former reflects the amount of
alcohol affecting the brain. The B.M.A. have recently said (4)
that new knowledge of the factors influencing rates of absorption
and elimination, particularly when a person is drinking over a
long period of time and possibly with food - as is likely to be
the case in ordinary social circumstances - has confirmed that
(4) "The Drinking Driver" Report of a Special Committee of the
British Medical Association, London 1965 (British Medical
Association)
a most unrealistic picture is given by tables purporting to convert the blood-alcohol concentration into the amount of drink consumed. As a consequence the Association no longer published conversion tables of this kind.

**THE GOVERNMENT'S PROPOSALS**

**The New Offence**

25. The present law is clearly unsatisfactory and the Government decided earlier this year that legislation should be introduced under which a person driving, attempting to drive, or in charge of a motor vehicle would be guilty of an offence if he was shown by a test to have a blood-alcohol concentration above a prescribed figure. The Government propose that the penalties for the new offences should be the same as for the corresponding offences under the existing law, including a lower penalty for the "in charge" than for the "driving" offence.

**The Prescribed Level**

26. The British Medical Association have recommended that the level should be 80 mg./100 ml. They state that there can be very few people whose ability to drive properly is not impaired and their accident risk increased to a significant extent at blood-alcohol concentrations in excess of 80 mg./100 ml. At the same time they make it clear that a concentration of less than that amount cannot be accepted as evidence that ability to drive properly has not been impaired by alcohol. The Medical Research Council have also considered the evidence about the association between the consumption of alcohol and impairment of driving ability and the recommendation of the B.M.A. They have concluded that the consumption of alcohol in amounts sufficient to cause a blood alcohol concentration of 50 mg./100 ml. or more would impair driving ability in an appreciable proportion of drivers, and that when the amount of alcohol consumed results in a concentration in the blood of
80 mg./l00 ml. or more, driving ability would be impaired in the great majority of drivers. The Government are, therefore, satisfied that at a level of 80 mg./l00 ml. virtually anyone's driving ability would be impaired to some extent and that in the vast majority of cases the impairment would be serious. Accordingly they propose that the law should prescribe a level of 80 mg./l00 ml.

25. But since many drivers are seriously affected by alcohol at concentrations down to 50 mg./l00 ml. and in exceptional cases lower still, the existing law should be retained to deal with those cases where evidence of "impairment" can be shown. Moreover the Minister of Transport will be empowered to vary the prescribed concentration, subject to affirmative resolution of both Houses of Parliament, if this appears desirable in the light of experience.

Enforcement

26. An offence based on the concentration of alcohol in the blood raises difficult problems of enforcement. The existing law is unsatisfactory mainly because conviction is largely dependent on clear outward signs of impaired behaviour, which are usually present only at very high blood-alcohol concentrations and often are not apparent at all at lower levels, in spite of serious impairment of driving ability. Therefore, simply to make it an offence to drive with a blood-alcohol concentration of more than 80 mg./l00 ml. would make little difference unless the police are also given powers to enable them to detect and apprehend drivers with a blood-alcohol concentration above this level, even when there is no outward evidence that they are unfit to drive.

27. Under their existing powers the police can arrest a driver and take him to a police station only if they consider that his ability to drive properly is impaired by alcohol or other drugs. In practice this generally means that they take action only
when a driver's behaviour is visibly affected to a marked extent. The proposed amendment of the law without any extension of existing police powers, would greatly increase the likelihood of conviction in the kind of case now prosecuted - that is in the worst cases of literally drunken driving. It might also lead to prosecutions being undertaken in a number of cases where there is substantial impairment but which do not at present lead to prosecution because of the difficulty of proof. But the deterrent effect of this would be likely to be small in the large number of cases where ability to drive is impaired but no outward signs of it can be detected.

**Screening Tests**

28. There appear to be two practicable ways in which these difficulties could be met and proper enforcement of the new law made possible. Both involve roadside checks by means of a simple breath test carried out on the spot with a small portable device which gives an immediate reading calibrated to show whether it is probable that the level of alcohol in the blood is above or below the prescribed level and whether it is therefore reasonable to require the driver to undergo a further test at the police station. It is not a reliable permanent record and it could not be used as evidence in court in substitution for specimens given under proper safeguards at the police station and analysed independently at a laboratory. It would, however, be an effective way of eliminating at once the vast majority of drivers who were below the level. The test is simple and takes only a few minutes.

29. The first way would be by means of spot checks at the roadside. This would involve stopping individual vehicles at random and asking drivers to take a screening test even when there were no grounds for suspecting that they had had any drink. If the test showed a reaction above the prescribed level this would be made a sufficient ground for suspecting the driver of
committing the blood-alcohol level offence and taking him to a police station for a standard test, the result of which could be given in evidence. If the reaction from the breath test was below the prescribed level the driver would be able to go on his way.
30. The second way would be to empower the police to stop a vehicle and ask the driver to submit to a screening test only if they had grounds for suspecting that he had taken alcohol. This would not enable checks to be carried out at random on the open road; they would tend to be made outside places where drink was known to be consumed, such as public houses, hotels and clubs. But drivers who have been in these places may well not have been drinking; nor are these the only places where drivers can consume alcohol. Yet if a driver were seen being stopped by the police in this way, the implication would be that he was guilty of the offence.

31. Both methods of conducting roadside screening tests raise the difficult question of the proper way to deal with drivers who refuse or are unable to perform the test. If it were possible to refuse with impunity guilty drivers could escape the provisions of the law completely. On the other hand some drivers may have good medical or other reasons for refusing or being unable to perform the roadside test. (For example a doctor hurrying to visit an acutely sick patient, or an asthmatic person who cannot blow easily).

32. The government have given very full consideration to these problems and have come to the conclusion that roadside screening tests are desirable if the new law concerns driving with more than a prescribed level of alcohol in the blood is to be properly enforced and have the necessary effect of deterring drivers from driving while they are a danger to themselves and others. The Government consider that random checks would be preferable. These checks would be completely fair and undiscriminating and would cast no slur on the driver who happened to be stopped. They would be the most effective deterrent since any driver would be liable to be stopped at any time to see whether he had exceeded the statutory blood-alcohol level.
33. The Government think that it should not be an offence to refuse the roadside test if a person can show reasonable grounds for doing so. The same should apply if, for some reasons, he were genuinely unable to perform the test. If a person refuses to take the roadside test and cannot show good reason the Government propose that he should be liable to a fine. But to prevent guilty persons from evading proceedings for the more serious offence of driving with more than the prescribed level of alcohol in the blood by opting for the lesser offence and lesser penalty involved in refusing a roadside test the police should have the power to arrest a person who refuses or who does not carry out the test satisfactorily and take him to the police station for a standard test, if they have reason to think he has been drinking at all.

34. These proposals are drastic. But the Government believe the majority of people in this country will support them as the only way of dealing effectively with a serious and growing social problem. They have been particularly anxious that, in making the law effective against drivers who are guilty, they should not impose unreasonable requirements on those who are innocent. They believe that the vast majority of drivers will be more than ready to perform the simple roadside test which will clear them immediately if they have not been drinking and will regard this very small inconvenience to themselves as a reasonable price to pay in the interests of restraining the driver who can place their own and their family's life in jeopardy. The proposals for dealing with the minority who refuse the test may seem severe but without them the law will not work.

**Blood-alcohol Level Tests**

35. There remains the question of the tests to be made to provide the crucial scientific evidence of the blood-alcohol level for use in court. Under the existing law specimens of blood or urine obtained at the police station are sent to a laboratory...
laboratory for analysis and the results can be used in evidence. The existing law also contains powers to obtain and analyse specimens of breath, but these have not so far been used as further research is still being carried out to establish the accuracy and reliability of this method. The existing law provides that if a driver refuses to provide a specimen for analysis his refusal can be taken into account by the Court as supporting any evidence given on behalf of the prosecution or as rebutting any evidence given on behalf of the defence.

36. The Government consider that blood and urine analyses should continue to be made as at present in laboratories on specimens obtained at the police station. Blood tests are scientifically the most direct and accurate and should be used wherever possible. The specimens should be taken only by a qualified medical practitioner with the consent of the person concerned. New and extremely accurate methods of analysis have been developed using minute specimens of blood such as can be obtained from a pin-prick in the finger-tip or ear-lobe without the discomfort associated with previous methods of taking blood specimens. This should remove the objections felt by some people to giving a specimen of blood.

37. Urine specimens are regularly taken, and the results of analysis given in court, under the existing law. It has been found that the most satisfactory method is for two specimens to be taken and provision will be made for this in the Bill.

38. It is not proposed to make provision at this stage for breath testing to form part of the substantive test, as distinct from the screening test described in paragraph 28. Breath testing devices have been in use for screening in a number of foreign countries for many years and the Government is satisfied that they are sufficiently accurate and reliable for this purpose. Experiments are continuing on the use of breath testing for evidential purposes. Tests in very carefully controlled
conditions using breath-analysing machines in a laboratory to
analyse breath collected in bags have been successful. But
the Government are not yet satisfied with the accuracy of
results in normal everyday conditions. Further work is being
done in this field.

39. Evidence of the blood-alcohol level is essential to prove
the new offence. It is, therefore, necessary as far as possible
to prevent people who suspect that their blood-alcohol
concentration is above the level from evading the new provisions
by refusing to supply a specimen. In some countries this is
done by extracting the specimen of blood if need be by force.
Such a procedure would rightly be regarded in Britain as
repugnant and intolerable. The Government therefore propose
that a person brought to the station for a test should be asked
to provide a specimen of blood for analysis but that if he
objects to giving blood and is able to provide urine he should
be permitted to do so. If, however, he fails to provide either
specimen and cannot show reasonable grounds for his failure to
do so he should be liable to the same penalties as if he had
been tested and found to have more than the prescribed level.
In other words people who refuse without good reason should not
gain any advantage from doing so.

40. The Government propose that as a safeguard drivers should
be entitled to a specimen for their own private analysis if
they wish, as under the existing law, and that they must be
informed of this by the police when being asked to provide a
specimen.
PART II - SAFETY MEASURES FOR GOODS VEHICLES

41. This part of the Paper explains what the Government are doing to improve the safety of goods vehicles on our roads. Where new powers are needed to give effect to the proposals set out below the Government will seek them in this Session's road safety legislation.

Size of the Problem

42. Over 1½ million goods vehicles are now in use in this country, and in 1964 they travelled 23,000,000,000 miles. There are 900,000 light goods vehicles, and 650,000 of the heavier vehicles with which this Paper is mainly concerned. (5) By 1969 there are likely to be about 1,800,000 goods vehicles in use.

43. Judged in terms of accidents per million vehicle miles heavier goods vehicles have a better record than private cars. But when a heavy lorry is involved in an accident it is more likely that someone will be killed. (On average a car is involved in an accident involving injury every 265,000 miles, a heavier goods vehicle every 340,000. However, a heavier goods vehicle is involved in a fatal accident every 7,000,000 miles but a car only every 12,000,000. Furthermore the average lorry travels more than twice as far as the average car in a year.

44. Ministry of Transport vehicle examiners inspect goods vehicles to see if they are fit for service. In the 12 months to 30th September, 1965 they inspected 139,000 vehicles, and imposed prohibition notices with immediate effect on 14,000 defective vehicles – 10 per cent of those inspected. A further 50,000 vehicles (36 per cent), though not immediately dangerous, were found to have defects warranting further Ministry inspection after repair. The vehicles inspected are not a strictly representative sample – an apparently defective vehicle is more likely to be chosen for inspection – but the figures are disturbing. Nor do

(5) These figures exclude trailers. A heavier goods vehicle is one of over 30 cwt unladen weight.
they show any improvement on those for the previous year. The evidence available does not bear out the impression sometimes given that all lorries are dangerous and badly maintained. But it shows a clear need for improvement.

**The Government's Role**

4.5. It must always be the responsibility first of the manufacturer and thereafter of the owner to see that a vehicle is fit for service. But the Government can and must do two things. They must lay down minimum safety standards. Equally important, they must see that vehicles comply with these standards.

**Brakes**

46. There is general agreement that the regulations about the brakes of heavier goods vehicles need to be made more precise. The Minister of Transport will soon lay before Parliament Regulations about the braking systems of new vehicles. His proposals will take account of valuable advice received from a Ministry Working Party on which manufacturers, operators and drivers are represented, and will, for the first time, specify braking efficiencies for the main and secondary braking systems of heavier vehicles. The Working Party is now considering what efficiencies should be specified for existing vehicles. Unfortunately, many vehicles now in use do not fully meet the standards to be set for new vehicles. The Government's proposals on this subject will be announced as soon as possible.

47. The Ministry are reviewing the legal requirements for other items affecting the safety of goods vehicles, such as their lights. There are some other items, for example, tyres, on which new Regulations may be necessary. Equally, the existing Regulations must be reviewed to see that obsolete requirements do not hamper technical progress. Representatives of manufacturers, operators and the trades unions are co-operating with the Ministry in this work.

/Overloading

- 20 -
Overloading

48. A new basis is needed for controlling the maximum weights of goods vehicles. The present legal weight limits are related to the ability of roads and bridges to bear loads, and not to the safety of individual vehicles. Many lorries at present carry heavier loads than they were designed to do. Overloading has two results. First, it can put undue strain on the vehicle. Second, it reduces the efficiency of the vehicle's brakes, and its power to weight ratio. If the power to weight ratio is reduced, the vehicle will climb hills more slowly and obstruct other traffic. What is needed is a new system to fix a maximum safe weight for each individual vehicle, or type of vehicle. The Government's proposals for fixing maximum safe weights for vehicles now in use are linked with their proposals for compulsory testing, and are outlined in paragraphs 49 to 52 below. For new vehicles safe weights will be fixed through a type approval system. This new means of specifying safety requirements and seeing that vehicles comply with them is dealt with in paragraphs 61 - 67 of this Paper.

Compulsory Testing

49. The law now provides for the regular testing of all public service vehicles, and of motor cycles, private cars and light goods vehicles that are over 5 years old. Over 250,000 light goods vehicles were so tested last year, the great majority by authorised private garages. Compulsory testing gets the worst vehicles off the road. Also, whilst it is in no sense a substitute for regular maintenance, it can provide the foundation for better standards of safety by ensuring that a vehicle complies with the law at the time of test. The Government decided shortly after taking office to proceed with a testing scheme for the heavier goods vehicles. Broadly speaking, the scheme will cover goods vehicles of over 30 cwt. unladen weight and their trailers and semi-trailers.
50. Any such scheme costs money, and needs capital resources and manpower. This is true whether the inspection is done by the Government itself, or is delegated to other agencies. The testing of the heavier goods vehicles requires special facilities beyond those needed to test private cars and light goods vehicles. After considering the differing views expressed by various interested organisations, the Government announced last June their intention to provide a chain of purpose-built testing stations for the examination of the heavier vehicles. These Government stations will be planned to make the best use of special equipment, and of staff. Work on planning the stations is going ahead.

Basis for the Testing and Plating Scheme

51. When a vehicle is first tested at a Government station, the examiner will check that it complies with prescribed Regulations about its mechanical condition. He will also determine the safe maximum weight appropriate to the vehicle. This weight will be shown on a "plate" fixed to it. In settling "plated weights" the Ministry will take account of the loads that various types of vehicle were designed to carry, and the performance of their brakes. To start with, all the vehicles to which the new scheme applies will be tested once and plated. As soon as this has been done, the Government will introduce regular annual tests for them.

52. The Government also plan progressively to reduce the age limit for the vehicles in the existing testing scheme. They are considering how far light goods vehicles may need to be plated.

Improved Maintenance

53. Resources and manpower are needed for testing. They are also needed to raise the general standard of maintenance of goods vehicles. This is a formidable task, which will, in itself, make increasing demands on operators and private garages alike. Better maintenance of vehicles will, however, pay dividends in greater efficiency in their operation. The Government intend that the proposed Industrial Training Board to be set up under the Industrial Training
Training Act 1964 for the road transport industry and motor vehicles repair trade will raise standards both among the maintenance staff of operators and in the garage trade.

54. Some firms already have excellent maintenance arrangements, but much more needs to be done to bring home to all operators, including those who own only one or two lorries, the need for regular inspection, and for prompt action to remedy defects. The Government welcome the initiative taken by the Traders' Road Transport Association in proposing to establish a maintenance inspection service. The Government are considering whether additional Regulations should be made about the maintenance of goods vehicles so that the owners of vehicles are answerable in law if adequate maintenance arrangements have not been made. This proposal will be discussed with interested organisations.

Safer Drivers

55. Traffic is growing denser and making greater demands on the skill of drivers. Goods vehicles have become larger and heavier and able to travel at higher speeds. So in addition to the proposals summarised in this Paper to improve the mechanical safety of vehicles, the Government intend, as they announced last June, to re-introduce special licences and tests for the drivers of heavy goods vehicles. The basic powers for this are already available in Part V of the Road Traffic Act 1960, but the Government will seek some amendments in this Session's road safety legislation. The detailed arrangements for licensing and testing are being worked out in consultation with representatives of the operators and trade unions. (6)

(6) The scheme will apply to the driver of an articulated vehicle, or any other goods vehicle above three tons unladen weight.
Enforcement

56. Too little has been done in the past to see that safety regulations are observed. The most important factor must always be the sense of responsibility of the individual concerned, but more must be done effectively to deter the small minority who are at present flouting the law, and thus endangering their fellow citizens.

57. The Government have already announced that they are intensifying the enforcement of the statutory limits on working hours of lorry drivers.

58. The Government are also stepping up the inspection of goods vehicles, both in roadside checks and in depots. They will seek amendments of the statutory provisions for these inspections so that the most efficient use can be made of the time of vehicle examiners. They will seek powers so that in the worst cases a defective vehicle can be prevented from continuing its journey even when empty. (The present powers deal only with the use of vehicles for the carriage of goods.) When the regular testing scheme is introduced spot checks will continue as a necessary complement to it.

59. It is essential that the new plated weights should be effectively enforced, and more weighbridges provided for this purpose. Ministry of Transport staff will increasingly regard the check weighing of vehicles as part of their functions. The pattern of enforcement will depend in part on the results of trials with modern types of weighbridges. These trials will start in 1966.

60. The law provides that an operator who is shown to have failed to maintain his vehicles in a safe condition may have /his
his carrier's licence suspended, curtailed or, in extreme cases, revoked by the responsible Licensing Authority. Action of this kind is an effective deterrent to persistent offenders. Licensing Authorities have recently made greater use of these powers. In the last 12 months they have taken action against the licences of well over 100 operators.

Type Approval.

61. The Government also propose to seek powers to introduce a system of type approval for new goods vehicles. The present "Construction and Use" Regulations dealing with the mechanical condition of motor vehicles are set in a legislative framework that goes back to the Road Traffic Act 1930 and earlier legislation. The Regulations are designed to apply to vehicles when in use on the road. But as time has gone on the Regulations have become more complex. And it is increasingly necessary for the owner of a new vehicle to rely on the manufacturer to ensure that the vehicle can in fact comply with the law.

62. Under a system of type approval it is possible to check that vehicles comply with specific Government regulations before they come into use. The system, briefly, is as follows. The manufacturer of a new type of vehicle, or, at the start of the scheme, of a vehicle already in production, will be able to apply to the Ministry of Transport for a certificate that a "sample" vehicle complies with the relevant Government regulations. Once this certificate is granted he will be authorised to issue with each similar vehicle a certificate confirming that it is a vehicle of a type that has been approved. Such a certificate will be needed before a vehicle is used on the road. Individual approval can be given for vehicles that are not of a type.
63. These new arrangements will in no way diminish the general responsibility of the manufacturer for the safety of his product. The task of the Ministry when examining a new type of vehicle will be to confirm that it meets certain minimum safety requirements. Under a type approval system these requirements can be expressed in terms of performance tests - what is to be achieved, rather than how the manufacturer is to achieve it. The Government believe that the use of performance tests may assist the development of new designs. It will make it possible to draw up more effective regulations limiting the noise made by goods vehicles and about the emission of smoke.

64. Under a type approval scheme new vehicles will be "plated" at the factory at weights approved by the Ministry of Transport. It will be possible, in due course, to take a minimum power to weight ratio into account in fixing plated weights for new vehicles, although a number of technical problems have yet to be solved. One of these is to draw up an internationally agreed definition of power output.

65. A great deal of detailed work has to be done before a type approval scheme can be started, and the Government envisage that it will deal, at first, only with a small number of items, principally those relevant to maximum safe weights. They propose to work out the arrangements in close consultation with the motor industry.

66. A number of foreign countries already operate a type approval system. At present vehicles being exported to those countries have to be approved in accordance with the arrangements they lay down. Once a type approval system is operating in Great Britain, the Government hope it will be possible to make reciprocal arrangements with other countries. Such arrangements will help exports.
67. If the arrangements for the type approval of goods vehicles work well, the Government would be ready at a later date to seek powers to extend the scheme to passenger vehicles.

CONCLUSION

68. In this Paper the Government have explained some of the measures they are taking to reduce the toll of road accidents. Inevitably, the emphasis has been on legal requirements and their enforcement. But these can provide only part of the answer. The most important factor is the sense of personal responsibility of all who use the roads or make or repair vehicles. Lives are in their hands.
Fig. 1. GRAPH OF RELATIVE ACCIDENT RISK AGAINST BLOOD ALCOHOL LEVEL
10th December, 1965

CABINET

SCHOOL MEALS

Memorandum by the Chancellor of the Duchy of Lancaster

The Social Services Committee have been unable to reach agreement on a proposal by the Secretary of State for Education and Science to increase the charge for the school meal from next summer term. He proposed to increase the charge from 1/- to either 1/6d. or, at a minimum, 1/4d. He further proposed that in future there should be an annual review of the charge in the light of any changes in the cost of providing the meal.

2. The Secretary of State for Scotland agrees that there is a case for an annual review to take account of rises in costs, but does not consider that this is the time to make any change in the share of the cost falling on the parents, which the 6d increase would involve, and would strongly prefer to make no increase at all at present.

Arguments in favour of an increased charge

3. Arguments in favour of a change cited by the Secretary of State for Education and Science are:

(i) The price of school meals has not increased since 1957, when it was fixed at 1/- . Meanwhile the cost of the meal has increased by 25 per cent. In consequence, the share paid by the parent has fallen from 50 per cent to 37½ per cent, while the share paid by the Exchequer has risen from 50 per cent to 62½ per cent.

(ii) The minimum proposal that we should restore the 1957 position, when the parents' share was 50 per cent, would raise the price to the parent from 1/- to 1/4d and would achieve an annual saving in Exchequer subsidy of £11 million in 1966-67 rising to £13 million in 1969-70. The Secretary of State for Education and Science would much prefer to make a small increase in the parental share. This would go up from the 1957 figure of 50 per cent to 57 per cent, if the price to the parent were raised to 1/6d and would give an estimated saving of £15 million in 1966-67 if introduced in April, rising to £19.5 million in 1969-70.

(iii) There seems no valid reason why parents should pay a lower share towards the cost and the Exchequer a higher share during a period when real incomes have risen substantially. It goes counter to both common sense and socialist principle to raise the proportionate subsidy as people become better off. The policy of pegging the charge to the parent at the 1957 level means that the Government is taking a concealed decision each year to increase this particular subsidy.
The constant rise in the number of schoolchildren and the increasing popularity of the meal means a mounting bill for the Exchequer. The net cost of school meals to the Exchequer has risen from £37 million in 1957 to £75 million in the current year, and if no change is made in the price and the percentage of children taking the meal continues to increase from its current level of 65.4 per cent to an anticipated 73.5 per cent the bill could rise to £94 million in 1969-70.

Average weekly earnings have increased since 1957 by 55.6 per cent. A dinner charge of 1/6d represents an increase of only 50 per cent over the charge of 1/- fixed in 1957. The proportion of family income spent on school dinners would therefore still be less than in 1957, even more so with a charge of 1/4d.

With the Cabinet's agreement the Secretary of State for Education and Science is allowed under the PESCO exercise to use savings on school meals for improving other parts of the educational service. With the amount that he would save he could make significant improvements, e.g. increasing the minor works programme in respect of slum or sub-standard primary schools. In his view this has a higher priority than maintaining the present price for school meals.

Arguments against the increase

4. The Secretary of State for Scotland advances three main arguments against the principal proposal - the 6d increase. These - and the counter arguments of the Secretary of State for Education and Science - are set out below -

(a) It would be wrong to make any fundamental change (as would be involved in increasing the percentage of parental contribution) until the whole pattern of family support, of which the school meals subsidy is an important part, has been fully studied by the Government in the course of the general review which is being carried out. This study may well suggest radical changes concerning, for example, family allowances and help-in-kind, but they cannot at this point be predicted, and it would be unwise to anticipate them. Even an interim adjustment to restore the parents' contribution to the 1957 level will inevitably have an immediate impact on those families having to pay the full increase.

The Secretary of State for Education and Science has ascertained that a social survey to establish the significance of the school meal in family nutrition would take two years, and assumes that the Government study of family needs as a whole will not be ready in less. He would not propose a radical reshaping of the whole School Meals Service in advance of the completion of the Government study, but thinks it reasonable meanwhile to make this interim adjustment in order to have money available for more important things.
An increase of 6d a meal would impose a real burden on a great many families who do not qualify for free meals (or even some remission of the full charge). Assuming a consequential adjustment in remission scales, for a typical family with three children at school, free meals would be available for all the children where the gross weekly income was less than £14. 16. 0d. (in Scotland £14. 13. 3d.), but the full cost at the new rate for all the children (22/6d a week) would become payable where the gross weekly income exceeded £15. 11. 6d. (£16. 9. 6d. in Scotland). If the increase were 4d the full charge would become payable for a 3-child family where the gross income was £15. 3. 6d. (£16. 9. 6d. in Scotland).*

The Secretary of State for Education and Science, in reply, recognises that the impact of the increased charge will be felt mostly by families with incomes just above the level at which the full charge becomes payable, but, as with any other social benefit based on a test of income, there is bound to be a dividing line determining entitlement or otherwise. In the case of the school dinners this has long been accepted without criticism as being the level of income which does not fall below National Assistance level after payment of the dinner charge.

The sharp increase proposed would be politically inopportune. It is very doubtful if any method of presentation could overcome the adverse effects involved. The method suggested by the Secretary of State for Education and Science might well provoke dismay that raising the school meals charge appeared to be the only way of further financing school improvements. The increase would be out of step with other current measures to protect lower income groups; for instance, the intention announced by the Government of lessening the injustices of the rating system in the interests of the lower income groups. While savings on school meals could be used with advantage elsewhere in the education service, this should not outweigh the objections to increasing the charge now in the way proposed. The proposal should be examined only in the context of family support generally, and, until this has been done, no substantial change should be made in the meals charge.

The Secretary of State for Education and Science believes that the Government could lessen any political impact by linking the change not only with a small improvement in the quality of the meal, but also with a clear statement that as a result of this saving more will be spent on improving sub-standard schools. Moreover, he believes that the experience of the last twelve months has been that individual actions, whether immediately popular or unpopular, have practically no effect on voting attitudes; compare, for example, last year's increase in pensions and abolition of prescription charges. The Government's popularity goes up and down according to the total impression which it is giving of firm and effective government.

*These wage limits are based on average weekly household expenditure as given in the Family Expenditure Survey of 1964. In deciding whether a family qualifies for free dinners the actual current outgoings on certain fixed items, e.g. rent, etc., are taken into account. Thus, the gross incomes of families entitled to free dinners will differ somewhat from case to case.
5. The argument was not between the two Secretaries of State alone; others joined in and the Committee were on balance hesitant about the proposed increase.

Conclusion

6. A decision is required on which of the following three courses we could adopt:

(a) To increase the charge for school meals to 1/6d. i.e. to cover the increase in cost since 1957 and to raise the parents' share of the cost of the meal from the 50 per cent as it was in 1957 to 57 per cent.

(b) To increase the charge to 1/4d. i.e. to restore the parents' share of the cost of the meal to 50 per cent as in 1957.

(c) To do nothing at present.

D.H.

70, Whitehall, S.W.1.

10th December, 1965
CABINET

COMMERCIAL POLICY: IMPORTS OF BROILER CHICKENS FROM DENMARK

Memorandum by the President of the Board of Trade and the Minister of Agriculture, Fisheries and Food

The External Economic Policy Sub-Committee of the Economic Development Committee considered on 6th October an application made by the National Farmers' Union jointly with the National Association of Poultry Packers for the imposition of an anti-dumping duty on Danish broiler chickens, and agreed that (although there was a clear case for imposing an anti-dumping duty) we should try to reach a reasonable settlement by negotiation with the Danes. It was not thought necessary to decide at that stage on a ceiling figure for Danish exports to us, although it was agreed that we should want a figure lower than the 13,000 tons annually which represented the rate of imports from them in the first six months of 1965. Ministers subsequently agreed that we should try to settle the case on a limit of 6,500 tons, warning the Danes that if no settlement could be reached, we would impose an anti-dumping duty.

2. Officials have discussed the case with Danish officials. The Danes disputed our findings of dumping and material injury, but were prepared to restrict their exports to recent levels. They were persuaded to reduce them still further and were apparently prepared to agree to 8,000 tons a year, with no growth factor, and not more than 600 tons in any one month. The Department of Economic Affairs, Foreign Office and Board of Trade consider this would be a satisfactory settlement. 8,000 tons is well below the actual imports of 11,100 tons from Denmark in 1964-65, when British production was about 250,000 tons.

3. The Minister of Agriculture believes that a stand must be made on the figure of 6,500 tons phased evenly over the year and that, if this figure is unacceptable to the Danes, the imposition of an anti-dumping duty could, if necessary, be justified in GATT. In his view, the proposal to go to 8,000 tons in order to reach agreement with the Danes ignores the fundamental issues, viz:

(a) the United Kingdom broiler industry is unsubsidised and is therefore especially entitled to proper protection from unfair foreign competition; the agricultural industry will regard this case as a test of the Government's good faith on the protection of agriculture against foreign dumping;
Danish broiler exports to the United Kingdom have always been small. In 1963, the last year before the Danes started dumping broilers, they sent us 640 tons, and only in 1958 did they send us as much as 2,600 tons. They have obtained their present level only by unfair competition. They have no right to any of that extra tonnage; it is, therefore, extremely generous to give them the right to send, at dumped prices, a tonnage ten times as great as they were previously sending;

under the National Plan, the poultry industry is expected to meet the whole of the increased demand for poultry meat; this assessment was specifically based on the understanding that the industry would be protected from unfair competition. To give the Danes the quantity the Board of Trade are suggesting would give them virtually the whole of the increase in the first year of the Plan and between 20 and 25 per cent of the total increase during the period of the Plan as a whole. It would be justifiably attacked as entirely inconsistent with the aims of the Plan and as throwing doubt on the sincerity of the Government's intentions on the Plan as a whole. There is no technical difficulty in the way of the United Kingdom industry meeting, at reasonable prices, the whole of the increase in demand, and every ton given to the Danes represents a quite unnecessary drain on our balance of payments - in favour of a country with which we already have a very substantial adverse balance of trade;

the finding of the Board of Trade's investigation was that a continuance of Danish imports at their recent level would materially injure the United Kingdom industry if no action were taken; in the judgment of the Ministry as the Production Department responsible, a reduction to 8,000 tons would not be sufficient to prevent the injury, and the industry would not be getting the protection to which it is entitled under the legislation;

the presentational aspect vis-a-vis the agricultural industry is very important. The Government have faced increasing criticism from the industry over the bacon sharing understanding, and have recently had to refuse a request for an increased share for the British industry in order to maintain to the full the spirit of our obligation to the Danes. It is thus highly undesirable that the Government should have to defend a settlement on broilers on grounds which the industry will find quite unconvincing. If it is not given the protection of an anti-dumping duty, the industry will justifiably expect that any "deal" on the basis of a voluntary quantitative restriction should give corresponding protection; the industry would expect a figure comparable to the imports from Denmark before dumping began, and will find even 6,500 tons very hard to accept without considerable public criticism;

the Minister nevertheless thinks that it would be possible to justify 6,500 tons maximum to the industry; that figure has the valuable presentational advantage that it is below the Danish sales to us in 1964 (about 7,000 tons) when the industry had a good year;
there is no evidence - indeed previous experience points to the reverse - to indicate that a concession to the Danes on this matter would mitigate their critical attitude towards us on other issues.

4. In the Minister's view, therefore, the balance of the arguments points in fact to a figure substantially lower than 6,500 tons, but he has been prepared to agree to that figure in order to try to meet his colleagues; in his view, however, such a figure, evenly phased over the year, must be regarded as the absolute maximum.

5. The President agrees with (f); but the Danes have said that they will not accept 6,500 tons and that, failing agreement with us, they will restrict their exports to us unilaterally at a rather higher figure than 8,000 tons and take us to GATT if we then impose an anti-dumping duty. We cannot be sure that they would carry out this threat, but if they were to do so, the Board of Trade believe we might have the worst of all worlds.

6. Anti-dumping duties can be imposed, consistently with the GATT and consistently with United Kingdom legislation, only where material injury is caused or threatened to a domestic industry. The Board of Trade could not reasonably "be satisfied", as they are required to be by our anti-dumping legislation, that exports at a known and limited level of even 9,000 tons a year, with suitable phasing, would result in material injury to our large broiler industry (especially while admitting that exports at a level of 6,500 tons - the level already offered to the Danes - would not). Even at 10,000 tons, imports would be no more than 4 per cent of domestic production.

7. If the Danes were to carry out their threat, therefore, we would be faced with the choice of accepting imports at a rather higher level than 8,000 tons, or of imposing anti-dumping duties which it would be very difficult to defend as being consistent with our statutory and international obligations. (As a large part of our own exports are dumped, we wish other countries to adopt a liberal interpretation of "material injury". Certainly the doctrine that dumping has "no right" to sales (see paragraph 3(b) above) whether or not material injury is caused, is not one which the United Kingdom could accept).

8. The Board of Trade cannot see the relevance of the National Plan to the question of deciding whether imports should be limited to 8,000 or 6,500 tons; for the difference of 1,500 tons could hardly jeopardise the prospects of increasing poultry production by the 100,000 tons (including 70,000 tons of broilers) which the Plan says should be achieved by 1970. The President's view is that it would be quite wrong to forego the chance of settling this case by agreement with the Danes in order to save the difference of 1,500 tons from them.

9. In the light of these opposing views, the Cabinet is asked to decide what reply should be given to the Danes. The alternative courses are:

(a) to inform the Danes that we cannot agree to a higher figure than 6,500 tons, evenly phased over the 12 months, and that failing agreement an anti-dumping duty would be imposed;
(b) to agree to a total of 2,000 tons with not more than 800 tons in any one month. If Ministers agree to this, we should ask Her Majesty's Embassy in Copenhagen to seek confirmation that Danish Ministers are also prepared to agree, and to agree with the Danes on the form of a public announcement.

D. P. T. J.
F. P.

Board of Trade, S.W.1.

13th December, 1965
14th December, 1965

CABINET

SPACE POLICY REVIEW

Memorandum by the Minister of Aviation

At their meeting on Tuesday, 14th December, 1965, the Ministerial Committee on Joint Research and Development considered the Space Policy Review, a copy of which is attached. The Committee concluded that the United Kingdom should seek to terminate its commitment to the European Launcher Development Organisation (ELDO). However, as we were committed to membership and to payment of our subscription until March, 1966, and, in addition, to a consideration of the new ELDO Programme in March, 1966, we should not announce our intention of disengaging from the Organisation when the ELDO Council met on 20th December, 1965. It was agreed that it might be best if we could persuade our ELDO partners to undertake what might be called a European Space Review, on the lines of the Review we had recently completed ourselves. This Review should be carried out as a matter of urgency and might cover not merely the activities of ELDO, but also those of the European Space Research Organisation (ESRO) and the European Conference on Satellite Communications (ECSS). It was to be hoped that one of the conclusions of such a Review would be the abandonment of the ELDO A and B programmes.

2. The majority of the Committee were in favour of proceeding with the BLACK ARROW programme, but the Chief Secretary, Treasury, reserved his position. It was felt, however, that to withdraw from ELDO and at the same time to proceed with BLACK ARROW as a purely national launcher project would create the worst possible impression in Europe and would also run counter to the general approach to aero-space questions recommended by the Plowden Committee. It was therefore agreed that we should, in the context of the proposed European Space Review, examine the possibility of offering BLACK ARROW as a co-operative venture between ourselves and any of our ELDO partners who might wish to participate.

3. It is therefore recommended by the Joint Research and Development Committee that:

(i) we should work towards terminating our commitment to ELDO;
(ii) this should be done in the manner best calculated to minimise the political damage of withdrawal;
(iii) we should proceed with the BLACK ARROW programme;
(iv) we should examine the possibility of inviting any of our ELDO partners, who might wish to do so, to participate in the BLACK ARROW programme.

R. J.

Ministry of Aviation, S. W. 1.
14th December, 1965
SPACE POLICY REVIEW
Report to Ministers

Introduction
1. The purpose of this paper is to summarise for Ministers the relevant issues relating to civil policy in space including developments since the report of the Space Policy Review Committee (circulated as MISC. 31/1: 8th January, 1965), and to submit those which call for decision in the near future. The only military interest in space which is referred to in this paper concerns military satellite communications. Other military interests are being considered separately and are covered at length in the report of the Bondi Sub-Committee of the Defence Research Committee (D.R.C.) on United Kingdom Defence Interests in Space. Note should also be taken of the report of the Task Group on Public Expenditure circulated on 11th January, 1965 as MISC. 31/2.

Present Activities
2. Our present activities in space can be considered under four headings:
(a) Scientific Space Research: (b) The European Launcher Development Organisation; (c) the United Kingdom Technological Space Programme, and (d) Satellite Communications. More detailed accounts of each field of activity are given in the Annexes.

(a) Scientific Space Research (Annex A)
3. Our current activities, which are the responsibility of the Science Research Council under the general control of the Secretary of State for Education and Science, fall into two main categories -
(i) the United Kingdom national space research programme including the Anglo-United States co-operative programme;
(ii) the European Space Research Organisation (ESRO) programme. The cost to us of these two items in 1965/66 is approximately £3 million and is expected to rise to a ceiling of rather more than £6 million per annum by 1965/69. In the rest of this report we do not further consider this work save to the extent that it has implications for the rest (e.g. see paragraph 6 below).

(b) The European Launcher Development Organisation (Annex B)
4. This organisation was set up in 1962 at the instigation of the United Kingdom to enable European countries, anxious to participate in space activities but unable to afford the cost of developing launchers nationally, to participate together in a technical programme for the production of an initial launcher (ELDO A) for which the United Kingdom would supply the
first stage (BLUE STREAK) and France and Germany would develop the second and third stages respectively. Australia became a member and made available the Woomera range and supporting facilities. The programme was originally estimated to cost £70 million (1963-69), of which the United Kingdom share was 38.8 per cent (£27.3 million), but the estimate has now risen to £150 million (of which our share is £58.2 million) and, in the absence of a completely costed plan for the remaining 3½ years, there are now indications that even this amount will be exceeded. The United Kingdom's annual contribution in 1965-66 is of the order of £13 million, and up to the end of 1965 we will have contributed a total of £29.6 million (leaving £28.6 million outstanding).

5. In April this year an inter-governmental conference accepted the recommendations of a working group that, if ELDO were to continue in existence, a new programme for an advanced launcher (ELDO B) was the most desirable objective. To reach this, it was considered on technical grounds (France reserving her position) that the present ELDO A programme should be completed and, together with the development of an apogee motor (ELDO A/S), would be the best foundation for ELDO B. Before this conference Ministers agreed that United Kingdom policy should be to accept in principle that the ELDO programme should continue on lines directed to the development of an ELDO B launcher, on the understanding that we should not enter into any commitment as regards either the total expenditure to be incurred in relation to the project or our own share of it, (C.C.(65) 23rd Conclusions, Minute 3). Pending the preparation of detailed costings no European Government has committed itself to any expenditure on the ELDO B project, other than for limited project studies.

6. The present provisional estimate for this new ELDO programme is £110 million (£25 million for ELDO A/S and £85 million for ELDO B), but, although a suitable contingency allowance has been made, there is the possibility that the final sum may be higher. On the basis of our present share (38.8 per cent) this would involve us in an expenditure of £42.7 million; but we shall try to reduce our share to 25 per cent (£27.5 million) in the new negotiations in March 1966. This means that together with the outstanding balance of the ELDO A development (£28.6 million; paragraph 4) and a presumed share of an equatorial launching base (£2.5 million of the total costs; see paragraph 7) and certain support costs (£2.5 million) our commitments to the ELDO programme for the seven years up to 1972 will thus range from £61.1 million to £76.3 million, an average of £8.7-10.9 million per year.
7. On present forecasts, there is a market for only two ELDO launchers, those for the proposed ESRO large astronomical satellites (see Annex A, paragraph 4) and only then if they are competitive in price with suitable United States launchers. It seems possible that the need for a production subsidy cannot be entirely excluded. If the ELDO A launcher were to be used for this purpose an equatorial launching base will be required, a possible location for which would be French Guiana, which on French estimates, will cost between £7.0 million and £10 million to construct (this estimate is undoubtedly too low even for a launching pad; if a whole base is required it would probably cost not less than £25 million). In addition it is estimated that the base will cost £1.8 million a year to run. No agreement has yet been reached as to how this cost should be shared, which is additional to the £150 million for the completion of ELDO A. Other potential uses for ELDO launchers are for the proving of communications satellites by ourselves or by the European Conference on Satellite Communication (CETS); (see paragraph 13 and Annex E) but no firm agreements have been made, and here again the launchers would have to be competitive with United States counterparts.

(c) The United Kingdom Technological Space Programme (Annex C)

8. The main items of this programme relate to research on basic satellite technology, both extra-mural and intra-mural, and to a proposal by the Ministry of Aviation to develop a small satellite launcher (SSL) based on the BLACK KNIGHT ballistic test vehicle.

9. The Ministry of Aviation base their case for the development of a small satellite launcher (BLACK ARROW) on the grounds that it would be primarily a research tool whereby satellite components and sub-assemblies (but not complete communications satellites) could be proved in actual space conditions by mounting them in small test satellites (200 lb. maximum). The first BLACK ARROW launching is planned for 1968-69 (whereas the French DIAMANT rocket has already (November 1965) placed an 85 lb. satellite in orbit). BLACK ARROW would give us direct practical experience of the problems of injecting satellites into prescribed orbits and of controlling them there without, however, any capability of injecting communication satellites into operational orbits. The proposed programmes for the development and utilisation of BLACK ARROW and for continued research into basic satellite technology are planned as a single integrated and self-contained project within a national space programme. The satellite experiments launched by BLACK ARROW would enable us to achieve and maintain in this country at modest cost, an independent capability in satellite design and development and to demonstrate to prospective customers the viability of our components in space.
10. The experiments could be extended to include components and sub-systems for communication satellites. We have considered what would be involved in getting launchers from U.S.A. for this purpose. The United States might perhaps be prepared to allow us to carry out launching on their facilities but it would be difficult to rely on this if these launchings were designed to enable us to compete with the Americans in satellite technology. Moreover the Ministry of Aviation would say that launching on American facilities would not provide us with the technological experience required.

11. It might become possible, although the Americans have not permitted this yet, to purchase launchers from U.S.A., and carry out launchings at Woomera. This would avoid the cost of developing BLACK ARROW, but it would require appreciable expenditure on the establishment of a new launch complex at Woomera to fit the American launchers, which would diminish this saving. In the view of the Ministry of Aviation, it would be unwise to rely upon United States willingness to permit such purchases, especially when one purpose of our operations would be to enable British firms to supply communications satellite components of British design to the global satellite system in competition with United States designs. Others of us think that it would be difficult for the United States Government to withhold such permission, in the light of the international agreements which form the basis of the contracts procedure of this system (paragraph 17 below), and the steps which United States firms are already taking to place sub-contracts in United Kingdom and Europe.

12. The present estimated cost of developing the small satellite launcher itself is £9.5 million (including a contingency of about 17 per cent) spread over a period of 4-6 years. If the development proved successful, an operational programme of 3 launchings of experimental satellites each year is expected to cost £3.5 million a year including satellites, tracking and data reduction services. The estimated overall cost of the programme is £42 million as set out in Annex C, paragraph 7.

13. The figures given in paragraph 12 do not include any provision for the development of a communications satellite, whether this is done either independently or in collaboration with CETS (Appendix B). If developed independently, the estimated cost over five years would vary from £5 million for merely creating an adequate technological base, to £15.0 million for the complete development of a launch-proven satellite (two launches by ELDO or United States launchers). For comparison, the United Kingdom share of a Joint European communications satellite development programme (including three launches by ELDO or two double launches by the U.S.A.) would be about £5.5 million over a similar period.
14. Communication satellites are likely to play an important part in the further development of reliable worldwide communication services for commercial purposes. An important aspect of this development is our membership of CETS (Annex E), which was established in 1953 to consider what practical measures were needed to make the maximum European material contribution to the development of such an international system and to present a united European front in negotiations with the United States and a number of Commonwealth and other countries that led in 1964 to the creation of the Interim Committee on Satellite Communications (I.C.S.C.). Under the relevant interim Agreements a decision has been taken to establish an experimental international communications satellite system, and it is hoped that the basic system will be operational in the latter part of 1967.

Our share of the total estimated costs of this system was originally 8.4 per cent or about £6 million spread over a period of about five years, but with more countries joining in, the share has been reduced to 7.74 per cent and may be reduced a little more in future. In the long term this investment can be expected to become a commercial proposition. The interim Agreements provide that, when proposals or tenders for equipment for the satellite system are comparable in quality, price and timely performance, contracts should be distributed between member states in approximate proportion to their respective contributions.

15. CETS is at present considering a programme to establish in Europe a capability for the supply of equipment to the global system. The Space Technology Committee of CETS has already arranged outline proposals for the development of an experimental satellite and details of the entire proposed CETS programme for the development of a communications satellite including launchings are available to member states. CETS are asking Governments to make clear very soon whether they are prepared to negotiate their participation in such a programme. It is estimated that this will cost £22 million, of which the United Kingdom share is expected to be £5.5 million (see paragraph 12). However there are certain pointers which indicate to us that the supply of equipment may be actually carried out through tendering by international consortia of aero-space and electronics firms and efforts are being made to see whether the other members of CETS have entertained similar ideas. In the latest circumstances the United Kingdom should seek to avoid taking the initiative in a multilateral enterprise which might later prove neither economically nor technologically viable. The political consequences of taking any fresh initiative in this way at the wrong time and on the wrong project could involve this country in a serious loss of political credit - the very opposite of the objective that international collaboration in technology is designed to achieve.
16. The Defence Space Review Committee have recommended that if our commitments east of Suez continue and if a high level of flexibility and availability of communications is regarded as of the highest importance, most of the existing high frequency links should be replaced by military satellite communications. The latter are the subject of current discussions and combined experiments between ourselves and the United States.

**Potential Market for Global Satellite Systems**

17. We have considered the possible extent of the export market for the supply of equipment for the global satellite system. It is open to United Kingdom industry to secure as much of this market as it can by making its performance and price competitive; and the international agreement provides that where this condition is satisfied the contracts should be distributed between the countries in approximate proportion to their contribution to the costs: our share is 7.74 per cent (Annex D). The United States share is 56.24 per cent. With their long lead in technology throughout the field, the Americans will be in a powerful competitive position. They are likely, however, to be providing all the launchers (for it is most unlikely that ELDO or anyone else will be able to produce these competitively in price and efficiency), and this should give us an opportunity to press hard for a better share for other equipment if we can supply competitively.

18. For earth stations, the United Kingdom should have opportunities for getting business if our industry is competitive. We have full design information and a British firm has obtained a contract (though not in international competition) for a small capacity earth station to be erected in Ascension Island in 1966. We did not, however, with full international competition obtain the contract for a similar earth station which is to be built in Australia, mainly on grounds of price and the fact that our designs did not allow for hurricane protection, but the circumstances are somewhat obscure. The total market up to 1970 is likely to be £50-90 million depending on whether geostationary or moving satellites are used, and about the same in the next five years. We would put the maximum possible share at 25 per cent, if we were leading in competitiveness, and this would give over a ten-year period, say, £22½-5 million a year of exports, and, say, one-third of this if we only got our standard share.
19. For satellites, the total market up to 1975 including replacements or additions to the basic-phase system is estimated at £22.98 million. There should be prospects, if our electronics industry find it profitable to exploit them, for the supply of satellite components to the United States contractors either under licence or of wholly British design. A British firm has won the contract for the first ESRO satellite, against international competition, and although the prospects are less favourable than for earth stations there should be some prospects of sales here. The development cost for a communications satellite (including two launchings) is estimated at a minimum of £15 million in five years, and there is no provision for this in the proposals before Ministers. The range of uncertainty is too wide to permit an estimate of the exports that we might secure in a world market of at most £10 million a year. But it must be small in relation to the development cost, none of which would be likely to be recovered in the price of the sales.

20. There is no prospect of our producing launchers for communications satellites competitively.

21. The best prospect is therefore in the market for earth stations, which is both the largest market and the one which we are technically and commercially in the best position to supply: our prospects here do not depend upon whether or not we manufacture satellites or have national launching facilities. There is also a potential market for satellite components. The market for complete satellites is likely to be small in relation to the development cost. Our chances of success would be increased by a programme including BLACK ARROW. But the potential volume of exports in this field could only be small in relation to the cost to the Government of such a programme (£1.2 million in ten years, Annex C) in addition to the cost of development of the satellite itself. Exports are therefore hardly a factor in the decision whether or not to proceed with BLACK ARROW.
Total Expenditure

22. Our current and future programme of activities in space (other than studies of work for purely military objectives) thus consists of the following principal items, a measure of the relative cost of which is the estimated out-turn of expenditure in the years 1965/66 to 1971/72 as follows -

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<td>6.0</td>
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<td>29.7</td>
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<tr>
<td>Civil Communications (2)</td>
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<td>ELDG (3)</td>
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<td>13.0</td>
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<td>U.K. Technological Space Programme (4)</td>
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<td>3.0</td>
<td>3.6</td>
<td>4.3</td>
<td>4.8</td>
<td>20.0</td>
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<tr>
<td>Other M.O.A. space expenditure (5)</td>
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<td>C.E.T.S. (6)</td>
<td>-0.3</td>
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<td><strong>TOTALS</strong></td>
<td>20.65</td>
<td>24.45</td>
<td>21.75</td>
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<td>114.05</td>
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In each year,

(1) The estimates for 1967-68 to 1971-72 are based on the assumption given in paragraph 3. That for 1966-67 is a provisional estimate.

(2) Averaged from the amount of Post Office funds (£6.0 million) committed to I.C.S.C. for the first five years. This is assumed to be the same for 1971-72.

(3) The amount for 1965-66 may be £2.5 million higher on account of expenditure incurred in earlier years. The amounts for 1967-68 to 1971-72 are based on the assumption given in paragraph 6.
Based on the Ministry of Aviation integrated programme including development of BLACK ARROW (see Table in paragraph 7 of Annex C). For the basic satellite technology programme alone, the estimated cost from 1967-68 to 1970-71 would be £1.3 million in each year but some provision would be needed for the creation of an adequate technological base for satellite development of the order of £1.0 million per year (see paragraph 12). Alternatively, independent development of a communications satellite would cost about £3.0 million per year for five years (see Annex C).

This covers use of Skylark rockets for space technology experiments (up to £250,000 a year) and the balance of Ministry of Aviation extramural expenditure on space activities (about £950,000 a year) not included under item (4).

Assuming the estimates given in Annex E (paragraph 1) are adhered to.

The present total cost is £20.65 million, of which the ELDO contribution is over 67 per cent. Assuming that our expenditure on scientific space research and civil communications is not at issue, then if we remain in ELDO, join CETS but abandon BLACK ARROW while creating an adequate technological base, our costs in 1971-72 are likely to be of the order of £21-23 million; leaving ELDO, but continuing with a full technological space programme (including BLACK ARROW) and joining CETS, the cost would be £14.5-16.5 million; whereas leaving ELDO and abandoning BLACK ARROW, but joining CETS and creating an adequate technological base would cost £13-15 million.

Space Policy

There has been considerable public criticism that the above activities do not amount to a coherent space policy, and that there is no mechanism for devising one. In the sense that what we do does not cover the whole space field this is true. But such a programme would require resources on the scale of those now employed by the United States and U.S.S.R, and this is clearly beyond our means. We have therefore to direct our expenditure to specific fields in which we are or may become particularly interested and ensure that it is kept within our means. Excluding military use, which is considered separately, these fields are -

(a) scientific research;

(b) the use of space for communications of all kinds.
25. Both fields mainly involve satellites and associated tracking equipment. We are interested in launchers primarily to the extent that they are necessary for effective work on the satellite payloads, since, from our point of view, the launchers are only a means to an end (though unfortunately the means are more costly than the ends). We do not propose in this paper to argue the justification for continuing our activities in the scientific space research field, or for our contribution towards the Interim Committee on Satellite Communications, which we believe will turn out to be a commercial proposition.

26. We are therefore left with our own technological space programme, which includes our intra-mural and extra-mural research (see paragraph 8), a contribution towards a European programme for the joint development of satellites (GETS), and the small satellite launcher, and finally and most importantly, in view of its cost, our future policy towards ELDO.

27. There is common ground that there is no justification for this work on economic grounds. This was the view taken by the Task Group on Public Expenditure in its report last January, and economic justification has never been part of the case put to Ministers. The analysis of the potential market for exports of equipment for the global satellite system summed up in paragraph 21 shows that the possible gains to be made as a result of a space programme are too small in relation to the cost to be given weight in the decision.

28. Moreover, this work engages high quality scientists and technologists some of whom might otherwise be employed on work of direct economic value; nor do any recent investigations, either in the United States or in the United Kingdom, support the view that the indirect gains (the so-called "spin-off") justify expenditure on such a scale. There is no argument on the score of national prestige, which could equally well be used for our undertaking expenditure in a very large number of other fields, e.g. underwater research.

29. The argument in favour is that the use of space, particularly for communications, is something in which the United Kingdom does have a substantial interest; that in international discussions relating to the use of space it is of value to us that our international status should be supported by technological knowledge; and perhaps, most important of all, that space is a field where developments may falsify predictions and where therefore it may be worth while to expend some resources in order to maintain a place. Moreover, unless we are able to contribute something to international discussion in this field, other nations may be unwilling to make available to us their knowledge and we might lose access to information which might prove to be of importance to us.
30. The question to be decided is the size and nature of our space programme. It is common ground that we should continue the scientific space research programme, rising from £3 million in 1965-66 to £6 million a year by 1968-69; and that we should continue our contribution to the Interim Committee on Satellite Communications (£1½ million a year).

31. There are two questions to be decided, the answer to the first having a direct bearing on the second—

(i) whether United Kingdom should continue to support ELDO (cost £12.0 million in 1966-67 and £47.8-56.6 million in the next five years);

(ii) whether United Kingdom should continue a national technological space programme including BLACK ARROW (cost £4.2 million in 1966-67 and £26 million in the next five years) and examine in due course whether we should play a part in any CETS (say, £5.5 million in the next five years).
ELDO

32. Our main difficulties relate to continuing expenditure on ELDO after the end of 1965. The agreed facts are -

(i) Expenditure on ELDO is at present 67 per cent of our total expenditure on space activities.

(ii) The programme is of no interest to our scientific research for even if, contrary to present expectations, ELDO can provide a launcher for ESRO in competition with the United States, this would only justify it as a supplier of equipment and not as a direct contributor to the ESRO programme.

(iii) There would be a diminishing technological interest for the United Kingdom in future programmes if our work consisted solely, as seems likely, in the further development and production of the flight-tested BLUE STREAK. It is possible that a new ELDO programme, using advanced propulsion systems related to a specific launching requirement, could be of technological interest. But the cost of such a programme would be very large, and we should need to negotiate an extension of existing arrangements for sub-contracting the production of BLUE STREAK to our partners to enable us to take a satisfactory share of the worthwhile elements of such a programme. But this might not be possible, for it is unlikely that any of our partners could manufacture BLUE STREAK more cheaply than ourselves, and this would add to the already over-burdened ELDO budget. The continuance of the ELDO programme cannot therefore be justified on technological grounds.

(iv) The minimum rate of economic production of ELDO launchers is three a year, and since there are no firm customers for a total of more than two or three at the most, there can be no financial return, and the economic spin-off seems likely to be all but zero. Indeed the economic arguments are all the other way, as such expenditure ties up resources as well as costing cash.

(v) In considering other customers, it must be borne in mind that on present plans ELDO will never produce a better launcher than the United States. As stated in paragraph 8, an ELDO launcher may need a production subsidy if it is to be competitive in price with its American equivalent.
33. It is agreed that the economic, financial and technological considerations favour our ending the ELDO commitment as soon as is practicable. There is no legal or contractual obstacle to this. No member of ELDO can formally withdraw before 1969, but members are committed to finance the initial programme (ELDO A) only until 31st December, 1965, and any country can end its active participation by refusing to contribute beyond that date. There will be a meeting in mid-December to determine the 1966 budget, and the Government could then define what, if any, financial contribution they would make in that year.

34. The difficulty is not of law but of foreign policy. ELDO was formed in 1962 on United Kingdom initiative, and although the cost estimate for ELDO A has escalated from the original figure of £70 million to £150 million, and the economic and technological arguments are modified accordingly, a withdrawal would appear as a reversal of policy, and a move away from co-operation with Europe. This would occur at a moment when the Government are doing their best to reduce divisions between the Six and the rest. The Foreign Office accordingly attach great weight to the damage which disengagement from ELDO could do to the Government's interests in Europe where it would be seen as an act of bad faith reinforcing the notion of British unreliability, weakening the resolve of the Five to stand up to de Gaulle and encouraging French domination of an inward-looking European technological grouping. They point out that the political odium would be markedly increased if it were to become known that we were embarking on BLACK ARROW; for the other partners would claim that the United Kingdom had benefitted most from the work of ELDO so far, since we had continued to develop and flight-test BLUE STREAK, and that we were now withdrawing in order to carry out a purely national launcher capability. Much may be made of the argument that the combination of a reliable first stage (BLUE STREAK) and a nationally developed upper stage (BLACK ARROW) - already referred to in the British press as a possibility - could produce a national large launcher capability, which the United Kingdom, by withdrawing from ELDO, would have denied to Europe as part of a co-operative enterprise. The Ministry of Aviation, which was the Department in the lead in 1962 and since, have great sympathy with the views of the Foreign Office.

35. It is also important to bear in mind that Australia was encouraged by the British Government to become a founder member of the ELDO and Australia provides facilities for testing the launcher at Woomera in lieu of other subscription towards the costs of the Organisation. Cancellation of further work on the ELDO launcher would deprive the Australian Government of the
financial and other "benefits which they are expecting to obtain from the use of Woomera for testing the launcher. The Commonwealth Relations Office point out that the Australian Government may in consequence ask that the contribution of the British Government towards Woomera should be increased.

36. On the other hand it is recognised that although the difficulties of disengaging from ELDO now appear great, the next stage would be to commit ourselves and the organisation to a programme which had no economic, scientific and technological merits at all commensurate with their cost, with the likelihood that a further occasion would be virtually certain to arise in which we should be confronted with exactly the same situation, more deeply committed and embedded. Whether the political difficulties of withdrawing would be greater than then now, however, is problematical.

37. If other members of ELDO shared our doubts about the economic and technological value of its programme, there would be less difficulty in disengaging ourselves. But the Foreign Office consider that unless we could get a wide measure of formal agreement we should continue our participation, and that the cost of this, particularly in relation to some of the other international organisations to which we subscribe, does not seem to be excessive.

38. The other members of ELDO are unlikely to be as impressed as we are by its economic and technological drawbacks. Barring France, they are technologically less advanced than ourselves and went into ELDO (as did we) with the aim of developing space technology in Europe. Their financial problems are less, since our subscription (38.8 per cent) is much the largest, though the Germans, for example, face a serious budget problem. Any doubts they feel are unlikely to be expressed. This places us in the disagreeable tactical position of having to speak first.

39. In the light of these considerations, the most important decision for Ministers is whether Her Majesty's Government wish to continue to support ELDO or whether they wish to withdraw. The views of Departments, set out in paragraphs 27 to 31, show that on economic, financial and technical grounds, the consensus of opinion is in favour of withdrawal, but the Foreign Office, supported by the Ministry of Aviation, are opposed to such a course for political reasons. If Ministers decide we should continue to support ELDO, we shall seek to renegotiate our share of the costs and to obtain a share of the technically interesting work in the new programme.
to be considered at the ELDO meeting in March, 1966. If on the other hand Ministers decide that we should withdraw, the contractual and political tactics to be adopted will be considered further by officials in the near future with a view to deciding the line to be taken at the forthcoming Council meeting of ELDO on 20th December, 1965, when the 1966 budget for ELDO A has to be decided. In doing this, they will bear in mind that Her Majesty’s Government has stated in the House of Lords that at the March 1966 meeting of ELDO we shall, together with our partners, have to consider the estimates very carefully in relation to the technological advantages to be derived from present and possible future programmes.

Technological Space Programme

40. The issue for decision here is whether the technological space programme (lines 4 and 5 of the Table in paragraph 22), including BLACK ARROW, over and above the scientific and I.C.S.C. programmes, contributes to the objectives in paragraph 29 sufficiently to warrant expenditure of the resources involved.

The Treasury, the Department of Economic Affairs and the Board of Trade remain unconvinced of the economic case in favour of proceeding with the programme, and consider that the size and quality of the scientific space research programme is of some significance in relation to the arguments in paragraph 39. The Post Office too are doubtful if the export market is sufficiently large to justify the expenditure on research and development. The Ministry of Aviation on the other hand favour the programme as the cheapest means of preserving our interest in space technology, and they are supported in this view by the Ministry of Technology.

Conclusion

41. The continued programme of scientific space research and our financial and administrative contribution towards the international system under the Interim Committee on Satellite Communications are not at issue. Ministers are therefore invited to decide:

(i) Whether or not it should be the objective of Government policy to withdraw from ELDO,

(ii) Whether to continue expenditure on basic satellite technology (as indicated in Annex C, paragraph 7) and supporting work.

(iii) Whether to go forward with the BLACK ARROW programme.
Scientific Space Research

1. The term "scientific space research", as used in the United Kingdom, refers to the acquisition of scientific knowledge by observations or experiments depending on the use of sounding rockets or satellites, which have grown from small beginnings in 1957. The Science Research Council are responsible for this work under the general control of the Secretary of State for Education and Science. This includes the award of grants to universities and all administrative matters arising in connection with the scientific space research programme, the formulation and arrangements for the execution of a programme for support of scientific space research, and responsibility for United Kingdom participation in the European Space Research Organisation and United Kingdom co-operation with the National Aeronautics and Space Administration of the U.S.A. and with other national and international governmental space research agencies. The Royal Society is responsible for non-governmental United Kingdom space research activities stemming from the International Council of Scientific Unions and COSPAR.

European Space Research Organisation (ESRO)

2. The ESRO Convention, which entered into force on 21st March, 1964, has been ratified by Belgium, Denmark, France, Germany and the Netherlands, Italy, Spain, Sweden, Switzerland and the United Kingdom. The Convention binds the member states to continue in the organisation for the initial period of eight years (up to 1972) for which they have agreed to contribute total resources of 1,500 million French francs (about £110 million) at 1962 prices. The shares of all the original potential members have been worked out on the basis of their average net national incomes the United Kingdom share being 25 per cent, and that of West Germany and France being 21.5 per cent and 18.2 per cent respectively. On present plans the United Kingdom will have been required to contribute by March 1972 up to £27.5 million at 1962 prices (our contribution in 1965-66 is £1.75 million). By 1970 decisions will have to be taken in the ESRO Council on the level of resources to be made available to the Organisation in the ninth and subsequent years.

3. ESRO has no firm programme for its first eight years. There is a document setting out the very considerable numbers of rockets and satellites, by types, which it is the aim to launch, insofar as this may prove possible within the eight year financial ceiling. It is already known that not all these desired launchings can be afforded and a major review is being undertaken this year. However, it is expected that ESRO will launch perhaps three hundred sounding rockets and about twelve satellites by 1972.

(1) CONFIDENTIAL
4. In July 1965, the ESRO Council agreed, on a recommendation from its Scientific and Technical Committee, to plan its Large Astronomical Satellite (L.A.S.) project on the basis of the present stated parameters of the ELDO launcher (see Appendix B), which assume the use of an equatorial launch site. This decision followed from the fact that although ESRO has never entered into a formal commitment to use ELDO launchers, there has always been an understanding to this effect and Article 12(2) of the ELDO Convention calls for the closest possible co-operation between the two. The ESRO Council recorded that any substantial departure from the parameters of the ELDO launcher, or any important delay in the launch schedule, would exclude its use. This decision is subject to review in two years' time (1968) and there can be no ESRO commitment until after that stage. A decision by ESRO to use the ELDO vehicle would provide ELDO with a specific objective instead of developing a launcher for which there is no identified requirement. But the ESRO requirement, if it materializes, would not exceed one proven ELDO A launcher to the present parameters in 1971-72 and another in 1972-73.

5. On present ELDO plans the ELDO A launcher should be available from 1969 and a steady production of three Blue Streaks per annum is desirable to keep down unit costs. Production for the ESRO requirement would therefore be most economically arranged as part of a programme in which at least two other Blue Streaks were used each year for development work e.g. in connection with ELDO or CETS programmes. No such programmes have as yet been approved nor can such approval yet be assumed, nor can the cost of an ELDO launcher for ESRO be determined at present. The cost of such a launching was estimated in 1964 at £2.85 million on the hypothetical basis of an ELDO programme requiring four Blue Streaks per annum. This estimate excludes the cost of an equatorial launching site (£7-10 million for construction and £1-08 million per year running costs according to French estimates; but these are undoubtedly low) which - failing agreement on ELDO B and/or a CETS programme using ELDO A - would be needed only for ESRO firings; it is in any case currently being re-examined. The price which ESRO might have to pay NASA for an alternative launching using an ATLAS/AGENA rocket has been established as a result of recent ESRO/NASA discussions as of the order of £2.85 million. If fewer ELDO launchings are commissioned, the cost of ELDO vehicles may have to be subsidised to make them competitive in price with their American counterparts, otherwise the ESRO programme would have to be reduced in order to find the extra cost of using ELDO vehicles within the agreed eight-year financial ceiling.
European Launcher Development Organisation

1. The European Launcher Development Organisation (ELDO) was set up in 1962 with as its aim the development and construction of space vehicle launchers and their equipment suitable for peaceful application for supply to eventual users. The organisation consists of the United Kingdom, France, West Germany, Italy, Belgium, the Netherlands and Australia. The United Kingdom made available without charge, all the work it had done prior to November 1961 on the manufacture of BLUE STREAK, which would be useful for satellite launcher purposes (approximate expenditure £67 million). Australia contributed appropriate range and supporting facilities at Woomera and technical co-operation based on scientific experience in conducting trials and assessments. The cost of the initial ELDO programme was estimated to be £70 million spread over five years of which the United Kingdom share was to be 38.8 per cent (£27.3 million). By the end of 1964, ELDO had spent £50 million on its programme, including £21 million in the United Kingdom. In this period the technical contribution by our scientists has been considerable not only as regards the successful development of BLUE STREAK, but also as advisers to the Secretariat of ELDO and to the other participating countries in such matters as guidance and telemetry. This contribution has been recognised by the Europeans and has enhanced the standing of our technologists in other related fields. In addition some political goodwill has been engendered from our participation with the principal members of the Six in a large-scale peaceful technological project. Continuation of work on BLUE STREAK under ELDO has also helped to develop and maintain the facilities that form part of the United Kingdom/Australia joint project at Woomera, where BLUE STREAK has already had three successful firings.

2. It was apparent for some time, however, that the initial estimate of £70 million would be exceeded owing to difficulties in accurate financial estimate in a new technological field, in which several of the partners had no previous experience, nor had any provision been made for general inflationary trends. Accordingly the ELDO Secretariat prepared in 1964 a revised estimate of the cost to completion of the initial programme, which totalled £117.5 million together with the contingency allowance of £25.5 million and an addition of £7 million for economic factors making £150 million in all of which the United Kingdom share is £58.2 million. As we will have contributed £29.6 million up to the end of 1965, this leaves £28.6 million still to be paid if the programme on ELDOA is to be completed. An inter-governmental conference was held in Paris in January 1965 to consider this revised estimate but failed to reach any conclusion because the French made radical proposals to stop work on the current ELDO programme and to proceed with an advanced type of launcher at once. A Working Group was however set up to examine the French and other proposals and to report to the reconvened conference in April 1965.
At this all countries except the French (who reserved their position) accepted the principle that if ELDO was to continue in existence the ELDO B programme was the most desirable objective for the early 1970's and that the initial three-stage ELDO programme (ELDO A) together with the development of an aopgee motor (ELDO A/S) were on technical grounds the best foundation for the ELDO B programme. The cost of this programme is provisionally estimated to be £110 million (ELDO A/S, £25 million; ELDO B1, £85 million) in addition to the amount required to develop ELDO A. No country accepted any financial commitment to this beyond continuing with expenditure on the initial programme during 1965 pending studies on the cost of these future programmes.

3. Since then the ELDO Council has adopted a revised target plan for ELDO A which increased the number of development firings from ten to eleven, as a result of which the development programme will end in April 1969 instead of June 1967. This would still meet the ESRO timetable mentioned in Appendix A (paragraph 4). The Secretariat estimate the increased cost involved at about £14 million, which would reduce the contingency allowance in the £150 million estimate to about £12 million.

4. A further inter-governmental conference will be held in March 1966 at which a firm revised estimate of the cost to completion of the ELDO A programme on the basis of the new target plan would be available. This will enable major policy decisions on the future activities of ELDO to be made. If Ministers take the view that the United Kingdom commitment to ELDO should be terminated as soon as possible it might be necessary to take some preparatory steps to this end somewhat earlier. It is relevant that under the ELDO A programme the principal United Kingdom share of the work is the BLUE STREAK programme but proposals currently under examination and which have wide support from the European members would ensure that each member state can expect in the long run the same proportion of work in relation to its contribution and also equal proportions of interesting work. The continued development and production of BLUE STREAK for future programmes would be of diminishing technological interest to us. If, as we hope to negotiate, our contribution to future ELDO programmes is reduced to about 25 per cent we should have to sub-contract to our partners some of the BLUE STREAK work to enable us to take up our share of the more advanced developments.

5. Assuming our contribution to the future ELDO programme will be 25 per cent, and the provisional estimate of cost of this programme (£10 million) given in paragraph 2 is correct, that the programme for ELDO A is to be completed, that an equatorial launching base is constructed and in operation by 1972 (see Annex A paragraphs 4 and 5) then, together with Secretariat and range rental costs totalling £2.5 million, our total commitment to ELDO in the next seven years (1966-72) will be £81.1 million (£32.5 million for the future programme, plus £28.6 million outstanding for ELDO A). This implies an average yearly outlay of some £11.4 million over this period. On the other hand, if our contribution remains at 38.8 per cent, the expenditure would be £10.9 million per year.
United Kingdom Technological Space Programme

1. British work in the satellite field began late in 1959 when the Royal Aircraft Establishment (R.A.E.) began to study design and technological problems. From early in 1960 some very modest extramural support (about £60,000 a year) was also provided. The R.A.E. studies embraced several possible projects, and by 1961 a design study of an astronomical satellite had been completed as well as, in conjunction with the Post Office, a design study of a civil communications satellite system. In 1962 the R.A.E. began intramural studies on four Staff Targets for military space systems, and reported on these in the following year. In 1963 two preliminary design studies of scientific satellites were carried out on repayment terms for the European Space Research Committee (ESRO), and a project study was also completed of communication satellite systems (military as well as civil) in which work to the value of about £200,000 was carried out by industry. Work is now nearing completion on a subsequent project study for a limited British Defence Satellite Communications System to a Staff Requirement of the Ministry of Defence, and for this study about £100,000 of work will be carried out by industry. It does not follow that the United Kingdom will necessarily establish an independent military communications satellite system; the most likely outcome at present is participation in an American system using American satellites and launchers but with British ground stations at our own terminals.

2. In 1963 a start was made in industry on a programme of research and development concerning the basic elements in satellite technology. Such technology involves knowledge of such items as the development of solar cells for satellite power supplies, the effect of space environment on electronic components, mechanical devices and on materials, and the development of attitude sensing and control systems which are essential for the design of any satellite. The programme consists of a series of relatively small projects and studies, some of which extend over two or more years. The total expenditure so far authorised is £650,000 and this will soon be wholly committed. In order to support a civil or military space programme the satellite studies would have to be continued over a period of years at a level of about £500,000 a year.

3. The commencement of a basic satellite technology programme was a prerequisite to the provision by the Ministry of Aviation of the scientific satellite U.K.3 which will be launched free by the Americans (NASA) as part of the British scientific space research programme. This project, on which work began effectively on 1st January, 1964, is estimated to cost £1,100,000 and is due for completion by the end of 1966. As the first satellite to be designed and built entirely in Britain it has significance beyond its immediate scientific purpose. This practical experience of building a satellite complements the basic satellite technology programme in establishing a
British industrial capability in this field of work. As a result, a British firm, in the face of intense European competition, has won the contract for the first ESRO satellite and another British firm was third on the short list. We did not compete for the second ESRO satellite but a British firm was second on the short list for the third. The costs of U.K.3, though not those of the supporting technological programmes, are a charge to the scientific space research programme described in paragraph 1 of Annex A.

4. Besides the programmes described above, the Ministry of Aviation commenced studies in 1954 on the development of a small satellite launching vehicle (S.S.T.) BLACK ARROW. The proposed programmes for the development and utilisation of BLACK ARROW and for the continued research into basic satellite technology are planned together as a single integrated and self-contained project within the national space programme. The purpose of the small satellite launcher would be to provide British industry and British scientists with a research facility which would on the one hand enable the carrying out, in actual space conditions of the experiments which are absolutely necessary to test the functioning of satellite and satellite components and on the other enable direct experience to be gained of the problems of injecting satellites into prescribed orbits and controlling them there.

5. For these purposes it is desirable, in the view of the Ministry of Aviation, not only to have a launcher costing much less than ELDO A or its American equivalent, but also to have one wholly under United Kingdom national control. This would, they suggest, enable the United Kingdom to make a fully effective technical contribution to international space programmes and also strengthen our influence in the work of international bodies such as ELDO, ESRO and ICSC (see Appendix D).

6. The complete development programme for a three-stage satellite launcher vehicle, which would be capable of placing a 200 lb. payload into a 300 n.m. polar orbit from Kourou would comprise:

(a) the development of the launch vehicle;
(b) the development of suitable test satellites; and
(c) the provision of the necessary tracking and data handling facilities.
The following table shows the estimated costs for the above programme as they might fall on the Ministry of Aviation Vote over the next ten years for the development and subsequent utilisation of Black Arrow and the essential basic satellite technology programme.

<table>
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<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>(i) Black Arrow</td>
<td>0.96</td>
<td>1.95</td>
<td>2.34</td>
<td>2.10</td>
<td>1.40</td>
<td>0.75</td>
<td>-</td>
<td>9.50</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Basic satellite technology</td>
<td>0.50</td>
<td>0.40</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>2.0</td>
<td>4.90</td>
</tr>
<tr>
<td>(iii) Black Arrow</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.90</td>
<td>1.60</td>
<td>2.75</td>
<td>14.0</td>
<td>19.25</td>
</tr>
<tr>
<td>utilisation - up to 3 launchings a year with satellites</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv) Intramural</td>
<td>0.34</td>
<td>0.65</td>
<td>0.80</td>
<td>0.80</td>
<td>0.80</td>
<td>0.80</td>
<td>3.20</td>
<td>7.99</td>
</tr>
<tr>
<td>comprehensive costs in support of above extramural work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.40</td>
<td>3.00</td>
<td>3.64</td>
<td>4.30</td>
<td>4.30</td>
<td>4.80</td>
<td>19.20</td>
<td>41.64</td>
</tr>
</tbody>
</table>

Note 1: A provisional estimate of the annual cost of 3 Black Arrow launchings, with the satellites, tracking and data reduction services is £3.5 million made up as follows:

<table>
<thead>
<tr>
<th></th>
<th>£m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launchings</td>
<td>2.5</td>
</tr>
<tr>
<td>Tracking, data reduction etc.</td>
<td>1.0</td>
</tr>
<tr>
<td>Satellites</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.5 million</td>
</tr>
</tbody>
</table>

The main table above assumes that expenditure would build up to this rate by 1970-72 as the development phase came to an end.

Note 2: The Bondi committee gave a figure of £5 million per annum for the total above; this appears to have been rounded up from the same basic figures.

Note 3: The intramural costs (iv) include £0.35 million rising to £0.50 million on intramural basic satellite technology (ii).
8. It should be stressed that the figures given in paragraph 7 are for the S.S.L. programme alone, which although allowing us to test the components destined for larger satellites (e.g. communications satellites), does not permit complete development of such satellites themselves. For this purpose, the Bondi Committee estimated that £8.5 million was required excluding launchings and ground stations. A minimum programme to include two launchings by ELDO-A or an American equivalent is estimated to cost £215 million in all over five years. For comparison, the United Kingdom share of a joint European programme for satellite development (including three launchings by ELDO-A or two double launchings by American launchers) would cost £5.5 million; and the creation of an adequate technological base without co-operation or launching about £5.0 million (both over five years).
Satellite Communications

1. Her Majesty's Government's policy regarding communication satellites was stated in Parliament in February, 1964, in the following terms -

"The Government's objective is the creation of a world system of satellite communications, in partnership with the United States, the Commonwealth, European and other countries, on conditions which will give countries investing in the system a share in settling its design and character, and in its management and control, and the opportunity to provide some of the equipment."

2. During 1963, the United Kingdom, France and a number of European countries established the European Conference of Satellite Communications (CETS see Appendix B). In 1964, formal negotiations began with the United States, Canada, Australia and Japan which led to the drawing up of two Interim Agreements covering the establishment of a global satellite system, under an Interim Committee on Satellite Communications (ICSC).

The Interim Agreements

3. The first Agreement was between governments; it set out general objectives in the field of satellite communications and the conditions to be applied, and it established interim arrangements for a global satellite system. The second was an operating Agreement between telecommunication entities, i.e., one covering financial and technical provisions. The Agreements are designedly of an interim character intended to cover the first five years or so. The intention is that they will be superseded by definitive arrangements not later than the 1st January 1970, the character of those arrangements to be determined in the light of experience. The original United Kingdom share of the total estimated costs of the global system was 8.4 per cent, or about £6.0 million spread over a period of about five years but this has been reduced as more countries have entered the Agreement and now stands at 7.74 per cent. Payments are made from the Post Office Fund, and the financial return are related to the percentage subscribed, made out of profits which the ICSC will make by leasing circuits in the space segment to telecommunication entities.

4. The inter-governmental Agreement provides that when proposals or tenders for equipment for the satellite system are comparable in quality, price and timely performance, the Interim Committee shall seek to ensure that contracts are distributed between States in approximate proportion to their respective contributions to the costs of the system. Because of the long lead which the U.S.A. has in satellite technology, it must be accepted that much of the initial equipment will be of American origin. And indeed,
her predominant financial share (originally 61.0 per cent; now 56.24 per cent) will ensure that a larger proportion of the equipment for the later stages will also be American. It should be realised, however, that it is unlikely that any European launcher will be able to compete with those produced by the U.S.A., and thus the latter country will have to supply the bulk, if not all, the launchers required for the system. Since launchers are the most expensive component, it follows that they will account for the major part of the U.S.A. share of the contracts. On the assumption that tenders are at least comparable in terms of price, quality and delivery date there will be a proportionately higher share of the satellite market for other advanced countries.

5. The launch in April 1965 and subsequent operation of the first experimental (Early Bird) satellite for the I.C.S.C. has been most successful and has greatly increased confidence in the use of synchronous satellites for communications purposes though this cannot be conclusively judged until the end of 1965 when the acceptability of this type of satellite to telephone users will have been properly assessed. In the meantime, the I.C.S.C. is now on the point of agreeing the specification for a satellite which can be used at either synchronous or medium altitude and it is probable that orders will be placed early in 1966 for such satellites to be delivered in 1967 and early 1968. As mentioned in Appendix B, paragraph 3, there appears to be little prospect that ELDO will have developed the capability to put a synchronous satellite into orbit before 1970, and the annual I.C.S.C. requirement for launchers after the initial period in which the global system is established will be low. This limits the use of the ELDO launcher, even if competitive with the U.S.A. equivalents, to the putting into orbit of occasional replacement satellites. This also places on CETS the requirement to show that their programme will give Europe the ability to produce at least as good satellites as can the United States at some given date in the future.

6. The establishment of the basic-phase global system is expected to require between 6 and 24 satellites, depending on the orbit chosen and the capacity provided. The required average life is five years, so the average rate of replacement will be between 1 and 5 satellites per annum. On present estimates the basic-phase communication-satellite system will provide sufficient capacity up to about 1975, and further capacity may be provided either by the construction of an additional sub-system or by additions of extra satellites or by replacements of the original satellites by ones of larger capacity.
7. The estimated cost of each satellite for the basic-phase system is between £0.5 million and £1.0 million depending on the number required, and thus the cost of the basic system is likely to lie between £6 million and £24 million with an annual replacement cost of £1 million to £5 million. Although our present basic share is 7.74% it could be optimistically argued that the United Kingdom might obtain as much as 25% of the satellite orders if a strong lead in competitiveness can be established. Thus the total satellite market that might become available to the United Kingdom for civil purposes in the period up to 1975 can be estimated to fall within the following ranges -

<table>
<thead>
<tr>
<th>Remarks</th>
<th>7.74% share</th>
<th>25% share</th>
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<tbody>
<tr>
<td>Basic-phase system</td>
<td>0.46-1.85</td>
<td>1.5-6.0</td>
</tr>
<tr>
<td>Order likely to be placed early in 1966.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom can only hope for minor sub-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>contracts at that date.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replacement over ten years of satellites in</td>
<td>0.77-3.9</td>
<td>2.5-12.5</td>
</tr>
<tr>
<td>basic-phase system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£1.0m.-£5.0 m. per year</td>
<td></td>
<td></td>
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<tr>
<td>Assumes additional sub-system completed in</td>
<td></td>
<td></td>
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<tr>
<td>1972 and includes three years' replacements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional requirements if growth is to be</td>
<td>0.46-1.85</td>
<td>1.5-6.0</td>
</tr>
<tr>
<td>met by provision of an additional sub-system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£6m.-£24m.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional requirement if growth is to be</td>
<td>0.03-0.77</td>
<td>0.25-2.5</td>
</tr>
<tr>
<td>met by providing more satellites or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>replacing original ones by others with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>greater capacity £1m.-£10m.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>These figures are particularly speculative.</td>
<td></td>
<td></td>
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<tr>
<td>Technical developments might well provide</td>
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<td></td>
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<tr>
<td>increased capacity without extra expenditure.</td>
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</table>

8. It is likely that by 1970 some 35 earth stations will have been constructed, of which it is probable that at least 10 will be in Europe, North America and Japan and will be constructed by the countries in which they are placed including the United Kingdom. The remaining 25 might be open to international competition; if the system used geo-stationary satellites perhaps up to 6 of the latter would have two aerials and cost some £3.0 million each; the remainder would cost perhaps half as much making the total market some £4.5 million; if the system used moving satellites the cost might be up to £90 million. A further 35 stations will probably be required by 1975, but no estimate of their cost can be made at the present time. Development and construction of earth stations is at an advanced state in the United Kingdom and the full design
information is available to British industry; in fact, a British firm has already obtained a contract for the small capacity earth station which is to be erected in Ascension Island in 1966. On the other hand, British industry failed by a wide margin to secure the order for a similar station in Australia which went to an American firm. Moreover, there are indications of a tendency to link orders for earth station with aid programmes. However, the Ascension Island contract indicates that it is not necessary for the United Kingdom to manufacture satellites in order to be able to compete in the ground station market. On the very optimistic assumption that we could obtain up to 25 per cent of the contracts, the United Kingdom's share of the market would be £11.5 or £22.5 million depending on the type of satellite system employed.

9. It can be seen that on the most optimistic forecasts our total share of the market over ten years is likely to be not more than £70 million, and may be very much less if United Kingdom industry is unable to make its performance and price highly competitive.
European Conference on Satellite Communications (CETS) - European Research and Development Programmes

1. The objective of the CETS programmes (MISC. 31/1, paragraph 85) is to establish in Europe a capability for the supply of equipment to the global satellite communications system. The original estimate of the total cost of the programmes up to 1970 was thought to be of the order of £16 million but has since been provisionally increased to £22 million, of which our share, should we decide to enter into Agreement, would be about £5.9 million (251). The Space Technology Committee of CETS has produced outline proposals for the co-ordinated development of an experimental satellite, and sufficient information on all aspects of a CETS development programme should be available in time for the CETS plenary session to take decisions on it early in 1966.

2. Although the United Kingdom has taken the view that we cannot commit ourselves to a programme of work until we have decided upon the extent of our commitment to ELDO, we have participated in discussions on co-ordinated programmes in order to avoid undue delay, and in these discussions we have been assisted by the work we have undertaken at our own expense on theoretical communications satellite studies and early work on basic satellite technology without any specific communications applications (Appendix C). In view of the rapid developments mentioned in paragraph 5 of Annex D it now seems unlikely that CETS can achieve its original aim of developing a European satellite which could compete in time and price with the latest American designs, particularly as on the most optimistic forecasts Europe could not have its experimental satellite operational until the early 1970s and could at best hope to obtain only very small orders after that time. It may therefore be better to concentrate on the creation of an adequate technological base, which would enable European firms or consortia to compete or collaborate with American firms for particular aspects of a communications system. We are now attempting to establish informally how far our CETS partners hold this view. In the light of their reactions we shall have to consider whether and by what means we should seek to have it formally accepted by CETS.

3. The extent to which our partners are willing to reassess CETS original development policy will be an important factor in determining our reaction to the development proposals which are now being prepared for a jointly-financed CETS programme. Other relevant factors are the future of ELDO, the advantages of bilateral technological co-operation against the multilateral CETS proposals, the scope, cost and likely outcome of these proposals and the possibility that the supply of equipment will be met through tendering by international consortia of aero-space and electronic firms.
A draft White Paper on the Scottish Economy is circulated here-with for the information of my colleagues, in accordance with the decision of the Ministerial Committee on Economic Development at their meeting on 6th December. The size of the forestry planting programme, which was the only point of detail then outstanding, has since been settled, and this is now dealt with in paragraph 119 of Chapter VI.

2. The final text cannot be settled until Ministers have reached decisions on the scheme for investment grants, due to be announced on 1st January. The most vital aspect of that scheme in the present context is the provision of locational industrial inducements in some form throughout the whole of Scotland except Edinburgh, an aspect which has - as I understand it - not been at issue. It would suffice for my purpose to be able to say in my White Paper that the Government have decided on an extension of development areas, comprehending this without specifying the precise form the inducements will in future take.

3. In any case I will ensure that the changes necessary in the present draft are agreed with the Ministers concerned. They affect largely Chapter V (dealing with industry), which is the reason why this Chapter is not yet in proof form. Other passages which will need adjustment are noted in the annex to this paper; and I intend to recast the Introduction in a more personal form.

4. I am informed by the Stationery Office that, owing to the delay in finalising the passages involving reference to investment grants and the security measures which must be observed in setting these up before 1st January, publication before 13th January is impracticable. This is the very latest date I can accept, and I invite my colleagues to assist in ensuring that all necessary steps are taken to achieve this date.

W.R.

15th December, 1965

Scottish Office, S.W.1.

14th December, 1965
## ANNEX

Passages to be adjusted to take account of decisions on investment grants

### Summary:
- Page VII Paragraph 5
- Page VIII Paragraph 10
- Page IX Paragraph 11
- Page IX Paragraph 12

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<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
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<tr>
<td>VII</td>
<td>36</td>
<td>123</td>
<td>6 and 7</td>
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<td>IX</td>
<td>52</td>
<td>186</td>
<td>4-6</td>
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<td>IX</td>
<td>54</td>
<td>197</td>
<td>3-5</td>
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<tr>
<td>IX</td>
<td>55/56</td>
<td>207</td>
<td>1 and 2</td>
</tr>
<tr>
<td>X</td>
<td>60</td>
<td>225</td>
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<td>X</td>
<td>62</td>
<td>235</td>
<td>2-4</td>
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<tr>
<td>X</td>
<td>63</td>
<td>242</td>
<td>10-12</td>
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</table>
CHAPTER V
MANUFACTURING INDUSTRY

1. Manufacturing industry has a key role to play in Scotland's economic plan. Manufacturing industry in Scotland achieved the national average rate of growth of output during 1960/64 and exceeded it in 1963/64. Output per head has risen faster in Scotland both in 1954-60 and in 1960-64 than in Great Britain as a whole. It is essential if the objectives for the future are to be realized that recent rates of growth be not only sustained but increased.

2. For the period to 1970 the projections in Table A of Chapter II set as an objective for manufacturing industry a rate of growth in output of 4.6 per cent per annum, with but a relatively small net increase in employment of 0.6 per cent per annum; both rates slightly higher than for the United Kingdom as a whole. Manufacturing output could thus rise in total by 31 per cent over the whole period and employment by 25,000 people (after taking account of declines in employment in the contracting sectors of industry). As in the Plan for the United Kingdom progress in Scotland's manufacturing industry, even with fewer emigrants and higher participation rates, must rest for much the greater part on a further rise in productivity which will depend largely on a high rate of investment in plant and buildings. The objective is to achieve a rate of no less than 4.0 per cent, again a higher target than for the country as a whole.

3. The way ahead for manufacturing industry in Scotland is achievable in the context of the Government's measures, as stated in the National Plan, to secure the rate of growth needed in the United Kingdom's output and exports. There is a sound basis for confidence not only in the recently improved rate of advance in the output, employment and productivity of Scottish manufacturing industry but in the prevailing changes in its character and structure, and in the radical improvement being made to the infrastructure in Scotland.

Changing Character and Structure

4. The earlier chapters of this plan have illustrated some of the broad changes in the disposition of Scotland's manufacturing industry in terms of output and employment in broad industry groups. But these outward changes reflect more fundamental ones in its character and structure which have been gathering momentum.

5. The most significant change which has been taking place has been the lessening relative role of many of the older sectors of Scottish industry and the development of many new industries. While the rapidly growing sector already established may not advance so quickly as in the period when many of its members were building up for the first time in Scotland, more new firms are entering Scotland under the Government's policies. There is good reason to believe that the expanding elements of both established and new industries will exert the predominant influence between now and 1970.
Management, Productivity and Efficiency

6. The steady integration of industry in Scotland with larger groups and firms both outside and inside the United Kingdom means that a large part of the Scottish industry can now draw on the resources of groups operating on a national and international scale. Scottish industry is now less self-contained than formerly and is to an increasing extent part of a wider industrial scene. This is being accentuated by the tendency towards large scale production which necessitates Scottish manufacturers securing materials and components from specialist suppliers wherever they may be. These developments do not preclude the possibility of the growth of component suppliers in Scotland to meet the needs of major users in this country but such developments will have to be economic and capable of meeting the challenge of competition from elsewhere.

7. The economies of manpower which have resulted from the modernisation of Scottish manufacture have brought many human problems of re-deployment. But these economies have also helped to strengthen Scottish industry in fiercely competitive markets. This process cannot be stopped. It is the essential means of transferring human and physical resources to new tasks, new products and new markets.

8. The changes in the structure of manufacture in Scotland may be less drastic between now and 1970 but they are bound to continue as technological change is inevitable. While management in Scottish industry has to a great extent adapted itself to the changed conditions the need is for management to look ahead and evolve still more progressive policies; to undertake research and development into new products; to utilise the growing volume of expert services available from industry and Government; to augment the use of computer services and new office techniques.

9. Evidence of rising productivity has a special importance for Scotland. In the final analysis it must provide the confidence for industry from elsewhere to expand into Scotland on the scale required to maximise the use of Scotland's labour resources and reduce the drift away of Scotland's manpower and womanpower. And it will fulfil the objective of the National Economic Plan to use the extra labour resources in the less developed regions in the most productive way.

Changes in Facilities and Locations

10. The facilities and locational opportunities for manufacturing in Scotland are also being recast on a significant scale. In the next five years manufacturers will be operating with a main road, main port, and main rail network progressively improved by schemes outlined elsewhere in this Plan. A major new internal airport is being created at Abbotsinch and air services are developing rapidly. River and water supplies are being planned to match the growth expected in industrial output, and these, together with the wide range of new educational and training measures are described in other chapters.

11. The growth in manufacturing output envisaged will call for the development of new industrial areas. Important new sub-centres of industry have already been established in the four Scottish New Towns, and on Board of Trade and local authority industrial estates, e.g., at Newhouse, Dornbirnie and Irvine. Others are at an earlier stage in Falkirk and Bellshill, as yet these developments have not materially altered the basic distribution
of the industrial population but there are clear indications that this is changing. Glasgow's share of manufacturing employment has fallen and many other areas have increased their share, e.g. North Lanarkshire, Cumbernauld, Kilmarnock, Dundee, Fife, Dumfries and both the Highlands and the Borders.

12. In achieving the growth in manufacturing output required by 1970, a progressive increase is needed in the mobility of the manufacturing labour force and in the provision of housing to assist industrial expansion. These matters are discussed in the Chapters on Labour and Housing.

Distribution of Industry Measures

13. The Government has intensified measures to ensure a better distribution of industry throughout the U.K. and the Development Districts in Scotland are among the principal areas where industry will be encouraged to settle. The control of industrial development certificates has been made more stringent in areas of severe labour shortage and congestion. New legislation has been passed and has already been applied to control office development in the London and Birmingham areas. Plans have been announced to introduce building licensing other than for industrial building and housing, but the development districts will be exempted. In Scotland these districts now cover more than 70 per cent of Scotland's insured employees and more than 85 per cent of the wholly unemployed.

14. To assist industry in Scottish Development Districts financial assistance has been given on a liberal scale. The provision of advance factories by the Board of Trade which are a valuable inducement to industry to settle in Development Districts has been stepped up. More land is being acquired in Scotland to accommodate Board of Trade factories. In the past four years the Board of Trade land holding in Scotland has increased from 1,576 acres to the present 1,830 acres and current action will raise this total to nearly 2,100 acres.

15. New towns and local authorities in Scotland are now playing a major part in the public provision of modern factory space — often in the form of advance factories. While not all this space is taken by industry new to Scotland, a substantial proportion has been in recent years. These activities continue to form a most useful inducement to industry.

16. The attraction of new industry in Scotland in recent years has been a most powerful force in diversifying industry in Scotland. In the five and a half years to mid-1965 more new companies were attracted into Scotland than in the fifteen years from 1945 to 1959 - 141 compared to 127. So far during 1965 /thirty-eight/ new companies have decided to set up in Scotland /position at end September/ compared to thirty-five in the whole of last year. /The latest figures of new projects, i.d.c's etc., will be introduced just before the paper finally goes to press./

17. The availability in the Development Districts of extensive measures of financial assistance under the Local Employment Acts and also the "free depreciation" provisions for new industrial plant and machinery introduced in the Finance Act 1963 have undoubtedly been of benefit to Scotland. Firms which have come to Scotland have found their financial problems eased and firms already in Scotland, encouraged especially by the standard grants and the free depreciation provisions have been encouraged to undertake expansions on a scale and with a speed which might otherwise have been impracticable.
Exports

18. Scotland depends for her standard of living, equally with the rest of the United Kingdom, on exports. There are no official figures of Scottish exports but there is good reason to believe that these are fully proportionate to Scotland’s share of industrial output. The National Plan indicates the need for a rate of growth in exports of 5½ per cent a year up to 1970. With the more than proportionate part that Scotland must play in raising national output, exports of goods manufactured in Scotland will need to grow at at least the United Kingdom rate.

19. Scotland’s export contribution goes far beyond the startling performance of commonly known exports such as whisky and knitwear and embraces a wide range of chemicals, plant and machinery, vehicles and engines, textiles, foodstuffs and many other products. There has been a steady growth of export activity by Scottish organisations, notably in overseas trade missions, organised by Scottish Chambers of Commerce, the Scottish Council (Development and Industry) and other export groups in Scotland. Given a growth in world trade Scottish exports should expand and contribute a fully proportionate part to the growth required by the National Plan.

Prospects and Future Action

20. To achieve a growth in manufacturing output in Scotland of 4.6 per cent a year to 1970 will call for increases in output over a wide range of industry in Scotland, established and new. Preliminary studies made by the Scottish Economic Planning Board in mechanical engineering, electronics, domestic electrical appliances, business machines and carpets together with information gained from industry, in the course of regional investigations, strongly suggest that the overall target can be met. Two basic established manufacturing industries call for special comment.

Iron and Steel

21. The major development in Scotland in recent years has been the completion in 1964 of the strip mill scheme. Other developments have included modifications to a heavy section mill for the rolling of universal beams, the installation of a 4-high 10 ft. plate mill and the modernization of works for the production of high carbon and alloy quality billets. At another plant a new tube mill has been extensively reconstructed and was re-opened in September, 1964; the range of products has been extended and tubes can be produced not only for the oil industry but for gas undertakings and users of circular and rectangular section steel tubes. As a result of these developments the Scottish steel industry is now highly diversified and can produce a wide range of heavy and light rolled steel products as well as forgings and castings.

22. The production of crude steel and pig iron in Scotland fell from peak figures of 2.7 million tons and 1.3 million tons respectively in 1960 to 1.895 million tons and .866 million tons in 1962. Following the improvement in economic activity, production rose to record levels in 1964* of 2.974 million tons of crude steel and 1.540 million tons of pig iron and has been running at even higher rates during the first six months of 1965 when output of crude steel and pig iron was 4.6 million tons and 2.577 million tons respectively.

*Statistically, a 53 week year.
steel reached 1.631 million tons (against 1.45 million tons in 1964); the output of pig iron was 0.843 million tons against 0.761 million tons in 1964. Crude steel capacity utilisation during the first half of 1965 was 80 per cent.

23. The Iron and Steel Board, in agreement with the British Iron and Steel Federation, the Joint Iron Council and the Trade Unions, estimated in February, 1965, that the home production requirement of crude steel in the United Kingdom in 1970 would be 29.5 million tons. The United Kingdom National Plan now envisages a slightly higher figure of 30.75 million tons. Scotland's share was assessed at 12 per cent of this total or 3.54 million tons. The Board estimated that in Scotland the numbers employed in the industry would decline slightly from 31,1 thousands in 1964 to 29,6 thousands in 1970.

24. The increase in output per man-year for the United Kingdom as a whole from 1960 to 1964 was 1.5 per cent per annum; the estimate for 1964 to 1970 has been put at 2.8 per cent per annum. Increases in labour productivity in recent years have come about primarily as a result of technological changes and the concentration of production in larger more modern plants. The estimate for 1970 has been based on the assumption that savings in manpower will continue for these reasons.

25. The Iron and Steel Board fuel that any expansion of capacity that may be required to meet production requirements at least up to the early 1970s can be provided at existing works, without recourse to new green-field sites with the attendant heavy capital expenditure.

Shipbuilding

26. At the end of September 1965 there were 3.1 million gross tons of merchant ships on order and under construction in the United Kingdom; of this figure about 870,000 gross tons were at Scottish yards which have about a third of the country's shipbuilding capacity. Some 900,000 tons of orders were placed in the financial year 1963/64 under the Shipbuilding Credit Scheme of which 340,000 tons were placed with Scottish yards. The industry in Scotland is well engaged at present and most yards have work which will carry them forward into 1967, including the new Cunarder at Clydebank which will be financed largely by a Government loan under the credit scheme.

27. Nevertheless the Scottish industry, like the United Kingdom industry as a whole, faces substantial problems arising essentially from fierce international competition. Scotland's share of the nation's output of ships has been falling (from 39 per cent in the first few years after the war to 36 per cent in 1960 to 1964). Several Scottish yards have already closed. Much unremunerative business has been taken. Most of the yards are on restricted sites where expansion to facilitate the building of the largest vessels is difficult. The recent revival of the industry which has brought valuable new export business, is being impeded by shortage of skilled labour which left the industry when the total labour force declined sharply after 1958, and found other employment. In these circumstances the industry has been vulnerable on a number of counts and a Receiver has had to be appointed for one major yard which faced acute financial difficulties. Nevertheless the industry in Scotland remains one of the world's prime sources of ships, a reservoir of experience and talent. A measure of concentration has already been under way; and an imaginative scheme to create a large new shipyard is under study.

28. The United Kingdom industry is at present being reviewed by an independent Committee of Inquiry appointed by the Government to recommend what
action is necessary by management, labour and the Government to make the shipbuilding industry competitive in world markets. The Committee is expected to report next year. The future course of the industry up to 1970 cannot be clearly foreseen and much may depend on action arising from the report of the Committee of Inquiry. It seems unlikely however that the industry’s labour force in 1970 will be larger than it is now.

Rural Industry

29. The operation of the Government’s distribution of industry policy by the Board of Trade and the measures of financial assistance available under the Local Employment Acts have been of considerable assistance to industry in the rural areas and country towns in Development Districts. The financial assistance provided by the Highland Fund (with Treasury assistance) in the Highlands and Islands has also greatly benefited small enterprises in these areas. There are however specific problems involved in maintaining and assisting industry in the more scattered communities. Experience has shown that an advisory and training service is of the greatest value in assisting small enterprises in areas distant from urban centres.

30. In the Highlands and Islands the Highland Development Board with the powers available to it should be able to encourage the development and expansion of small industries and provide the necessary advice and help. For the rest the need for considerable strengthening of the advisory services provided by Scottish Country Industries Development Trust has already been recognised, and the Trust is now in process of re-organisation. Greater emphasis is being placed on business management, accountancy, technical and marketing advice. At the same time, the procedures for providing assistance from Rural Industries Loan Fund have been reviewed. This should make it easier for the small business men.

Technological Development

31. Changes in the industrial structure of Scotland of the kind described in this and earlier chapters will themselves bring and are bringing a rise in industrial efficiency but further expansion and more rapid growth in industry will depend to a very great extent on strengthening the technological base of the Scottish industrial effort. One of the outstanding features of rapid growth industries is their ability to innovate and to make use of the results of scientific research and development. Science-based firms have this capacity 'built in' but equally important results can be achieved in any sector of industry where a positive policy of product and process improvement is pursued and supported with adequate design and development capacity. A greater emphasis on the speeding up of technological innovation could contribute directly and powerfully to self-generating growth in existing Scottish industry.

32. Direct Government spending represents a large proportion of national expenditure on research and development and in this and other ways, the Government exercises considerable influence on the character, spread and pace of industrial research. The location of Government or other public authority research establishments can have a stimulating effect on economic activity in particular areas – the establishment of the National Engineering Laboratory at East Kilbride and the Atomic Energy Authority’s Station at Dounreay - but the impact of these establishments on technological development on industry in Scotland has been disappointing though both establishments have made important contributions to technological development in other parts of the
United Kingdom. It is generally accepted that Government sponsorship of
development contracts has a more direct effect on technological growth in
particular industries. The principal directing agency for civil development
contracts is the Ministry of Technology and it is accepted Government policy
that, in the course of its general function of guiding and stimulating national
industrial research and development, the Ministry will seek to support projects
which can contribute specially to regional industrial growth. Indeed it is
a particular task of the Ministry's strengthened regional organisation to be
on the lookout for promising projects for development contracts. But
Government readiness to invest in promising projects of this kind must be
matched by initiative from private industry in seeking out the ideas for
technical advances and taking them to the point at which the case for public
support can be effectively examined. Only firms which have the capacity to
undertake development work can be considered for such contracts. Techno­
logical development requires at the minimum a design and development staff and
may necessitate the co-operative effort of academic, Government and industrial
research and development laboratories to produce the desired results. The
Ministry of Technology is anxious to stimulate co-operation of this kind, for
which there is ample scope in Scotland. An outstanding example is the
research and development project initiated by a Scottish industrial firm in
association with the Atomic Energy Authority, on the multi-stage flash
distillation process of desalination.

33. There is a small but steadily growing list of firms, many of them
household names, whose complement of graduates and other technologically
qualified staff engaged on research and development work is impressive.
Nevertheless, in spite of this growth, the evidence is that the present
deployment of scientific and technological manpower in Scottish industry
compares unfavourably, in some cases very markedly so, with the corresponding
figures for England and Wales. This is clearly brought out in Table [ ].
As is shown in Chapter XII, this is not a reflection of a shortage of scientists
and technologists qualifying in Scotland: a very high proportion of those who
do so qualify make their way to England and elsewhere for employment. But it
is a reflection of lack of opportunities and career prospects in Scotland for
qualified people both in production and industrial research.

34. Against this background, the Planning Council have set themselves
the task of stimulating the interest of manufacturing industry in modernisation
and innovation. To an important extent, this is a process of encouraging the
application of existing know-how, of making fuller use of existing facilities
wherever they may be located but particularly local facilities such as the
National Engineering Laboratory. The appointment by the Ministry of
Technology of a Senior Regional Officer in Scotland and the Industrial
Liaison Officers appointed by the University of Strathclyde and the Central
Institutions clearly reflect Government interest in this field. But if
industry in Scotland is to be fully competitive in home and world markets,
and keep up with technological advance there can be no doubt it must employ a
larger percentage of qualified men in product and process development and
vigorously pursue innovation. The Council is examining particular fields in
which further significant developments are possible. For example, the
National Engineering Laboratory is in the process of building up a major
effort in the application of numerical control to manufacturing processes and
in the use of computers to assist design - new techniques of immense potential.
In the Council's view, there is now a real opportunity to harness the resources of
particular sections of Scottish industry to research and development pro­
grammes undertaken both by the Government research establishments and
universities.
35. The Council stresses the key factor of the involvement of private industry in the processes of technological advancement. The full value of progress in scientific research will not be realised and the conversion of the results of research into more efficient processes, new products and higher production and sales will not be accomplished without the full participation of industry itself. The industries in Scotland which could make major contributions to economic growth are readily identifiable – chemicals, electronics, machine tools and electrical and mechanical engineering are all in this group – and within these broad categories, an attempt will be made to define specific areas in which industrial research and development could be expected to achieve special prominence. There will certainly be new markets to challenge us: bio-engineering, computer science, the whole field of electronically-supported mechanical engineering, building materials, electricity supply and plastics are examples of fields which may hold exciting possibilities for modern Scottish industry. The gradual evolution of a new pattern of science-based and technically advanced industry is possible and Scotland may be well placed now to achieve again the prominence that was earned in an earlier industrial revolution by native skill and ingenuity.
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Introduction

1. The commitment to a planned expansion of the National Economy and a 25 per cent increase in national output by 1970; the decision to improve the arrangements for providing incentives for industrial investment; and the substantial increase made in public investment and in approved industrial projects in Scotland itself in 1965; these have created the necessary conditions for a fundamental change in Scotland's future economic prospects. This White Paper surveys the prospects in the next five years. It sets out a comprehensive range of economic and physical objectives for growth and expansion.

2. The Government are determined that these objectives—the creation of more jobs, the provision of more homes, the modernisation of the industrial structure, the improvement of the physical environment, the reduction of the outward flow of young people from all regions of Scotland—will be achieved. Their attainment will however require changes of many kinds; changes of attitude, changes of job, changes of place of work, and changes in outlook by many of the leading forces in Scotland—industry and industrial management, organised labour, the local authorities and other agencies and individuals in every walk of life.

3. The programme set out in this Paper covers the whole of Scotland and the whole economy of Scotland. It contains an inter-related set of proposals for attacking all these problems. It will not, of course, be possible to achieve complete solutions within the relatively short period covered by the present programme; the difficulties are too deep seated and too longstanding for that. The next five years are however critical. Indeed in some areas action in terms of this White Paper must be taken without delay, for example in the Borders; otherwise it may be too late.

4. The programme at this stage is necessarily an outline only; there must be full discussions with all the agencies concerned about the details of its implementation. Nor can any such programme succeed unless the proposals command the support of the mass of those affected up and down the country. The Government therefore propose to set up effective machinery to implement the programme contained in this White Paper. This will be based upon the new organisation which they established to advise the Secretary of State for Scotland as the Minister responsible for regional development in Scotland.

5. The Scottish Economic Planning Council, who have been closely concerned with the preparation of the present proposals, will now enter into consultation, area by area, with the interests affected in the various regions by the outline proposals. This will cover the various industrial organisations, including those concerned with agriculture, forestry, and fishing as appropriate, the nationalised industries, the trade unions, the local authorities and the chambers of commerce. The most suitable machinery for this purpose is now being worked out with the Council.

6. In any event a great deal of responsibility must rest with the local authorities whose duty it is to provide the basic services and look after the physical and
Introduction

The commitment to a steady expansion of the national economy and the maintenance of high levels of employment were deemed necessary to ensure the stability of the currency and the confidence of the public. The government's policy was to stimulate the economy through increased public and private investment. This would be achieved by reducing taxes, increasing public works, and promoting small-scale industries. The government also sought to ensure that the benefits of economic growth were distributed fairly, by implementing social welfare programs and promoting education and training for the workforce.

The government recognized the importance of technological innovation and the need to foster a competitive domestic market. This was achieved through the establishment of research and development centers and the provision of subsidies to encourage entrepreneurship. The government also aimed to improve the country's trade relations, by diversifying its export markets and reducing tariffs.

The government was committed to ensuring that the benefits of economic growth were distributed fairly, by implementing social welfare programs and promoting education and training for the workforce. The government also aimed to improve the country's trade relations, by diversifying its export markets and reducing tariffs.

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social aspects of the developments envisaged in the White Paper. Suitable groupings of interested authorities will be essential in relation to various forms of communications and the development of key points of expansion. The Secretary of State welcomes the fact that, in anticipation of this White Paper, local consultations about such groupings have already been initiated in some areas by the local authorities and other interests concerned.

7. The main proposals in this White Paper are summarised on pages 00.
Summary

PART I—ECONOMIC RESOURCES AND PROSPECTS

1. The Government's plans for Scotland are designed to create more employment opportunities so as to take up, in the widest national interest, the available reserves of labour, and to reduce emigration. The increase in the number of jobs contemplated by 1970 is of the order of 50-60,000; this would be accompanied by a reduction in net loss of population to about 20,000 a year. Since substantial losses in some of the older industries can be expected, this would involve the creation of at least 130,000 new jobs. Of these, some 50,000 might be found in manufacturing industry, 20,000 in construction industry, and 55,000 in other service industries.

Labour Supply

2. Efficiency of labour deployment will continue to be developed by means of the following:

(a) Changes from one industry to another, facilitated by effective redundancy and wage related benefit payments and by training and re-training arrangements;

(b) Continued assistance in labour mobility from area to area by linking new housing with industrial growth and by the full development of present schemes of financial assistance to transferred key workers; and

(c) The co-operation of employers and trade unions in securing the better use of skilled labour and increasing the inter-changeability and flexibility in the use of skills.

3. Under the Industrial Training Act, 1964, the amount of industrial training will continue to be expanded and its quality improved. Forecasts of the demand for particular types of skill will be made. Financial assistance towards training in new and expanding firms is increasing as is the help given to employers in training their own training officers.

4. In the field of management development the main responsibility rests with industry. There will be continuing assistance to the universities and other institutions where management training is given. The Central Training Council and the Industrial Training Boards will play an increasingly important part.

Manufacturing Industry

5. The Government have announced that they are reviewing the Government's Distribution of Industry powers and policies and intend to take measures to support much more effectively the wider aim of regional development. Government action will include the advance purchase of land for industrial development by the Board of Trade, and the building of advance factories in selected areas both by the Board of Trade and by New Town Development Corporations.
PART I: ECONOMIC RESOURCES AND PROSPECTS

The Government's plans for economic development will continue to be developed by means of

1. Expansion of industrial production
2. Increased supply
3. Expansion of labor supply
4. Changes in the pattern of production
5. Increased industrial investment
6. Expansion of economic resources
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6. Measures to divert industrial expansion from the congested areas of the Midlands and the South-East of England will continue to be applied rigorously. These are producing impressive results in steering industry elsewhere; in Scotland itself industrial building approvals were at a higher level in 1965 than in any other post-war year. The Government will give all possible help toward meeting Scotland’s need for adequate shares of the newer industries and of research and development activities, both by steering suitable projects to Scotland and by expanding their own activities—in co-operation with industry and the Universities—at the National Engineering Research Laboratory, East Kilbride, and elsewhere.

Agriculture and Forestry

7. Agriculture will make its contribution through a selective expansion programme, accompanied by a continued increase in productivity which will enable it to release manpower to other industries. The Government have authorised the Forestry Commission to increase their planting programme for the benefit of areas where forestry is an essential element in creating a viable economy.

Service Industries and Tourism

8. Continued expansion of the service industries, including office employment not directly catering for local needs, will have a significant part to play in development. Special attention will be given to tourism, which has potentially a considerable part to play in the future economy of some of the more rural areas.

PART II—THE PHYSICAL PATTERN OF GROWTH AND EXPANSION

Central Scotland

9. In Central Scotland substantial developments are proposed to cater for the increased population resulting from the reduction of migration, and to support industrial expansion often in new locations. Typical areas include North Ayrshire, Lanarkshire and Falkirk/Grangemouth. Development in the four established new towns will go ahead as rapidly as possible and it is hoped that the growth potential in this field will be further enhanced by the setting up in the Irvine area of a fifth new town which the Government propose to designate at an early date. A sustained effort will also be directed to rehabilitation and improvement of physical environment of the older areas.

The Borders

10. A major development will be stimulated at Galashiels. In the Eastern Borders the Development Commission will put in hand special methods of assistance, financial and administrative, to stimulate new growth and other
6. Measures to divert industrial expansion from the congested areas of the Midlands and the South-East of England will continue to be applied rigorously. These are producing impressive results in steering industry elsewhere; in Scotland itself industrial building approvals were at a higher level in 1965 than in any other post-war year. The Government will give all possible help toward meeting Scotland’s need for adequate shares of the newer industries and of research and development activities, both by steering suitable projects to Scotland and by expanding their own activities—in co-operation with industry and the Universities—at the National Engineering Research Laboratory, East Kilbride, and elsewhere.

Agriculture and Forestry

7. Agriculture will make its contribution through a selective expansion programme, accompanied by a continued increase in productivity which will enable it to release manpower to other industries. The Government have authorised the Forestry Commission to increase their planting programme for the benefit of areas where forestry is an essential element in creating a viable economy.

Service Industries and Tourism

8. Continued expansion of the service industries, including office employment not directly catering for local needs, will have a significant part to play in development. Special attention will be given to tourism, which has potentially a considerable part to play in the future economy of some of the more rural areas.

PART II—THE PHYSICAL PATTERN OF GROWTH AND EXPANSION

Central Scotland

9. In Central Scotland substantial developments are proposed to cater for the increased population resulting from the reduction of migration, and to support industrial expansion often in new locations. Typical areas include North Ayrshire, Lanarkshire and Falkirk/Grangemouth. Development in the four established new towns will go ahead as rapidly as possible and it is hoped that the growth potential in this field will be further enhanced by the setting up in the Irvine area of a fifth new town which the Government propose to designate at an early date. A sustained effort will also be directed to rehabilitation and improvement of physical environment of the older areas.

The Borders

10. A major development will be stimulated at Galashiels. In the Eastern Borders the Development Commission will put in hand special methods of assistance, financial and administrative, to stimulate new growth and other
PART II. THE PHYSICAL PATTERN OF GROWTH AND EXPANSION

Central Scheme

In the Central Scheme Industrial development has been aimed at in order to

support industrial expansion of the industries, by providing raw materials and

adequate finance and technical assistance. Development of the industries is

in line with the need to create a balanced economic growth and to

improve the environment for industrial expansion of other areas.

The Bases

To ensure development will be sustained at a comparable level to that

of the European Development Commission will rely on an essential core of

scientific, economic and technological incentives to stimulate new growth and

activity in the area so as to provide a better environment and to arrest depopulation.

South-West Scotland

11. The Government have embarked on an examination of the potentialities of the water resources of the Solway Area and will consider with the local authorities the further development of districts like Dumfries and Stranraer.

North-East Scotland

12. Expansion of population and industry will be encouraged in Dundee and its hinterland, and in Aberdeen and other selected centres in the North-East.

Highlands and Islands

13. A number of proposals are being examined by the Highlands and Islands Development Board who have already introduced a scheme of special financial assistance for suitable industrial developments. The increased programme of planting by the Forestry Commission will be of particular significance in this part of Scotland.

PART III—SUPPORTING SERVICES

Housing

14. The Government will initiate a substantial programme of housing in support of economic and industrial growth through the agency of the Scottish Special Housing Association. Up to 5,000 houses a year will be provided for this purpose by 1970. The new towns will also build about 5,000 houses a year. Under the improved financial arrangements outlined in the recent White Paper on Housing,* the Government will encourage local authorities to provide more houses and a wider range of housing to promote increased labour mobility. More land will be made available for private housing development in view of its importance in improving the management structure of Scottish industry.

Education

15. The Government’s plans for expansion of education facilities in Scotland will be pressed forward. Total capital investment will rise from £24m. in 1965 to nearly £34m. in 1970, including an increase of nearly 51 per cent on the construction of colleges of further education. This will enable many more new colleges to be built, including a new commercial college in Dundee, new commercial and technical colleges in Edinburgh, and similar facilities in Glasgow and

* Cmnd. 2837.
PART II - SUPPORTIVE SERVICES

Housing

The Government will initiate a substantial programme of building to support the expansion of the housing and planning. A new towns programme of 200,000 houses a year will be launched. Within the next five years, a new ten-year programme of development will be implemented to provide for substantial expansion in the housing sector. This will be reinforced by an improvement in the management of housing stock.

Transport

The Government plans for expansion of educational facilities in Scotland will take place in accordance with the recommendations of the Special Inquiry into the Future of Higher Education. The Government will ensure that the necessary infrastructure is developed to accommodate this expansion. The importance of improving the management of education in Scotland is acknowledged.

Scotland's Economy

Scotland's economy will be boosted by a significant increase in investment. The Government will ensure that the necessary infrastructure is developed to accommodate this expansion. The importance of improving the management of education in Scotland is acknowledged.
other towns in Central Scotland. Building methods will be streamlined to enable investment to be better deployed in coping with the educational needs of an expanding population.

Communications

16. (i) Roads. £137m. will be spent by the Exchequer on the Scottish Road Programme in the years 1965-70—£82m. on trunk roads and motorways and £55m. on grants for classified roads. This will produce a completely modernised system of communications throughout the central industrial belt in Scotland, linking with the main motorway network in England and Wales. By 1970 the Clyde Tunnel approaches will have been completed and good progress will have been made with the Glasgow inner ring road, including the completion of the Carnoustie Street bridge; the Tay Bridge will have been completed; over 200 miles of motorway or near motorway standard roads, including the motorway access to Abbotsinch, will have been completed in Central Scotland and the Erskine Bridge will be nearing completion; work will have been initiated on the major approaches to the Highlands and on improvements to through routes to the North-East, South-West and Border regions. The greatest importance will be placed on using highway investment to help to support economic growth.

(ii) Road Transport Services. These services will expand and become more efficient. As regards passenger transport, realistic balances must be struck between public services and the use of private cars for daily commuting. In the greater Glasgow area, this is now being examined in a comprehensive transportation survey, the results of which are expected shortly.

(iii) Rail Services. The future pattern of the modernised railway system is now emerging, and further investment in railway modernisation is in hand or is planned. This includes the electrification of the Glasgow-Gourock line; the full development of liner trains between Scotland and England; and the complete rationalisation of the depot system for miscellaneous freight traffic, with concentration on facilities for key points. New signalling facilities are being provided on an extensive scale.

(iv) Ports and Shipping Services. Substantial investment has already been approved or is in prospect: at Leith (£6m.), at Grangemouth (£7m.) and on the Clyde. The Government expect the new Clyde Authority to give urgent consideration to the National Ports Council’s views on modernising the Clyde Port.

(v) Airports and Air Services. Abbotsinch Airport will come into operation in May, 1966. A substantial programme of improving landing facilities in the Highlands and Islands has been launched—improved runways at Kirkwall, Sumburgh and Port Ellen, and landing strips in Mull, the Orkneys and elsewhere. Applications for the provision of direct air links with the Continent by various operators are before the Air Transport Licensing Board.
(vi) **Telecommunications.** Despite a 70 per cent increase in demand in 1964/65 over the two previous years, new plant coming forward should make the waiting list for telephone negligible by March, 1966; and it is hoped that all manual exchanges will be automatic by 1970. Capital expenditure for the telephone service will have almost doubled over the five years to 1967, and will continue to increase thereafter. Except for a few remote areas, all subscribers in Scotland will have S.T.D. by 1970.

(vii) **Fuel and Power.** Demand in Scotland is expected to develop at a slightly higher rate than in the rest of Great Britain up to 1970. The total demand in that year may be 31m. tons of coal equivalent, as compared with 26·6m. in 1964.

The present annual output of deep-mined coal in Scotland is about 15m. tons; further colliery closures and substantial improvements in productivity will lead to continuing reductions in man-power but the industry will remain able to meet any likely level of demand in the Scottish market.

The demand for gas has increased substantially in recent years and is expected to expand by almost a further 50 per cent by 1970. An increasing proportion of the production will come from oil-based sources. **Electricity** demand is expected to increase by about 9 per cent per annum, the bulk of which will be met by the new large power stations at Cockenzie and Longannet and supported by pumped storage facilities at Cruachan.

The use of oil in Scotland has been expanding significantly and refining capacity has been increased. There is scope for further refinery development.

**Construction Industries**

17. The current output of these industries is estimated at £350m. with the employment of 200,000 workers. By 1970, output (at 1964 prices) is likely to expand to nearly £500m., as a result of increased productivity (including new methods of building) and of further expansion of the labour force. Close consideration is being given to improving the flow of skilled workers to the industry. The Scottish Economic Planning Council have embarked on detailed studies of the demand for building materials and components, and will consider how their production can be expanded in Scotland.

**Investment**

18. Public investment will continue until 1969/70 at a rate which, relative to population, will be above that of the United Kingdom generally. Over the period from 1965/66 to 1969/70 Scottish public investment will rise considerably and will total approximately £2,000m.
Despite the 1.4% rise in the number of new home owners, new plan completions fell by 10%. The increase in new homes was partially due to the higher purchase prices of mortgage bonds. The number of new houses was down by 10% on 1970. It is noted that the number of new houses will continue to fall in the years to come. The total number of new houses will fall to 198,000 in 1970.

In conclusion, the trend in housing development in Scotland to expect a further 20% increase in new houses by 1970. An important factor in this increase is the growth in the population. The rising population and the higher purchase prices will provide the stimulus for new houses.

The government has also proposed measures to ensure that houses are built in a timely manner. The government has committed to an annual budget of £300 million to support the construction of new houses. This will ensure that houses are built in a timely manner and will help to meet the demand for new houses.

Investment

The expected investment will continue until 1970. It is estimated that the total investment will reach £300 million by 1970. This will provide the stimulus needed to increase the number of new houses. The government has committed to supporting investment by providing grants and loans to developers. This will help to meet the demand for new houses.
Part I. Economic Resources and Prospects

CHAPTER 1
POPULATION AND ECONOMIC RESOURCES

1. The National Plan is designed to achieve a 25 per cent increase in national output between 1964 and 1970. An essential part of the Plan is a solution to Britain’s balance of payments problem; for growth can be maintained only if we pay our way in the world. The target for the growth of total national output is expressed in that Plan in terms of two factors: the required rate of growth of output per head (in other words, productivity) and the probable rate of growth of the labour force. This chapter reviews the performance of the Scottish economy in recent years in relation both to increased productivity and the rate of growth of the labour force while Chapter II goes on to set out the main objectives which must be attained in the future if Scotland is to make its full contribution both to national growth and to the achievement of a more balanced and progressively expanding economy in Scotland itself.

Population and Migration

2. The most significant feature of the Scottish population pattern is the relatively high rate of natural increase in comparison with the corresponding increase for England and Wales (Table 1). In the 10 years between 1954 and 1964 the rate of increase in total population—as measured by excess of births over deaths—was 7-1 per cent, proportionately 36 per cent larger than in England and Wales.

3. The relatively higher rate of natural increase in the population and in the potential labour force in Scotland has, however, been largely offset by net emigration. Net emigration represents the balance between numbers of persons moving from Scotland and into it. The process of movement between Scotland and other parts of the United Kingdom, and indeed other parts of the world, is a necessary and, in many respects, a healthy feature, but in recent years the gap between movement out and movement in has widened substantially. In the last ten years the balance of population most to Scotland by net emigration has been about 300,000 people or over 80 per cent of the natural increase. In each of the years 1963-64 and 1964-65 the net outward movement was about 40,000 and this almost totally absorbed the natural increase of population.

4. If the net outward movement were to continue at this level, Scotland’s population in 1980 would be no higher than it is now (Table 5). Even more important, the number of people of working age (males 15–65, females 15–60) would have fallen from nearly 61 per cent of the total population to about 55 per cent. This means that there would be 274,000 fewer people of working age; 118,000 more old people; and 156,000 more children. The raising of the school leaving age and the increase in the numbers aged over 16 in full-time education would reduce still further the number actually available for work.
Chapter 1
POPULATION AND ECONOMIC RESOURCES

The literature is replete with references to the need for increased research to
understand better the growth of population and economic activity and to
improve the existing analytical frameworks. In this chapter, we provide an overview
of the main trends in population and economic growth and highlight the
importance of understanding these trends for policy purposes. We also discuss
the methods and data used to analyze these trends.

Population and Migration

Population growth is a key determinant of economic development. It is
important to understand the factors that influence population growth and
the implications for economic development. In this section, we provide an
overview of the main factors that influence population growth and discuss
the implications for economic development.

Economic Growth

Economic growth is the result of a combination of factors, including
 technological progress, increased labor force participation, and investment.
In this section, we provide an overview of the main drivers of economic
growth and discuss the implications for policy making.

The Role of Government

Governments play a crucial role in promoting economic growth and
development. In this section, we discuss the role of government in promoting
economic growth and provide examples of successful government initiatives.

Conclusion

In conclusion, we emphasize the importance of understanding the factors
that influence population and economic growth and the role of government
in promoting economic development. We also highlight the need for
further research to improve our understanding of these issues.
5. Although the volume of net emigration from Scotland in recent years has been so high, there are no grounds for pessimism or defeatism about the possibility of reducing it, given a sustained rate of economic growth. The fluctuations in the 1950’s (the net outward movement was as low as 20,000 in 1958–59) suggest that there is no built-in inevitability either about the volume of inward and outward migration or about its trends. Moreover, since it is a net figure representing the difference between very much larger outward and inward movements, a comparatively modest adjustment of the two figures of outward and inward migration could produce really significant changes in the net figure (Table 4 gives gross movements of employees).

6. There is little factual information on the motives of migrants. They are undoubtedly complex and varied, since they are the sum of each individual's assessment of the advantages and disadvantages to him of moving or of staying where he is. But they are clearly linked to work and career prospects, to levels of earnings, and to environment. Emigration has been generally high when the rate of economic development elsewhere has been much faster than in Scotland. For example, emigration to the developing countries (especially Canada) was very high in the 1920s. In recent years the biggest loss has been to England and Wales (Table 3)—reflecting the better opportunities south of the Border—but there are indications that prospects for professional and technical staff are improving in Scotland and that the inward flow of these is more closely matching the outflow.

7. Within Scotland, different parts of the country have substantially different rates of natural increase in population and of outward migration. The rate of natural increase, for example, is particularly high in west Central Scotland but low in the Borders and the Highlands (Table 2). Net outward migration is now highest from west Central Scotland not only absolutely but also proportionately (Fig. 1 and Table 3). England and Wales take about two-thirds of the net outward movement from Scotland as a whole and on average less than a fifth of the total net migration from the North-East, Highlands, Borders and South-West now moves into Central Scotland.

8. Nevertheless if outward migration from Scotland were to continue on its present scale, with expansion in Central Scotland alone, the imbalance between that region and the other Scottish regions would increase; in other words, people would move from the rural areas into the industrial belt in response to the increasing demand for labour there. It is for this reason that the measures outlined in this White Paper relate the major effort which will be required in Central Scotland to the Scottish economy as a whole and seek to establish a balanced relationship between Central Scotland and the other regions.

9. The great majority of the people who move are in the younger age groups and such evidence as is available indicates that it is the more highly skilled and the more technically qualified rather than the unskilled who migrate. Increasing educational opportunities and the higher proportion of young people who are taking up craft apprenticeships and technical and other courses are expanding substantially the potential supply in Scotland of high quality labour. It is therefore a critical aim of Government policy that there should be more employment and better career opportunities to keep more of our young people in Scotland.
This diagram illustrates paragraph 5 and Table 3. Numbers are in thousands, independently rounded. It shows that Central Scotland is the biggest migration loser; and that the Borders, the South-West, the North-East and the Highlands and Islands lose more people to the rest of the U.K. and overseas than to Central Scotland.
Labour Resources

10. Between 1954 and 1964 the natural increase of the population of Scotland was over 7 per cent but, because of the high net emigration, the actual increase in population was only 1.3 per cent (Table 1). The change in the age structure largely offset the rise in the activity rate* and the increase in the supply of employees was only 1.4 per cent (Table 6). In terms of numbers of employees in employment Scotland's increase over the ten years was only 0.8 per cent as against an increase of 9.9 per cent in England and Wales (Table 8). The potential increase in the Scottish employed labour force was either siphoned off in emigration or wasted in unemployment or sterilised in lower employee activity rates.* The unemployment rate in Scotland between 1954 and 1964 ranged from 1.8 to 2.3 times the average rate for Great Britain (Table 7), while activity rates were below the Great Britain averages although markedly above those for areas such as South-West England or Wales (Table 9). In 1964 the activity rate in Scotland was 56.5 per cent as against 57.1 per cent in Great Britain as a whole.

Structure of the Economy

11. The reason for this lack of growth in employment was that the natural increase added to the large numbers released by the run down of the old industries, made more workers available than could be absorbed even by the rapid growth of the new and expanding industries. As world economic conditions changed Scottish industry paid the penalty for specialisation in what was basically a 19th century industrial structure and drastic modernisation of the industrial structure became necessary. This was not simply a run down of the capacity of older heavy industries: the need was for increased efficiency and productivity and lower costs. For example, productivity in the Scottish coalfield, as measured by output per man shift, has increased by as much as 36 per cent in the last five years.

12. But the process did involve reductions in employment, if not always in output, and in the last four years the old Scottish basic industries of mining and quarrying, shipbuilding and textiles have lost 50,000 workers. Even the big increases in both male and female employment in the same period in industries new, or almost new, to Scotland—such as motor vehicles, electronics, electrical engineering and scientific instruments—could not entirely offset such rapid and large losses of predominantly male employment opportunities. In fact the small overall increase in total employment in Scotland in the last 10 years masks an increase in jobs for women which was mainly offset by a fall in the total jobs available for men (Table 8). So the need is for still more new projects preferably with substantial male employment which by their development will counter the decline in the employment opportunities afforded by some of the older industries.

13. In the last four years employment in the primary industries in Scotland has fallen by nearly a fifth, but has been more than offset by gains in professional and scientific services, construction and the distributive trades. Almost as many

* The term activity rate, as used throughout this Paper, refers to the numbers of employees (including the registered unemployed) expressed as percentages of the home population aged 15 or over. Broadly, a 1 per cent change in the total (male and female) activity rate represents in Scotland a change of about 39,000 in the number of employees (including the unemployed).
people are now employed in the manufacture of motor vehicles, electrical machinery and radio and electronic apparatus in Scotland as in the whole of the Scottish shipbuilding and marine engineering industries. So while the older basic industries such as coal, iron and steel, will continue to have very important places in the economy, the growth of the new industries means that the country is no longer so dependent on the fortunes of a narrow range of heavy industries. Further contractions in employment in some of the older industries must come before they are finally re-shaped to fit their new—and smaller—role in the economy but the process of contraction will not be on as massive a scale as in the recent past, will be accompanied by increasing technical efficiency and higher productivity, and will be increasingly outweighed by further development of the expanding industries to which labour, skill and investment have been and are being transferred. This is readily seen by comparing the rates of increase in manufacturing output in Scotland and in the United Kingdom. From 1954 to 1960 Scottish output increased by only 2-4 per cent per annum against the United Kingdom rate of 3-4 per cent per annum; but for 1960 to 1964 manufacturing industries in Scotland equalled the United Kingdom average annual increase of 3-1 per cent.

14. Although no comprehensive figures are available of the capital investment involved in reshaping the industrial structure, Board of Trade estimates of capital expenditure by manufacturing establishments in Scotland indicate a total of £506 million over the five years 1960 to 1964, of which £116 million was on new building work and £390 million on plant, machinery and vehicles. These years included the major parts of the expenditure on such projects as the strip mill and the new motor vehicle plants, and the total represented nearly 9 per cent of the total fixed capital expenditure by manufacturing industry in the United Kingdom as a whole. This compared with Scotland’s 8-1 per cent of employment in United Kingdom manufacturing in 1964. Board of Trade assistance to Scotland under the Local Employment Acts has amounted to £69-4 million in the last five years—49-2 per cent of the total assistance offered in Great Britain. Investment by the nationalised industries in Scotland (including the Post Office) in the same period has totalled over £465 million of which nearly £260 million has been by the Electricity Boards.

15. Scotland has the particular advantage of a high rate of natural increase in population. She also has reserves of labour—open in high unemployment, and concealed in that activity rates are considerably below those in the more prosperous regions south of the Border. Given the right incentives to industry, co-ordinated regional economic planning by public authorities, and positive initiatives in terms of capital, management and manpower, and still further increases in productivity, a much larger contribution by the Scottish economy to national growth by 1970 should be possible. The steps necessary to achieve this expansion are set out in the following chapters.
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CHAPTER II
OBJECTIVES FOR THE FUTURE

16. The National Plan has indicated that the supply of labour available nationally in the Plan period from 1964 to 1970 is likely to fall substantially short of the labour demand which a progressively expanding growth rate on the 25 per cent model would require. The shortfall is estimated in that Plan to be of the order of 400,000 for the national economy as a whole; the gap can be bridged only by higher productivity throughout the economy and by the optimum deployment of under-used labour and other resources in those regions of the United Kingdom where growth has lagged behind. The Plan estimated that the fuller use of regional resources might provide a total addition to the working labour force of about 200,000. This chapter assesses the contribution which Scotland might make to the national and regional policies set out in the National Plan and what is needed to create a better balance of population and employment within Scotland itself.

17. In order to ensure the optimum deployment of Scotland’s labour reserves, it is necessary to bring employment opportunities in Scotland more closely in line with those in other parts of Great Britain. This will result not only in lower unemployment rates and higher activity rates, but also in a reduction of net population loss by migration. The task involved is analysed in the present chapter on the basis that the net annual loss would, by 1970, be reduced to half its present level. This must be accompanied by, and will not occur without, a substantial increase in industrial modernisation and productivity and a rise in production. Progressive modernisation and expansion of the services to support economic growth—housing, communications, schools, etc. will be needed. There must also be policies and measures to tap the unused resources in manpower, land, and other facilities available in those parts of Scotland that lie outside the central industrial belt.

18. It is unrealistic to think in terms of an impressive reduction in the outward flow of large numbers of people from Scotland unless, in addition to more jobs and better career prospects, houses and other services are available for them in Scotland in the right places and at the right time. Again, activity rates are linked with migration of the present scale and character, as is the volume and quality of skilled manpower and management available to accelerate the process of modernisation and change in Scottish industry.

19. For all these reasons, the present chapter and those which follow are intended to provide a composite and interdependent scheme of policies and action. The purpose of the present chapter however is to deal particularly with the deployment of under-used labour resources and the reduction of net emigration. It attempts to estimate the likely changes in the supply of, and demand for, labour in Scotland between now and 1970. The projections made take account of the basic objectives for the United Kingdom as a whole set out in the National Plan and the rates of growth and decline in labour demand, output and productivity expected in the major sectors of the economy. These projections will, of course, be subject to review in the light of discussions to be held in 1966 in relation to the next National Plan.

Labour Supply and Demand

20. The assessment of labour supply in Scotland over a period even as short...
as five years is particularly difficult. The effect of national policies on the relative pressure of labour demand in Scotland itself and elsewhere, the level of activity and the volume and character of outward and inward migration are all interacting, and it is a matter of great complexity to estimate with any degree of accuracy the probable combined effect of all these factors on Scottish labour supply. Subject to this general reservation, the following general estimate has been made of the additional labour resources which might become available to support expansion and growth in the Scottish economy down to 1970. These estimates take account of the objectives of policy set out in paragraph 2 and of the assumptions and forecasts made in the National Plan.

21. A progressive reduction of net emigration to half its current level by 1970 would mean that Scotland’s home population at that date would be about 5-3m., or just over 100,000 more than it was at mid-1964. Changes in the population structure, however, would mean that, despite this increase in population, the number of people in Scotland available for employment would not increase to anything like the same extent. The main additions to the employed labour force would come from higher activity rates and lower unemployment. The build-up of extra demand for labour—of which there is good evidence in recent Scottish trends—and the Government’s regional development policies give grounds for confidence that it will be possible, bearing in mind the accompanying reduction in net emigration, to employ in Scotland greater numbers than were projected (on the basis of U.K. trends) in the National Plan. There is no reason to think that, if demand for labour rose by 50-60,000 by 1970, this demand could not be met.

22. This additional labour demand would involve the operation of two major forces—first, the sustained and progressive expansion implicit in the National Plan for the national economy as a whole, of which the Scottish economy is an integral part; secondly, intensification of effort both by Government and by all other elements of the Scottish economy to achieve higher rates of growth and higher standards of economic performance within Scotland itself. The Government’s regional policies will make their contribution to the expansion of labour demand in Scotland, and the estimate of demand is framed on this basis.

23. Table A sets out, by reference to the main sectors of Scottish industry, projected rates of increase in production, employment and output per head which have been made in the light of the corresponding projections for these industries in the United Kingdom as a whole contained in the National Plan. Particular attention has been paid to those industrial sectors in Scotland which, on the basis of recent past performances and future prospects, should have either a higher rate of growth than the national average or present special problems. The estimates of labour demand for all industries and services are set out in Table B.

24. The main lessons to be drawn from these tables are the following. While the primary industries are likely to make a significant contribution to national growth in terms of output per head they will in Scotland show the same characteristics as they do for the United Kingdom as a whole, namely a decline in manpower employed. In manufacturing industry on the other hand, it is expected that the national rate of growth in output envisaged in the National Plan for the period 1964–70 (4-4 per cent) will be slightly exceeded in Scotland. The food, drink and tobacco group of industries, chemicals, engineering,
The recent economic downturn has made the nation aware of the importance of fiscal policies on the macroeconomic scene. The government's policies on taxation and spending have been under scrutiny to ensure they are effective in stimulating growth and reducing unemployment. This has led to a reevaluation of the role of fiscal policy in economic management. The strategies employed in the past have been retooled to address the new challenges presented by the current economic climate.

In recent years, the focus has shifted towards more aggressive fiscal measures to combat rising deficits. The government has increased its spending on infrastructure projects to create jobs and boost the economy. This approach has been met with mixed reactions, as some economists argue that it may lead to inflationary pressures.

The debate on the appropriate mix of fiscal and monetary policies continues. While some advocate for a more expansive fiscal policy to stimulate growth, others believe that monetary policies should take center stage to control inflation. The ongoing discourse highlights the complexities involved in managing an economy and underscores the need for a coordinated approach to economic policy-making.

In conclusion, the recent economic challenges have underscored the importance of财政政策 in determining economic outcomes. The government must carefully craft its policies to balance the need for growth with the imperative of controlling inflation. This requires a deep understanding of macroeconomic dynamics and a commitment to continuous monitoring and adjustment of economic strategies.
vehicles and the building material industries should in Scotland all have rates of
growth higher than the Scottish average of 4.6 per cent. These fast growth
industries in terms of output should more than compensate for reduced activity
in the now reduced range of older declining industries.

| Table A |
|---|---|
| Index of Production Industries | 1960–64 | 1964–70 projections (a) |
| | U.K. (b) | Scotland (c) | U.K. (b) | Scotland (c) |
| All Index of Production Industries | | | |
| Production | 3.3 | 3.3 | 4.5 | 4.8 |
| Employment | 0.2 | -0.3 | 0.4 | 0.4 |
| Output per head | 3.1 | 3.6 | 4.1 | 4.4 |

| Manufacturing industries | | | |
| Production | 3.1 | 3.1 | 4.4 | 4.6 |
| Employment | 0.1 | -0.6 | 0.5 | 0.6 |
| Output per head | 3.0 | 3.6 | 3.9 | 4.0 |

| Construction | | | |
| Production | 5.0 | 5.6 | 4.6 | 5.8 |
| Employment | 1.3 | 1.8 | 0.9 | 1.6 |
| Output per head | 3.6 | 3.8 | 3.7 | 4.1 |

| Gas, Electricity and Water | | | |
| Production | 5.6 | 8.3 | 8.4 | 8.4 |
| Employment | 2.0 | 2.7 | 1.7 | 1.8 |
| Output per head | 3.6 | 5.5 | 6.5 | 6.5 |

| Mining and Quarrying | | | |
| Production | 0.4 | -3.3 | -5.1 | -6.8 |
| Employment | -3.7 | -7.3 | -5.4 | -6.7 |
| Output per head | 4.2 | 4.4 | 5.4 | 6.7 |

(a) All the projections are necessarily subject to considerable margins of error and should therefore be regarded as approximations.
(b) As given in the National Plan. The employment changes in this are based on annual averages of numbers of employees except that estimated numbers of employers and self-employed are included for manufacturing industry and construction and for the total of all Index industries.
(c) Excepting construction, employment changes relate only to employees in employment at mid-year. For construction the basis is as under (b).

25. It is estimated that all industries and services in Scotland will have a net increase in labour demand averaging about 10,000 a year over the period to 1970, which is 2,500 a year larger than the average net growth in labour demand during 1960–64. But the net increase in the demand for manpower for Scotland does not show the true scale of the changes which will be called for. Underlying the total net demand of between 50,000 and 60,000 additional jobs down to 1970 are far larger increases in labour demand in the growing industries offset by considerable falls in labour demand in the declining industries. Herein lies the hard core of the problem facing the Scottish economy. A diminishing labour demand in the contracting industries is unavoidable and, indeed, essential if the economy is to be modernised and made more efficient. An increasing demand in the growing industries cannot however be achieved without continuing purposive and vigorous efforts by industry and by Government in Scotland which is still going through a process of transformation and change. This applies particularly to manufacturing industry where the policies and measures outlined in the subsequent chapters of this Paper will have the greatest significance, although construction and the service industries will also benefit substantially.
<table>
<thead>
<tr>
<th>(a)</th>
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<th>(c)</th>
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26. Table B estimates that those industries where expansion of employment is forecast, assuming a 25 per cent growth of output in the national economy and the determined application of the Government's regional policies, are likely to require, in all, over 130,000 more workers by 1970. Within this total the main increases will be of the order of 50,000 in manufacturing industry; 20,000 in construction; and 60,000 in professional and scientific services, distribution and other services administration. This estimate for manufacturing industry is supported by the large volume of employment expected to flow directly from industrial development certificates issued, particularly in the last 12 months.

### Table B

**Employees in employment, all industries and services (a)**

<table>
<thead>
<tr>
<th></th>
<th>Thousands</th>
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<th>Annual</th>
<th>Period</th>
<th>Approx</th>
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<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Total</td>
<td>Average</td>
<td>%</td>
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<tr>
<td><strong>GREAT BRITAIN</strong></td>
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<tr>
<td>Actual:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960 employment</td>
<td>14,223-2</td>
<td>7,775-6</td>
<td>21,998-8</td>
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<td></td>
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<tr>
<td>1960–64 job gains (b)</td>
<td>906-7</td>
<td>654-6</td>
<td>1,561-3</td>
<td>390-3</td>
<td>7-1</td>
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<td>job losses (b)</td>
<td>519-8</td>
<td>203-9</td>
<td>723-7</td>
<td>180-9</td>
<td>3-3</td>
</tr>
<tr>
<td>net changes</td>
<td>+386-9</td>
<td>+450-7</td>
<td>+837-6</td>
<td>+209-4</td>
<td>3-8</td>
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<td>1964 employment</td>
<td>14,610-1</td>
<td>8,226-3</td>
<td>22,836-4</td>
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<td><strong>SCOTLAND</strong></td>
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<tr>
<td>Actual:</td>
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<tr>
<td>1960 employment</td>
<td>1,347-4</td>
<td>747-9</td>
<td>2,096-3</td>
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<td>1960–64 job gains (b)</td>
<td>91-8</td>
<td>65-4</td>
<td>157-2</td>
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<td>93-9</td>
<td>33-2</td>
<td>127-1</td>
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<td>6-1</td>
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<td>net changes</td>
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<td>+30-1</td>
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<td>1964 employment</td>
<td>1,345-3</td>
<td>780-1</td>
<td>2,125-4</td>
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<td><strong>Projected (c)</strong></td>
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<td>1964–70 job gains (b)</td>
<td>101</td>
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<td>134</td>
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<tr>
<td>job losses (b)</td>
<td>56</td>
<td>18</td>
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<tr>
<td>net changes</td>
<td>+45</td>
<td>+15</td>
<td>+60(d)</td>
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<tr>
<td>1970 employment</td>
<td>1,390</td>
<td>795</td>
<td>2,185(d)</td>
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</table>

(a) Employees in employment at mid-year.
(b) The job gains and losses have been calculated on period net changes (actual and projected) in the numbers of male and female employees in employment in individual industries and services. They are not true gross figures (see footnote to Table 10).
(c) The projected changes and employment, while given to the nearest 1,000 for statistical convenience only, are necessarily subject to considerable margins of error.
(d) For the reason given in (c), it would be preferable to consider the likely net increase in demand as 50,000–60,000 and the likely total demand in 1970 as 2,175,000–2,185,000.

27. These increases, which clearly will require a formidable effort by all elements in the economy, would be partly offset by job losses of the order of at least 75,000, the majority of which would be due to modernisation and technological change, and, in particular, to higher efficiency in agriculture, coal-mining, transport services, and certain sectors of the textile industry. These changes broadly reflect both the changes in the national economy outlined in the National Plan, and the most recent developments in Scottish economic conditions. In none of the sectors of industry where employment is likely to contract would the
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**Notes:**
- All approximations are based on the provided data and may not reflect actual values.
- The table represents a simplified version of the data provided in the document.
rate of contraction be expected to be as heavy or as rapid as it has been in Scotland in the past.

**Conclusion**

28. The objectives of economic planning policies in Scotland must be to achieve faster rates of growth in output and higher productivity throughout the economy and, particularly, more employment opportunities in the expanding sectors of industry. Higher productivity is the only means of securing a more competitive position in world markets and faster rates of growth in output which will lead to more and lasting employment opportunities. In the long run, higher productivity and higher employment go hand in hand. Only in this way can existing reserves of labour be more fully deployed, unemployment reduced and higher levels of activity achieved, and the necessary reduction in outward migration secured to provide a stable population structure for the Scottish economy by 1970 and beyond. The National Plan provides the framework within which progressive national growth and expansion can be secured; the proposals which follow in the succeeding chapters of this Paper are designed to enable Scotland to make its maximum contribution to these national objectives and, at the same time, provide a basis for the modernisation and progressive expansion of the Scottish economy.
Consultation

The appearance of economic planning policies in Scotland may go to

interest. Thus there is a strong tendency for any potential planning framework for

economy can be maintained and developed to provide a stimulus to economic growth.

growth of employment and improve the living standards in the community. The National Plan envisages achieving these objec-

in the absence of any major structural change in the economic environment. In the event that

vatives, in particular, the number of employed people, the level of unemployment, and the rate of turnover in the econ-

of significant change in the economic environment, the National Plan would be modified as necessary.
Chapter III

Labour Supply

29. The economic objectives for Scotland, outlined in the preceding chapter—namely, faster rates of growth, higher productivity and more employment opportunities—depend on the full and efficient deployment of labour. This chapter describes the labour reserves and the pattern of skills available in Scotland, and goes on to outline the action now being taken and being developed to deploy these reserves and skills to the best advantage. The vital part to be played by training and management is considered in Chapter IV and the key role of education is examined in Chapter XII.

Reserves of Manpower

30. The under-employment of Scottish labour resources has taken the visible form of relatively high unemployment rates and the more latent form of lower activity rates (Tables 7 and 9).

31. As mentioned in Chapter I, Scotland's rate of unemployment has, over the past decade, remained at about twice the national rate. The distribution of unemployment has been uneven, most of it concentrated in the industrial areas of the Central Belt. In parts of the Highlands and Islands, the South West and, to a lesser extent, in the North-East, unemployment is more widely dispersed and there are isolated pockets, much of it of a seasonal nature. Special problems are involved in the reduction of unemployment in these areas even in conditions of a generally high demand. Most unemployed men are unskilled—65 per cent in Scotland in June, 1965, compared with 56 per cent in Great Britain as a whole. On the other hand, Scotland's unemployed reserves contain proportionately fewer persons over 45 years old and fewer disabled, than Great Britain as a whole. In a survey carried out in October, 1964, of the Scottish unemployed, it was estimated that almost 20,000 out of 46,000 male unemployed could be placed without difficulty if jobs were available. But this does not represent the full potential from this source and further demand, stimulated by progressive economic growth, could result in still further deployment of these labour reserves.

32. It will be noted from Table 9 that the male employee activity rate in Scotland was 78.1 per cent in 1954, well above the Great Britain rate of 76.9 per cent. The Scottish rate however dropped to 76.5 per cent by 1964, and was then below the rate of 76.7 per cent for Great Britain. This relative fall is partly a reflection of the heavy loss of younger men from Scotland by emigration. Activity rates of women present a more encouraging picture during the period 1954–64, rising from 36.3 per cent to 38.8 per cent, a figure just below the Great Britain average. There has been a general tendency throughout Britain for more women over 35 to enter employment, but Scotland still lags, particularly in the 40–59 age group.

Pattern of Skills

33. With its long tradition of industries demanding higher skills, Scotland has a larger proportion of skilled operatives within its male labour force than Great Britain as a whole. An analysis of the occupational structure of employees in
Chapter III
TAHUR SUPPLY

The economic situation for the USSR, particularly the need for more industrial and agricultural production, is discussed. The text addresses the factors affecting the supply of tahur and the measures taken to increase its availability.

The importance of the tahur supply is emphasized, with a focus on the need for increased production to meet the demands of the economy. The text also highlights the role of imports in supplementing domestic supply.

The discussion includes the impact of political decisions on the tahur market, and the strategies employed to stabilize prices and ensure a consistent supply. The text concludes with a summary of the current status and future plans for the tahur supply system in the USSR.
establishments in manufacturing industry with 11 or more workers showed that, in 1964, 41 per cent were skilled operatives compared with 38 per cent for Great Britain. The nucleus of craft skill in Scotland could be a major asset in the further expansion of the Scottish labour force. Moreover, a higher proportion of boys enter craft apprenticeships and the number has been increasing. In 1960, 33 per cent of all boys entering employment became apprentices; in 1964, 40 per cent. Even so, the number still falls short in some respects of the level regarded as necessary for Scotland’s future needs; for example, the Scottish Committee of the Central Training Council has indicated that an increase of 25 per cent in the annual intake of apprentices to the engineering industry is necessary if skilled workers are to be available to meet expected growth in that industry, and the Committee has brought its findings to the attention of the organisations and firms concerned. To obtain full benefit from this infusion of young blood, apprentice training facilities must be continuously developed. A major purpose of the Industrial Training Act is to introduce through the industrial training boards more systematic, effective and purposeful training for young entrants to industry. Furthermore young craftsmen who have completed their training should be assured of good prospects in their own country and must be encouraged to remain in Scotland.

34. In the engineering sector the labour force in Scotland has 42 per cent skilled operatives compared with 38 per cent in Great Britain. This hides the fact, however, that the engineering industry in Scotland has proportionately more general fitters and turners and fewer machine setters, setter operators and other skilled machine tool operators, occupations which are in the greatest demand by the newer industries. There have been shortages in these categories in recent months but they have not been nearly so severe as in the South.

35. Outside manufacturing the biggest employer of skilled labour is the construction industry. In 1964 Scottish contractors employed a larger proportion of craftsmen—62 per cent compared with 60.5 per cent in Great Britain generally. Although supply and demand for craftsmen are in rough balance, joiners have been difficult to obtain for a long time and bricklayers, plumbers and electricians are scarce in some areas. Here again, however, it must be emphasised that pressure of demand is less than in the South.

36. Another important feature of the Scottish labour force is the lower proportion of administrative, technical and clerical workers employed in manufacturing industry compared with that in Great Britain as a whole—20 per cent as against 23 per cent. In particular, if one takes the scientists and technologists on which much of Scotland’s industrial development and growth must depend, a paradoxical situation is found, that whereas Scotland produces relatively more of these qualified men and women than the rest of the country it employs relatively fewer of them in her industry. She also employs relatively fewer draughtsmen and technicians. In the faster growing chemical and engineering and electrical industries, substantially fewer scientists and technologists in proportion were employed in Scotland as in England during 1963/64, and the contrast with South-East England was particularly marked; even in the traditional textile and metal manufacturing industries they were more weakly represented. Although symptomatic of the fact that much of the design and development of goods manufactured in Scotland is carried out elsewhere, the deficiency is a measure of the ground that must be made up if the further development of scientific and technological industries in Scotland is to prosper.
There are however already hopeful signs that more young science and engineering graduates and technologists are finding scope for their talents at home.

37. Overall acceleration of industrial expansion and the rapidly changing industrial structure have together made new demands on the occupational resources of Scottish industry. Because of the upsurge in demand for labour, some shortages are emerging at craft, technician and technologist levels, but these are much less serious than in the South. The Government Training Centres will play an important role in meeting shortages of skilled workers in the short-term and the Industrial Training Boards at all levels of skill and qualifications in the longer term.

Earnings

38. With this expansion average weekly earnings, for male manual workers, aged 21 and over in manufacturing industry as a whole have increased over the past five years by 34.2 per cent in Scotland as compared with 31.2 per cent in the U.K. Individual sectors of industry in which the relative position in Scotland has improved include chemicals, metal manufacture, engineering and electrical goods, clothing and construction. Actual money earnings in Scotland at April 1965 were some twenty-five shillings a week below the U.K. average for all industries covered by the Ministry of Labour half yearly enquiry, but in a number of key growth sectors of engineering weekly earnings were above the U.K. level—these were agricultural machinery, office machinery, industrial plant and steel work, other mechanical engineering, watches and clocks, radio and electronics, and electrical machinery. Average weekly hours worked by male manual workers in engineering and electrical goods were 46.8 compared with 46.6 in the U.K.

Action to expand and use Scotland's manpower more fully

39. Scotland must realise to the full its reserves of labour and its relatively greater supply of traditional skills. Firstly, Scotland is drawing more persons from its manpower reserves into employment; and secondly, steps are being taken to encourage the mobility and flexibility of those who are employed so that their skills are properly adapted and developed.

40. In addition to the numbers of workers made available by the planned reduction in net loss due to emigration, Scotland's employment could expand further by recruiting from—(i) the unemployed and (ii) persons not at present in the employment field, such as married women.

(i) Unemployed

41. As mentioned above, the October 1964 survey of the unemployed showed that almost 20,000 men could be readily placed in employment if jobs were available. Many of these would be suitable immediately for skilled or semi-skilled work, or for training in skills. The industries which are contracting will continue to provide a flow of men who will be absorbed into expanding industries with, where appropriate, training or re-training. Many of the remainder of the unemployed will fill the jobs of unskilled workers in industry who are upgraded to semi-skilled or skilled work. Some of the longer term unemployed would have difficulty in measuring up to the demands of industry, and industrial rehabilitation facilities are available to help refit them to modern employment.
There are several factors that contribute to the growth of personal and professional development.

One of the primary factors is the recognition of the importance of continuous learning and the ability to adapt to changes. The Government Training Courses will be offered in various locations to provide more flexibility for participants.

The courses are designed to provide practical skills and knowledge that can be applied in the workplace.

Additionally, the availability of self-paced learning materials and online resources has also contributed to the growth of personal and professional development.

As a result of these factors, there has been a significant increase in the number of individuals seeking to improve their skills and knowledge in various fields.
There are two units for this purpose at Hillington and Granton which have the capacity to take 2,000 people annually and a third unit is to be located in Lanarkshire.

(ii) Other Reserves

42. The second source from which the expanding labour force could be drawn is from those persons not at present in the employment field. In areas of really full employment there is a tendency for activity rates to rise as all those who wish to work can do so; more firms should be encouraged to draw on these reserves by arranging, for example, special shifts to suit part-time workers as have been successfully introduced by many companies. In particular, married women who wish to work can make a very important contribution to industrial and service employment. In Scotland in 1964, married women formed only 45.9 per cent of the female labour force compared with 53.6 per cent in Great Britain. The extent of the reserves of women in Scotland who could be drawn upon to fill new jobs and the difficulties which may be in the way of their entering or re-entering employment are being examined in depth in a survey of women’s employment based on interviewing a sample of households. Interviews have been completed and processing of the results has begun. In the meantime, the Government have taken the lead in two important fields in their efforts to recruit more married women to the teaching profession and to encourage married nurses to return to their profession.

Adaptability of the Labour Force

43. It will not be sufficient however to bring more persons into employment; it will also be necessary to ensure that those in employment adapt to the demands created by the change in Scotland from an economy dominated by heavy industries to a more diversified framework. To build up the growing industries without wasting resources realised from declining industries requires a willingness on the part of the worker—(i) to change from one industry to another; (ii) to move from one area to another; and (iii) to acquire new skills. The employment exchange service is being strengthened and its organisation improved to enable it to discharge more effectively its function of smoothly aiding changes in employment.

(i) Changing from one industry to another

44. It is expected that agriculture, coal mining and railways will continue to shed male labour though at a lesser rate than in recent years. The large majority of the men employed in collieries which are closed should be offered jobs elsewhere in the Scottish coal industry. The successful redeployment of men from other contracting industries presents special problems in Scotland; in particular the relative isolation and wide dispersal of agricultural employment makes the task of providing fresh opportunities locally more difficult and the provision of new job opportunities in isolated mining communities requires special attention. Adequate training and re-training facilities are of prime importance. It is also important that movements from firms with surplus labour should be encouraged to meet the expanding needs of new and growing firms. The new Government measures to alleviate the effects of redundancy will help in this. These are the Redundancy Payments Act which will provide for payments to workers who become redundant and the proposed scheme of earnings-related unemployment
benefit. The existence of a high level of demand for labour, and confidence that it will be maintained, will also encourage workers to change jobs to meet the needs of the new and growing industries.

(ii) Moving from one area to another

45. Movement of workers from one industry to another will, in many cases, mean movement from one area to another. New and wider patterns of travel to work will emerge, but it will also involve movements of people to new homes. In this connection, a particular feature in Scotland is the uneven geographical distribution of the labour force, more than 60 per cent of the male labour force in manufacturing being concentrated into the west Central belt. To relieve the congestion there and to assist in the creation of new industrial complexes, more people are being encouraged to move into new towns and overspill areas where faster industrial growth and high standards of social amenities are possible. The success of this redistribution and the pace at which it can grow will depend on action taken by the Government and by industry. Government intends to play its part by ensuring the careful phasing of the housing and other infrastructure services, and the measures which it is taking and proposals to this end will be discussed in detail in later chapters. Industry, on the other hand, is helping and can do more to help the successful redistribution of population which Scotland’s changing industrial structure requires by adopting an imaginative attitude to recruitment, by careful planning and assisting where necessary those workers who have to move home. In addition the Ministry of Labour already assist industry in the transfer of labour directly by means of financial assistance. The resettlement transfer scheme assists unemployed workers whose employment prospects are poor in their home area to move to jobs in other areas. A second scheme assists employed persons designated as key workers whose transfer is necessary to their firms moving to or expanding in a development district and a third scheme helps unemployed workers in these districts to transfer temporarily for training to a parent factory outside the district before they start work at home.

(iii) Acquiring new skills

46. Change and growth of skills must keep pace with change and growth in industry. In past years, although there have been shortages of skilled labour in various occupations, Scottish firms and firms new to Scotland have on the whole not had serious difficulties in meeting their labour requirements. The situation has, however, altered in some measure during the past year in three of the main male-employing industries—engineering, construction and shipbuilding. If the demand for skilled labour continues to increase without a concurrent expansion of the supply, bottlenecks in key categories will occur which may prejudice the expansion plans of both new and existing firms.

47. One way of avoiding this is to make better use of the craft skills which are available in Scotland by upgrading and training of workers to undertake more skilled jobs; encouraging progress has taken place in the use of the Temporary Relaxation Agreement in engineering in respect of jobs which are normally open only to time-served skilled men. In the Shipbuilding Industry some valuable agreements have already been made, for example, in regard to interchangeability of platers and shipwrights, and flexibility in certain key trades. These achievements should go some way to removing obstacles to the expansion of Scottish industry and to achieving the better deployment of manpower but much still
remains to be done. Many existing restrictive or protective practices on both sides of industry are a legacy of insecurity; this insecurity, in turn, derived partly from a lack of consistency and purpose in the national economy and the absence of clearly defined economic objectives. The National Plan and the present plans for Scotland define such objectives and the Government are determined to achieve them. This determination must however be matched by industry itself in every field of activity and, most important of all, in efficiency of performance and in productivity. The Government therefore look to both sides of industry in Scotland to respond to the challenge.

Conclusion

48. Against the background of a labour shortage foreseen in the National Plan for Great Britain as a whole, Scotland's labour resources are an asset for future economic growth. With the reduction in the drain of able manpower to other regions, which is a firm objective, this asset will become stronger and more valuable. But in a period of rapid economic transition the labour force must adapt itself smoothly to new jobs, new methods and new locations. Wherever possible the Government will assist in easing the changes which are necessary—through the action which it is at present taking and by the measures it now proposes to take in the fields of education, redundancy payments, housing and in all the other ways discussed in this Paper.
Chapter IV
LABOUR TRAINING AND MANAGEMENT

Training

49. In the attempt to bring more workers into employment and to make better use of those already in employment, training has a major part to play.

50. Under the Industrial Training Act, 1964, responsibility for ensuring that both the quantity and quality of industrial training are made adequate has now been placed on Industrial Training Boards. The Boards will be undertaking man power forecasts, including the demand for skills, on a regional basis. Nine Boards have been set up covering the industries most dependent on skilled labour and within three years it is expected that there will be about 25 Boards covering practically all industry. The Boards for engineering, construction, iron and steel, wool and shipbuilding, have now started to operate the arrangements prescribed in the Act for imposing a levy on firms in the industry and paying grants to the firms whose training is approved. This should give a considerable impetus to training in Scotland as elsewhere.

51. The Ministry of Labour has established a Central Training Council to advise him on the operation of the Industrial Training Act and the Council has appointed a Scottish Committee to deal with problems arising in Scotland. The Committee's recommendations about the intake of apprentices to the engineering industry have already been noted in paragraph 6 of Chapter III. The Committee will also be looking at the needs of the expanding Construction industry which, while already attracting a large number of boys each year, will require a higher intake of apprentices to meet future demands. The Committee is now engaged on a study of training facilities in the Highlands, which will include an examination of the possibility of promoting a group training scheme which firms in a suitable location there could operate. Four group training schemes embracing 40 firms have already been set up in other parts of Scotland and their membership is expanding; other schemes are in the course of formation.

52. The Government gives through the Ministry of Labour financial support for the development of training in a number of ways. It assists with the cost of 'in-plant' training by new and expanding firms in development districts. Since the inception of this scheme in September, 1964, financial assistance has been accepted by nearly 70 firms in Scotland for training 1,700 men, of whom half were in engineering, and 3,800 women. The advantage of this form of training scheme is its flexibility as it assists firms to train new employees to the precise degree of skill required. The Industrial Training Service, a grant-aided, non-profit making body, is available to give employers and industrial organisations, on a fee-paying basis, a consultancy service which assists in analysing training requirements and establishing satisfactory training programmes and syllabuses. Grants are also available to promote and develop group training schemes (until the Boards are in a position to take over), and to enable employers' associations and joint bodies to appoint training development officers to develop and improve systematic training schemes within an industry. In addition the Ministry makes grants in respect of the training of training officers and the periods of industrial training forming part of certain types of sandwich course; and to Industrial Training Boards in respect of (a) their administrative expenses in the first year of their existence, (b) their expenditure on the provision of training courses for training supervisors and instructors,
CHAPTER VI

JOB TRAINING AND MANAGEMENT

...
(c) the cost of research undertaken or sponsored by the Boards and (d) the current expenses of providing additional places for off-the-job training.

53. The Government itself is directly concerned in training. As a result of recent expansion there are now seven Government Training Centres in Scotland with a potential output of up to 1,700 a year. These centres provide facilities for the training of unskilled and semi-skilled workers and the retraining of skilled workers in new or more specialised skills. Most trainees are being placed or found employment which utilises their training. A further new centre which is to be built in Edinburgh should be ready this year. In addition, plans for expanding training in the existing training centres are in hand. When these expansions are completed, the Centres in Scotland will be capable of producing up to 2,200 trainees per annum.

Management

54. Without good management the Scottish economy cannot realise its full potential. Its productivity must improve at least as fast as that of the national economy as a whole. It must maintain the competitiveness of its products and this depends on the efficiency with which they are produced, which implies good labour relations, the technology reflected in their production and in their design, and the effectiveness of their marketing. New industry will be more readily attracted to the Scottish economy and will develop more efficiently in it, if the climate of opinion is one which is favourable to high productivity. In all this the role of management is of the greatest possible importance. While the precise ways in which management should approach these tasks will differ from case to case, the principal features of the way forward can be stated.

55. Management must become much more professional. There is a need to understand, accept and exploit new technologies to a far greater extent than hitherto. There is also a need for management to become more aggressive in its competitiveness. Above all, it must take the lead, and contribute its part, in achieving a closer understanding between labour and management on their joint problem of increased productivity.

56. To do these things, management must be better trained, and for this purpose firms, to a much greater extent than hitherto, should deliberately and systematically release their management staff to take part in the wide variety of training courses which are already available as well as providing training on the job.

57. Management needs to pay greater attention to research and development. There should be a technologically qualified staff at all levels in the management structure. The techniques of management themselves require more study and implementation. These techniques have in recent years moved forward particularly rapidly in the general field of quantitative methods, including the use of computer-based planning, programming, and recording techniques and the general exploitation of electronic data processing. But these methods alone will not be enough unless they are accompanied by more general understanding of the operation of the economy, competence in marketing and, last but not least, full awareness of the human organisation of industry and commerce. Effective management also entails discriminating use of the contributions which the specialised professional agencies, such as banks, accountants, and industrial consultants can make.
to the case of resource allocation or decision-making for the benefit of the public. This involves identifying and quantifying the resources available and determining the best way to allocate them to meet the needs of the public. This process involves careful consideration of the costs and benefits associated with different options, as well as the potential for feedback and adjustment based on the outcomes of these decisions. The ultimate goal is to ensure that the public interest is protected and that the resources are used in the most effective and efficient manner possible.

In order to achieve this, it is important to have a clear understanding of the decision-making process and the factors that influence it. This includes understanding the role of stakeholders, the availability of data and information, and the potential for feedback and adjustment. It is also important to have a clear understanding of the costs and benefits associated with different options, as well as the potential for feedback and adjustment based on the outcomes of these decisions. The ultimate goal is to ensure that the public interest is protected and that the resources are used in the most effective and efficient manner possible.
58. Scottish managements have three special factors in their favour in this task. Firstly, the Scottish educational system has for many years been producing graduates, including technologists, in greater proportion than elsewhere in Britain. In spite of this, the proportion of administrative, clerical, and (significantly) technical employees in Scottish industry is low by English standards. There is here an obvious opportunity which Scottish industry should turn to its advantage. Competition for the products of Scottish education, however, is strong and Scottish employers will need to give particular thought to the opportunities they can offer these young people. The proposals for growth are such that it is not tenable to argue that the volume of such opportunities cannot be improved.

59. Secondly, Scotland has a notable professional heritage in professions relevant to business and finance. A mention of the special place of Scottish banking, accountancy and insurance provides examples of this. With such resources at close hand, the urgent need to improve management efficiency and productivity suggests that managements should make much more use of all forms of specialist advice.

60. Thirdly, Scottish Universities and other Scottish educational institutions have shown themselves willing and able to provide courses in management problems and management techniques. These courses are not used to the extent they should be. Firms should release their executives to these courses as a deliberately formulated policy.

61. Action to achieve the broad objectives set out here must lie primarily with the top management of each individual firm. The Government looks to each firm to consider its position in this respect and to play its part in meeting the national need for higher industrial and commercial efficiency. For its part, the Government can and will ensure, chiefly through the Central Training Council and the Industrial Training Boards, that the necessary management training facilities and supporting educational infrastructure are provided. It then looks to each individual firm to exploit these fully.

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PRINTER'S NOTE

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CHAPTER VI

AGRICULTURE, FISHING AND FORESTRY

Agriculture

Size and Character of the Industry

93. Agriculture is one of the largest industries in Scotland and provides employment for over 100,000 persons. There are 16.7 million acres of land used for agriculture, of which crops and grass account for 4.3 million and rough grazings for 12.4 million. The main crops grown are cereals (1 million acres), potatoes (150,000 acres), fodder roots (250,000 acres) and grass (2.8 million acres). Dairy farming predominates in the south-west, arable farming with livestock production in the east and north-east and sheep and cattle rearing in the hills and uplands of the Highlands and southern Scotland.

94. Scottish farming has traditionally been based on a mixed system of crop and livestock husbandry. Livestock and livestock products account for about 80 per cent of the industry’s gross output; a considerable acreage of crops (including grass) is required to provide food for stock and the remaining land acreage (mainly in the arable areas) is devoted to producing crops for sale for human consumption.

95. Compared with other industries Scottish farming continues to be organised in relatively small-sized business units, though its structure compares very favourably with that in other countries. On most farms one individual is responsible for providing the management and capital and bearing the financial risks. There are 58,000 agricultural holdings, but over half of these are part or spare-time units where the occupier has some other employment or source of income. The commercial sector of farming comprises the 28,000 full-time farms, which account for 94 per cent of agricultural output; their average size is 140 acres of crops and grass and 330 acres of rough grazing with an appropriate complement of livestock, and they require a labour force of three to four persons including the farmer.

96. The close interdependence of farming with the economy as a whole means that it supports a substantial amount of indirect employment in ancillary industries such as the manufacture of agricultural machinery and fertilisers, in food marketing and processing, etc. This indirect employment is estimated to be of the order of 80,000—mainly, though not entirely, in Scotland—or about 70 per cent of the numbers of farmers and workers directly employed in Scottish farming.

Recent Trends

97. The value of agricultural gross output in Scotland is currently about £190 million, or about 11 per cent of the agricultural output of the United Kingdom; in volume it has increased by 20 per cent in the past decade. The main increases in output have been in barley, beef, mutton, milk and poultry and, except for barley, mostly occurred before 1961. Weather conditions and other factors resulted in some decline in output between 1961 and 1964, but in the past year there has been a further expansion. A rising level of capital investment, increased yields of crops and stock and the greater use of materials, such as fertilisers and fuel, produced by other industries have all contributed to
increased output. Capital expenditure by farmers and landowners is currently estimated at about £20 million a year, of which £7 million is in buildings and £13 million in plant, machinery and vehicles.

98. The increase in Scottish agricultural net output—i.e. after allowing for the increased inputs produced by other sectors of the economy—has been about 15 per cent since 1954/55. The number of farm employees has declined by an average of over 2 per cent a year in the past decade and the rate of decline has recently been tending to accelerate. The increase in net output has, in fact, been achieved by a labour force (including farmer and wife labour) which has declined by 20 per cent, so that productivity (or output per man) has increased by over 40 per cent in ten years—a rate which exceeds the average for all industries in the United Kingdom. It has also been achieved in spite of an annual loss of about 4,000 acres of mainly arable and grass land for building and other development and of 30,000 acres a year (mainly rough grazing land) for afforestation.

Future Developments

99. In considering the contribution that agriculture can make to national economic growth and the balance of payments, the Government have had regard to the growth in demand for food. It is true that with a rising level of real incomes, the demand for food increases less rapidly than the demand for other commodities as people tend to spend a smaller proportion of their incomes on basic foods and a larger proportion on other goods and services. Nevertheless, as announced in the National Plan the level of food expenditure is expected to increase by between 8 and 9 per cent (at constant prices) between 1964 and 1970 as a result both of increases in population and rising real income per head. The Government have also taken account of the technical possibilities of expanding home production, of U.K. international trading relations and the need for the most effective use of resources. In the light of all these factors they have concluded that agriculture can make a valuable contribution by a selective expansion programme, provided that this is based upon the maintenance of the rate of increase in the industry’s productivity. This contribution would be made in two important ways; first, it will help through increased production to meet the growth in demand; secondly, by continuing the increase in its labour productivity it will release manpower resources to other sectors of the economy. Meat, particularly beef, will play an important part in this expansion; a larger supply of calves for fattening will be required and this will entail some increase in milk production which will also help to meet the increased demand for milk and milk products. Expanded livestock production will also result in a considerable increase in demand for cereal feed, a substantial part of which might be grown at home.

100. The Government have stated that they would expect U.K. agriculture to be able to meet a major part of the additional demand expected by 1970, totalling some £200 million on food for human consumption. The production required from agriculture, and the resources required to produce this, will be considered year by year at the Annual Reviews of the economic conditions and prospects of the industry. Scottish farming, with its emphasis on livestock production, already produces a relatively large proportion of the United Kingdom output of beef (17 per cent) and of mutton and lamb (24 per cent) and should be well placed to play its full part in this expansion. Part of the
The increased number of capital expenditures by firms and landowners is encouraging.

In 2018, companies increased their capital expenditures by 25%, resulting in a growth in profits.

The increased investment in infrastructure is expected to spur economic growth. In 2019, the government allocated $50 billion to infrastructure projects. This investment is expected to create thousands of jobs and boost the economy. However, critics argue that the money is poorly spent and does not address the root causes of our economic challenges.

In conclusion, while the increased capital expenditures are a positive sign, they must be accompanied by careful planning and effective use of funds to ensure long-term benefits. The government must continue to monitor these investments and make necessary adjustments to ensure they are aligned with the country's needs and priorities.
expansion in beef production is likely to come from the beef breeding herds which are an important part of the Scottish farming economy particularly in hill and upland areas and in the east and north-east of Scotland, while the dairying areas located mainly in the south-west, should also be able to contribute by producing more beef calves from the dairy herd and possibly by an increase in beef breeding herds on dairy farms. An increase in mutton and lamb production is possible both in the hill and upland areas and in districts with medium quality land which is less suitable for producing cash crops. Though further afforestation may lead to some reduction in the area of land devoted to hill farming, this loss will be relatively small and should easily be offset by rather more intensive stocking on the remaining land. Increased production of cereals for food is likely to be mainly in the arable farming areas in the east of Scotland.

101. Employment in Scottish agriculture is likely to continue to decline. In the period to 1970 the estimated further reduction in the number of farm workers is 8,000-10,000 or 12 to 15 per cent. A continuing decline in employment is quite compatible with an expansion of agricultural output, provided that the rate of growth in productivity is maintained at the same rate as in recent years. The effects of this further decline in the agricultural labour force in particular areas—e.g., the North-East and the Borders—have been examined in relation to their future development and the proposals for those areas take account of the prospective changes in the farming economy.

102. It is also desirable that farms which at present are too small to provide an adequate standard of living should be amalgamated into larger units. Some amalgamation of farm units has been taking place in Scotland, and a recent estimate is that the number of occupiers of agricultural holdings had been declining by 500 (or about 1 per cent) a year. The White Paper on The Development of Agriculture* outlined ways in which the Government will offer help to farmers to do this; it also outlined proposals to develop still further farming in the hills and uplands, to encourage co-operation in agriculture and horticulture and to provide for a continuing programme of modernising fixed equipment on farms. So far as the Highlands and Islands are concerned—an area of special problems—a new Development Board with powers and finance has been set up to promote economic and social development. All these schemes, along with the continuation of the various direct farming grants and the emphasis now being placed by the advisory services on improved business management, will help to promote greater productivity, enable the industry to increase its contribution to the national economy and enable farmers to improve their incomes.

103. In the ancillary industries, concerned with servicing agriculture and the marketing of farm products, the general tendency towards concentration in fewer and larger units is likely to continue. Though some expansion in these services will be required they are likely to be based more on the smaller and medium-sized towns rather than in villages or purely rural areas. The increase in the demand for food and the current trend towards greater processing and prepackaging of foodstuffs should give scope for some expansion in the food processing industries, and a study of these industries in the North-East of Scotland is at present being undertaken for the Scottish Economic Planning Council by economists at the University of Aberdeen.

* Cmd. 2738.
Fishing

The Size and Character of the Industry

104. The fishing industry contributes directly to the economic wellbeing of the nation in two ways, firstly by using domestic manpower and domestically constructed facilities to produce foodstuffs for the people of this country and, secondly, by exporting part of its products. In particular, the herring industry, even at its present level of overseas trade, is a net exporter. Moreover, the industry's by-products—fish meal and edible oil, of both of which this country is a considerable importer—are savers of foreign exchange.

105. The Scottish fishing fleet has been largely modernised with the help of Government grants and in the favourable conditions of 1964 it landed a record weight of white fish. The value of all British landings in Scotland was £17.6 m., almost one-third of the output of the U.K. fishing industry. This included white fish at £14.0 m., herring at around £2.0 m.—more than 75 per cent of all the herring taken by British vessels was landed at Scottish ports, nearly half in the Highlands and Islands—and shellfish at some £1.6 m. Whereas nearly half the U.K. catch is taken in distant waters by company-owned trawlers, nearly the whole of the Scottish catch is taken in inshore, near and middle waters; and two-thirds of it is caught by share fishermen using boats of less than 80 ft. The Scottish fleet includes 129 trawlers over 80 ft. in length and some 2,800 smaller vessels. It employs 8,000 fishermen full time and 2,000 part time, and about 18,000 shore workers are involved in ancillary occupations.

106. Most of the catch is processed to some degree before distribution. A little is still salt cured for export, substantial amounts are smoke cured for the home trade, and an increasing quantity is despatched filleted, either fresh or quick-frozen. Processing is becoming increasingly mechanised. This development calls for steady throughputs and, while some processing plant has been installed at the smaller ports, the trade is mainly concentrated on Aberdeen which is second only to the Humber ports as a fish handling centre. Probably three-quarters of the fish landed in Scotland is consumed in England where it has enjoyed a premium for freshness in comparison with distant water fish landed wet.

107. While most of the trawl-caught fish is landed at Aberdeen, significant quantities of white fish, most of the herring catch and the whole of the shellfish catch are landed at smaller ports, including many in the Highlands and Islands.

Future Development

108. The future of the Scottish fishing industry depends on many factors outwith the industry's control. Although experiments have begun with rearing marine fish in Scottish waters—and marine fish farming may eventually be commercially possible—for many years fishing must remain a hunting occupation in competition with growing foreign fishing fleets. More herring could readily be caught at some seasons, but to increase the market would require better quality fish at the right times. The Herring Industry Board is making efforts to achieve this result as well as to achieve manpower economies.

109. While not of great significance in the context of the National Plan the herring industry plays an important part in Scotland. The Herring Industry Board has estimated that the industry has an immediate growth potential of 25 per cent and believes that the extra herring which the industry needs can be expected to be taken in northern waters. The growth point of the industry will,
The figure and conclusion of the study:

The finding reveals a significant relationship between the economic well-being of the nation and the health status of its citizens. The data indicate that countries with higher levels of economic development tend to have lower rates of morbidity and mortality. This finding supports the hypothesis that economic growth can contribute to improved health outcomes. The implications of this study suggest that policymakers should consider the economic aspects of health care when formulating strategies to improve public health. Further research is needed to explore the underlying mechanisms linking economic development and health outcomes.
therefore, be in Scotland. The home and export market for shellfish could readily be expanded but there are doubts whether the stocks in some areas will stand more exploitation. Plans for development of salmon and trout fishing in Scotland, the notional value of which much exceeds the market price of the catch (approximately £1.5 m.), must await full consideration of the report received in 1965 of the Hunter Committee.

110. Manpower economies in catching whitefish may be expected to continue at about the rate which obtained over the last five years. (A saving in that period of 600 regular and 600 part-time jobs, mostly on smaller vessels.) Though general trends (including over-fishing) are against continuing the weight of catch achieved in recent years from traditional grounds given the maintenance of its outlets, the Scottish fleet should also maintain its share of the U.K. catch. Dependence on the English market has been noted. The full competitive impact of freezer trawlers now being introduced by Humber firms, some of them subsidiaries of integrated groups owning processing plants and distribution networks, has yet to be felt. The Scottish owners who undertake freezing at sea operate from the Humber. It seems likely that, as in other food trades, retail sales of fish will increasingly be in branded convenience packs, centrally produced and distributed by increasingly mechanised and standardised methods. Aberdeen is well placed for such development but the interests concerned must marshal their forces to compete with the large Humber firms. As to employment on the shoreward side, elaboration of processes should tend to counterbalance manpower savings through mechanisation. The Government will meantime continue to support the industry with scientific research directed both to techniques of catching and handling marine food, and by seeking international agreement on conservation of fish stocks by the prevention of over-fishing. This will assist the industry to maintain its position, but the industry itself must also be willing to accept the necessary changes in its organisation if it is to meet successfully the challenge of future years.

Forestry

111. At the end of 1964 the Forestry Commission plantations in Scotland extended to 700,000 acres of which more than half a million acres were planted after 1945. At the same date it was estimated that there were 450,000 acres of managed woodlands in private ownership in Scotland, and again, largely because so many private woods were felled during the war, a considerable proportion of that acreage consists of post-war planting. The total acreage of managed woods in Scotland represents only 6.5 per cent of the land surface, appreciably less than in most European countries.

112. The full effect of the rapid expansion of planting after the war has not yet had time to express itself in terms of employment since substantially more labour is required for production and manufacturing, than for planting and maintenance work before felling starts. Present production from thinning and felling is still largely confined to pre-war plantations, but during the next five years we shall be entering a long period where production will rise very rapidly.

113. The operation and management of the Commission’s plantations in Scotland, together with associated manufacturing, provides employment for 4,500 industrial workers in addition to supervisory and administrative staff; the corresponding figure for privately-owned plantations is estimated at 3,000
The redefinition of the European Commission's role in promoting and protecting the interests of consumers and competitors is a key element in the new regulatory framework. The Commission's mandate to ensure effective competition and consumer protection is crucial in fostering innovation, enhancing market efficiency, and safeguarding the interests of both consumers and businesses.

The upcoming Spring Summit in Brussels is an opportunity to review and strengthen the enforcement of competition rules and to address emerging challenges such as the digital economy and the rise of new business models.

Moreover, the Commission is stepping up its efforts to combat anticompetitive practices, including through the convergence initiative, which aims to harmonize national competition policies and improve the enforcement of competition law across the EU.

In conclusion, the redefinition of the Commission's role is not just a matter of regulatory reform, but a necessity for the continued development and prosperity of the European Union.
giving a total estimated employment figure of 7,500. Present total production of
timber in Scotland is around 39,000,000 cubic feet out of a total Great Britain
production of 110,000,000 cubic feet.

114. The Fort William Pulp and Paper Mill, now nearing completion, will
have an annual intake of 12 million cubic feet when it gets into full production
and this will continue into the mid-1970s, after which the intake is scheduled to
increase by 50 per cent.

115. Until 1975 the estimated peak labour employment at the mill is 1,300
workers; when, thereafter, the intake of timber rises, the likely increase in mill
labour is 100 with an additional 380 required in the forests and in transport to
provide the raw material.

116. During the next 20–25 years the Fort William mill together with the
chipboard factory at Inverness will consume nearly the whole of the production
of smaller sized timber coming from thinnings in the Highland area. The larger
sizes consisting of the butt cuts of thinnings and from some clear felling of older
stands of timber will go to the sawmills.

117. From the late 1970s onwards there will be available almost twice as
much saw-log material as at present. A need in this sector will be the rationalisa­
tion of saw milling into a smaller number of larger and more efficient mills, some
working a million or more cubic feet of timber per annum.

118. The planting proposals announced in 1963 provided for a programme of
141,000 acres for the five-year period 1964–68. An additional 12,000 acres of
planting for this period was approved by the present Government in April 1965
and this will enable planting to continue at the rate of at least 30,000 acres a year
until 1968.

119. The Government fully recognise the importance of afforestation
in providing employment opportunities in the rural areas and in providing the
raw material for home based timber-using industry. In the Highlands forestry
offers the best prospects of providing the necessary industrial core to the
economy. It has accordingly been decided to increase the Forestry Commission’s
planting programme in Scotland to 36,000 acres a year from 1969 until further
notice, subject to periodic review. The increase in the programme will be applied
in the Highlands and in the seven crofting counties planting will be increased to
20,000 acres a year. Substantial inducements are already available for the
encouragement of private forestry, and planting by private interests is at present
running at the rate of 14,000 acres a year, of which between 4,000–4,500 acres
are in the crofting counties.
The government, in accordance with the importance of information in planning and procurement, has appropriated 1,000 acres of land in the region of York to establish a military post and to set up necessary buildings. This land is located 100 miles south of the city of York, and is suitable for the construction of a military fort. The government has also allocated funds for the construction of a roadway to facilitate the transportation of goods and personnel to the fort. Additionally, the government has established a committee to oversee the construction and maintenance of the fort. The duties of the committee include ensuring the safety and security of the fort, as well as the welfare of the soldiers stationed there. The committee will be comprised of representatives from various government agencies, as well as military personnel. The committee will also be responsible for the procurement of necessary supplies and equipment for the fort.
CHAPTER VI

THE SERVICE INDUSTRIES

120. The service industries* employ roughly half of the labour force, in Scotland as in the United Kingdom as a whole. They embrace gas, electricity and water, transport and communications, the distributive trades, education, medicine, other professional and scientific services, insurance, banking and finance. They include also the provision of entertainment and sports facilities, personal services such as hairdressing, and the catering and hotel industry (which are vital to the important Scottish Tourist industry), and central and local government.

121. Though service industries were expanding slightly less rapidly in Scotland than in Great Britain over the period 1960 to 1964, the numbers occupied in these industries in Scotland increased by over 5 per cent to a total of 1,071,900 in 1964. The services sector increased its share of total Scottish employment by 1.9 per cent over this period. Indeed, because of the heavy declines in employment in primary industries, and the large job losses in some older manufacturing industries, the service industries with a net gain of 56,000 jobs made the major contribution to the expansion of employment in the years 1960 to 1964.

122. The increased employment in professional and scientific services was the main element in this expansion, with particular growth in educational, medical and dental services; but retail distribution, the catering and hotel trade and the motor repair and garage trade also showed considerable growth. In all this, Scottish experience has been very similar to that of the rest of the country, though it is of some significance that the increase in employment in the catering and hotel industry between 1960 and 1964 was proportionately three times as great in Scotland as in Great Britain as a whole.

123. Within Scotland, sheer weight of population puts the bulk of service employment in Central Scotland. Service industries are less well represented in the Borders and South-West than elsewhere; in the Borders the number of employees in these industries has been going down, and in the South-West it has been almost static while elsewhere the trend has been upward. The Borders present a classic example of an area where there is no incentive for the service industries to expand. The Highlands, because of the importance of the tourist trades, such as hotels and catering, have proportionately more people in service industries than the other parts of Scotland, and the rate of increase there has been slightly higher than in Central Scotland. Without the tourist industry component, however, the Highlands do not compare so favourably either in present level or in rate of growth of service industry.

124. Adequate and up-to-date services are important if Scotland is to be an attractive area for incoming industrialists. A satisfactory background of basic services and recreational facilities, good shops and adequate transport, schools and medical services—these are all things which may influence industrialists when they are considering factory locations. The service industries, therefore, have a major role to play in the build-up of modern manufacturing industry and in the reduction of migration from Scotland.

* Excluding the construction industry—see Chapter XV.
Chapter VII

The Service Industries

174. In the above paragraphs, reference was made to the need for an increase in the number of college graduates in the field of service industries. It was noted that this increase would not only benefit the economy, but also contribute to the overall growth of the nation. The service industries, including retail, hospitality, healthcare, and finance, are crucial for the development of a modern economy. They provide employment opportunities, stimulate economic growth, and improve the standard of living for millions of people.

175. The government has taken several initiatives to address the shortage of skilled workers in the service industries. These initiatives include providing financial assistance to students pursuing relevant courses, offering training programs for existing employees, and collaborating with educational institutions to develop specialized curricula.

176. Despite these efforts, the demand for skilled workers continues to outpace the supply. This highlights the need for a long-term solution to ensure a steady pipeline of qualified professionals. One potential approach is to integrate service industry education into the school curriculum, starting from an early age, to foster a strong interest in this sector among young students.

177. In conclusion, the service industries are a vital component of the modern economy. They require a skilled workforce to thrive, and efforts must be made to address the current shortage. By investing in education and training programs, the government can ensure a sustainable flow of talent into these critical sectors.
125. Certain of the service industries can also make a direct contribution to the development of the Scottish economy since they are themselves generators of economic growth. This is true particularly of office employment and the tourist industry, both of which the Scottish Economic Planning Council has been considering in relation to the overall strategy of Scottish economic development.

Office Employment

126. With increasing automation on the factory floor and the growing complexity of management, control and sales services in industry, the proportion of office employment in the economy as a whole has been rising. Economic growth is increasingly fostered by the development of these functions, as well as by such activities as insurance and banking where Scotland has traditionally been active. The development of much improved communications has also made possible the siting of office activity in parts of the country which would once have been considered inaccessible but which now have the virtue that they are free of the increasing congestion experienced in the South-East and offer considerable savings in office rents compared with the Central London area.

127. The Government has now embarked on a policy of steering office development away from the South-East and the Birmingham area. The move of the Post Office Savings Bank to Glasgow is a step which the Government has itself been able to take under this policy. Transfers of this kind and of private offices can contribute to the building-up in Scotland of a more diversified range of employment opportunities.

128. While there is a tendency for firms and public bodies to be more willing to establish new or expanded offices in centres with fairly large populations, the possibilities of siting offices in towns of small or medium size must not be lost sight of. Office development will flourish most successfully if it is located in those places where postal and telecommunications services, transport facilities, housing and other social services and the supply of suitable staff are all readily available.

129. It is important for Scotland to share fully in the development of this type of employment if a balanced modern economy is to be built up. The Scottish Economic Planning Board is therefore studying the potential of various parts of Scotland for the siting of new offices with a view to identifying those places which would be most suitable for expanded office activity in the immediate future, and those where possibilities exist in the longer term.

Tourism

130. As incomes grow and as leisure and paid holidays increase, there is more money to spend on travel and tourism and more time in which to spend it. Thus one obvious mark of growing material wealth is the rapid expansion of the tourist industry. It is pre-eminently an industry which flourishes on marginal expenditure: when real incomes are rising markedly tourist expenditure tends to rise faster than increases of total income. In value terms, accordingly, tourism has been increasing internationally in the last five years at about 15 per cent per annum and it is now a significant element in the economic growth of most European countries. This is certainly true of its importance within the Scottish economy. The limited statistics available have recently been examined and
The growth of the service industries can provide a unique contribution to the development of the economy. To encourage this growth, it is crucial to create an environment that fosters innovation and entrepreneurship.

Office development

The provision of modern, well-designed office spaces can attract new businesses and stimulate growth. Investments in office infrastructure can also improve the productivity of existing firms and create new employment opportunities.

Innovation

Innovative ideas and technologies are essential for driving economic growth. Supporting research and development activities can help businesses stay competitive and create new products and services.

Economic Structure

A well-balanced economy with a diverse range of industries is crucial for long-term stability and growth. Encouraging the development of new sectors and supporting existing ones can help to create a resilient and dynamic economy.

Integration

Integration into global markets can provide access to new customers and resources. By participating in international trade and collaboration, businesses can expand their reach and increase their competitive advantage.

Infrastructure

Strong infrastructure is necessary for economic development. Investments in transportation, energy, and communication systems can help to reduce costs and improve efficiency, making the region more attractive to investors.

Nurturing Business Growth

Businesses need a stable and supportive environment to thrive. This includes access to financing, tax incentives, and regulations that encourage innovation and entrepreneurship.

Investment in Education

Investing in education and training can help to develop a skilled workforce that is well-prepared for the demands of the modern economy. This can lead to increased productivity and innovation.

Natural Resources

Utilizing natural resources sustainably is important for long-term economic growth. However, it is crucial to balance this with environmental protection to ensure the long-term health of the ecosystem.
suggest that the value of tourism in Scotland in 1964–65 might have been of the
order of £65 million.

131. Scotland has many attractions for tourists and holidaymakers: the
beauty of the countryside; its suitability for outdoor sports, from walking,
climbing and ski-ing to fishing, sailing, and water ski-ing; and rich literary,
historic and romantic associations. In spite of these considerable natural
advantages, however, there is evidence that the extra numbers of English and
overseas visitors to Scotland has been increasingly offset in recent years by the
number of Scots who now holiday outwith Scotland. Special efforts are therefore
needed if Scotland is to expand its share of an increasingly competitive market.

132. The Scottish Tourist Board's new constitution provides for direct
representation of the main sections of the industry (including the three major
transport undertakings). The Board is confident that this will result in greater
financial support from all sections of the industry, and the first objective of the
new Board will be to establish the priorities for effective action to develop
Scottish tourism to match the expanding and changing market. The basic
requirements for expansion already seem clear, but much more detailed informa­
tion is necessary if the development of the industry along the most advantageous
lines is to be secured and the Secretary of State has offered the new Board a
special grant of up to £75,000 for an agreed programme of research spread over
three years.

133. The Board will have before them:

(a) the results of a comprehensive market research survey, carried out by
the Social Survey Division of the Central Office of Information, at the
instance of the Scottish Development Department, to find what people
in the United Kingdom really thought about Scotland as a holiday area,
what facilities they wanted and what problems of accommodation or
communication they encountered; and

(b) the result of a series of informal approaches to leading interests in the
industry which were made on behalf of the Scottish Economic Planning
Council to help assess the potential of tourism within an expanding
Scottish economy and to obtain a representative selection of views on
lines of research or pilot schemes which the new Board might undertake.

134. The Tourist Board will then be able to start a programme of work
which should result in the production of the first complete review of the market
potential of the industry and identification of the most promising lines of
expansion, as a sound factual base for future action by the Board itself, by local
and central government, within the industry and in the Highlands by the
Highlands and Islands Development Board.

135. While it would be premature to anticipate the specific lines of action to
which current and future research might point, it is already clear that the best
dividends might be yielded by concentrating physical development in a number
of carefully spaced areas, as was recommended by the Highland Panel in their
report on Land Use. Generally, the chief requirements seem to be more, and
more modern, accommodation (from hotels to camping sites) for more, and
more mobile, tourists; a general raising of standards and a scheme that will
promote public confidence in the standards; improvements in the transport
system, including in particular air services, car sleepers, roads and vehicle
ferries; and more systematic publicity aimed at the most promising markets.
136. Markets are continually changing: there is great current and potential growth in outdoor activities and one of them—ski-ing—has already changed and lengthened the season in the Cairngorms. Again, the switch to more mobile holidays, based on private transport, has benefited the more remote areas at least partly at the expense of the older established coastal resorts (although with better accommodation and up-to-date recreational facilities they might benefit in turn from the noticeable trend towards second holidays). If, however, the industry can be given a correct identification of the problems and potentials of growth, then private initiative to exploit these potentials, backed by public planning and enterprise—e.g. in the tourist development proposals of the local planning authorities (aided in due course by the proposed Countryside Commission) and in road building—could build up an industry which would not only make a growing contribution within the Scottish economy, but would even—by transforming the whole economic basis of particular areas—make a substantial contribution towards solving some of the regional planning problems in the outer regions of Scotland.

Other Service Activities

137. To a large extent the size and variety of the remainder of the service industries are influenced by the size of the population which they serve, and the soundness of the regional economy generally. With the build-up of the Scottish economy that is envisaged in the period up to 1970, therefore, there will go a growth in employment in the service sector. Provided it is achieved with improved efficiency, this will be a sign of progress.

138. There are important links between the service industries and improved productivity in the Scottish economy. First because as many people are employed in service industry as in manufacturing industry so that more efficient working, and higher output per man, are just as important here as they are in manufacturing industry if our resources are to be used to the best advantage. And second because certain of the service industry activities contribute significantly to the satisfactory working of the manufacturing sectors and can help to improve productivity there.

139. The distributive trades, both retail and wholesale, in which Scotland has nearly 300,000 employees, constitute the biggest single service industry sector, and so particular attention should be directed to efficiency and productivity in these trades. With the growth in population and incomes, retail sales will grow though they are not expected to expand as fast as the growth in disposable income since an increasing proportion of consumer expenditure will be spent outside the retail network. The increase in employment should be relatively modest because of the opportunities to improve labour efficiency within the industry; these are perhaps greater in Scotland than in Great Britain generally since Scotland's average turnover per employee (as shown by the 1961 Census of Distribution) is lower than the Great Britain average. In part this is symptomatic of the easier labour situation which has existed in Scotland but this position may well change and so provide an additional incentive to improve the use of labour within the retail trade.

140. In transport and communications, which employ nearly 170,000 employees, a continuing reduction of the labour force employed on the railways and in road passenger transport is anticipated, in line with the trend in these
industries in the United Kingdom generally; the road haulage industry is expected to expand its output, but to make some gains in efficiency which will lead to a rather smaller increase in total employment, though this will still be a significant sector in employment growth.

141. Production of the gas, electricity and water industries is estimated to increase by 8-4 per cent per annum up to 1970 (Chapter II, table A) to meet the requirements of expanding industry, the growth of population, the provision of new houses, and the rise in the standard of living. But in employment terms this is relatively a small sector with only 33,000 workers at present, and continuing improvement in output per head should mean that the demand for additional labour will be relatively modest. The period to 1970 is also expected to produce continuing expansion in the catering and hotel trades, to which the growth of tourism is expected to contribute.

142. The biggest expansion in service employment is likely to be in professional and scientific services in which 240,000 are employed. Much of this is accounted for by the education and medical services. Here the Government must plan ahead to provide the level of facilities which will be needed for the anticipated population growth, and the higher standards of education and medical care which are likely to be required. Growth of employment is likely therefore to be rapid in this sector over the next five years, as it has been in the last five.

143. The Government is conscious of the role which the service industries have to play in the expansion of the Scottish economy. In addition to the contribution which certain of them make directly to economic growth, they help provide the basic prerequisites for industry as well as providing the facilities and opportunities which go with a rising standard of living. They also play an important part in influencing both the capacity to restrain migration and the ability to attract new industry. The Government's part so far as service industries are concerned, is to maintain and improve existing standards and to aid the expansion of the service sector by building up a strong and viable economy.
Part II. Physical Pattern of Growth and Expansion

Chapter VIII
CENTRAL SCOTLAND

144. The generalisations about Industrial Scotland in Chapters I and II are really generalisations about Central Scotland. Four-fifths of the Scottish population and the bulk of manufacturing industry are in the central belt, and this is where the problems and possibilities of economic growth exist on the largest scale. In Central Scotland net migration is much the heaviest in the country—in the west both absolutely and proportionally. Yet at the same time it is the part of Scotland which offers the widest scope for rapid modernisation and expansion.

145. The reasons why Central Scotland holds both the biggest challenge and the best hopes for the future are to be found in the structural changes in the Scottish economy already described. Job losses in traditional industries have naturally been concentrated there and the volume of unemployment has been much the heaviest. This decline in traditional industry besides contributing to unemployment has also, which is more significant in the longer term, reduced the prospect of employment—especially male employment—for many school leavers and younger members of the labour force. Newer forms of employment though growing fast have not arisen in sufficient quantity to fill the gap. This is the principal reason why Central Scotland, especially in the west, has contributed so much to net migration losses.

146. A subsidiary reason is the poor quality of urban environment in much of industrial Central Scotland. This assumes greater importance when it is remembered that net migration is the result of a two-way gross movement in which the attraction of workers from other parts of Britain is also significant. Among the older communities of the west, not only are the results of the industrial revolution on social conditions still apparent, but standards of replacement are in danger of being sacrificed in the understandable desire for more rapid progress.

147. As Central Scotland loses most by migration and is the region where migration movement is most sensitive to changes in the economic climate, it is there that the effects of any substantial reduction of migration will be most immediately felt. The task is therefore doubly heavy. The rapid redevelopment of Glasgow and certain other towns must continue. But added to this will be the need to provide houses and other services for an expanding population as well.

148. Fortunately Central Scotland contains many encouraging elements which make the necessary regeneration possible. The sheer numbers of people in the region, and the high rate of natural increase, have created the circumstances in certain places for a growth as rapid as any in the U.K. The roots of this positive trend lie as far back as the 'thirties, when in 1937 the industrial estate of Hillington was established in association with some of the low-density inter-war
Chapter III

CENTRAL SCOTLAND

The industrial concentration in the Central region, indicated by the pattern of major centers and primary production activities, has been a dominant feature of the economic development in this area. The heavy industries, particularly those related to coal mining and iron and steel production, have historically been the backbone of the regional economy. The concentration of these activities in a relatively small area has contributed to the development of a distinctive cultural and social landscape.

Despite the importance of the industrial sector, the region has also experienced significant changes in recent decades. The decline of heavy industry has led to a restructuring of the local economy, with a greater emphasis on services and light manufacturing. The impact of these changes has been felt at the local level, with variations in the pace and nature of economic transition across different areas.

The Central region's landscape is also characterized by the presence of large areas of moorland and upland, which have played a significant role in the region's history and economy. These areas have been utilized for activities such as grazing and forestry, and are also important for the production of peat and other natural resources.

The integration of the Central region into the wider Scottish economy has been facilitated by the network of transport links, particularly the main rail lines and motorways. These connections have enabled the region to remain economically active and to participate in the growth of Scotland's larger cities.

The challenges facing the Central region include the need to diversify its economic base and to adapt to changes in the global economy. The region has been proactive in developing its industrial infrastructure and in promoting key industries, such as tourism and renewable energy, to ensure long-term economic prosperity.
housing estates. It successfully showed that Scottish labour could adapt to the needs of modern industry, and subsequent developments in post-war planning have shown this still more clearly. These developments have really comprised two strands: one economically directed, the other socially directed.

149. The economically directed strand, in the major industrial estates developed during the immediate post-war years and assisted by Board of Trade steering policy, has accounted for some of Scotland's biggest concentrations of modern industry. These estates were deliberately sited to draw upon wide labour catchment areas. Thus in the West of Scotland Newhouse draws on Eastern Glasgow, Airdrie, Coatbridge and Hamilton; Hillington draws on wester Glasgow, Renfrew, Paisley and Clydebank; while Queenslie, Thornliebank, Blantyre, and Kingsway on the north of Dundee exploit comparable groupings in their areas. Edinburgh's estate at Sighthill on the extreme west of the city also works for a large hinterland.

150. The point about these estates is that they accept and exemplify travel-to-work as a positive feature in a conurbation of separate communities originally tied to local traditional industries. In the Dundee area these were the shrinking jute and flax complex; more commonly they were related to natural resources—in the Edinburgh area coal and shale; in the west coal, iron and the River Clyde itself.

151. The second or 'socially' directed strand in post-war planning runs principally from the advisory reports on Central Scotland—above all from the Abercrombie Report on the Clyde Valley. This recognised the implications for the future of Glasgow's housing problem and the scale of thinking necessary if it were to be dealt with. It led to the 'Glasgow' new towns of East Kilbride and Cumbernauld and the concept of Glasgow overspill, given statutory embodiment in the Housing and Town Development (Scotland) Act, 1957. And the Abercrombie estimates of likely Glasgow overspill—put at 2-300,000—have not proved over-estimates. East Kilbride and Cumbernauld have made outstanding contributions to Scottish post-war housing and urban environment with a tone and quality comparable with the best anywhere in Great Britain. They are increasingly attractive, in the standards of modern living they create, to the younger people of whom Scotland cannot hold enough. These new towns and the principal overspill reception areas have proved economically successful too. But not entirely for the reasons originally assumed.

152. It was anticipated that the new towns would have an industrial component—indeed it was hoped they would be economically self-contained. And the value of overspill population to labour supply in places outside Glasgow was also recognised. But the new towns—even Glenrothes—have from the outset been the subject of much cross movement and travel-to-work. This has not diminished. While a substantial number of those who work in East Kilbride and Cumbernauld naturally live there, many come from Glasgow daily, and many who live there work in the city. There is considerable interchange with neighbouring communities as well. As the new towns have grown, the movement of population to them, whether through formal overspill agreements or voluntarily, has been made much easier by proximity to Glasgow and the possibility of commuting in the event of employment and housing provision not being quite in phase.

153. In other words much of the success of the Scottish new towns, no less than the industrial estates, derives from their lying within the complex labour
The economic growth and industrialization that the country has experienced in recent years can be attributed to the availability of cheap labor and favorable government policies. These factors have contributed to the rise of the manufacturing sector, which has become a significant source of employment and foreign exchange earnings.

In addition, the country has invested heavily in infrastructure development, particularly in the areas of transportation and communication. This has helped to facilitate the movement of goods and services, and to improve the overall business environment.

Furthermore, the government has implemented a series of fiscal and monetary policies aimed at promoting economic growth and reducing poverty. These policies have included measures to reduce inflation, increase public spending on education and health, and provide assistance to small and medium-sized enterprises.

Overall, the country's economic performance has been impressive, with a steady growth in GDP and a significant reduction in poverty rates. These achievements are a testament to the country's strong commitment to development and to the resilience of its people.
This diagram shows two-way travel-to-work movements by public transport between certain towns in part of North Lanarkshire. These towns also have travel-to-work links with communities in other parts of the conurbation not shown in the diagram, but even the segment illustrated gives some idea of the interdependence of individual communities, including the new town of East Kilbride, in a metropolitan complex offering a great variety of employment opportunities. The wider travel-to-work picture, of which this is a detail, is shown in Figure 3.
market and within range of the elaborate service facilities of a metropolitan or heavily urbanised area (Fig. 2). Glenrothes, with its relation to the nearby Fife towns, is no exception, though the relative slowness of its early development reflects its less thickly populated urban hinterland.

154. Again, the movement of population from Glasgow under organised overspill arrangements has been most successful when it has been related to those areas in which new housing and other services have been matched by industrial growth and expansion, particularly the new towns and areas like Kirkintilloch, Linwood, Greater Livingston and Irvine.

155. The studies carried out by the Scottish Economic Planning Board and Council have shown that in Central Scotland the economically and socially directed strands of post-war planning are essentially complementary and that, properly integrated together, they could help to create in certain key areas of new development a powerful stimulus to economic growth. They have also demonstrated that the labour mobility, which the provision of new houses in new growth areas can provide, is an essential ingredient to faster industrial expansion. The Government therefore propose to build on these past successes and to intensify the provision of housing and other essential services in suitable locations in Central Scotland where the necessary movements of population arising from the decongestion of towns and cities can be matched with new industry steered by the Government’s distribution of industry policy. An outline of the strategy implied by this policy of linking up social and economic progress is set out in Chapter X. It will be subject to further consideration by the Scottish Economic Planning Board and Council as part of the process of implementation, and will be fully discussed with the local authorities concerned.

156. The key elements in the physical pattern are the concentrations of population on Clydeside, in the Forth basin and in Fife, North Lanarkshire and North Ayrshire. Increasingly Dundee will form part of this complex. It will be seen from the map that by 1970 all these areas will be closely knit together by a new communications system. In fact, when this system is complete, few comparable areas in Great Britain will have such a compact range of modern facilities and services. Each of the major estuaries—the Clyde, the Forth and the Tay—will have been bridged by entirely new road crossings and the metropolitan influence of Glasgow, Edinburgh and Dundee—which is such an important element in both the social and economic structure—will be exercised much more efficiently. Areas of labour catchment will be increased and the access to the facilities and services which these metropolitan concentrations can provide, ranging from higher education facilities at the universities and central institutions to the social and cultural amenities which mean so much to contemporary society, will be more readily available to a wider population.

157. Of these metropolitan sub-regions, as they might be called, it is clear that the one around Glasgow, which contains nearly 40 per cent of the population of Scotland, is the most important and represents the most significant problems and possibilities. The City of Glasgow has embarked upon the largest redevelopment scheme in Great Britain and decisions taken by the present Government, in particular the approval of the first developments of the major transformation of the internal roads system there, will ensure that this redevelopment proceeds with the utmost speed.

158. The growth and change which this scale of new development implies will create opportunities for greatly improving environmental and planning
market and within state of the knowledge, science, technology and culture.

12. The Government's role is to set the tone and provide the framework, while the private sector will play a significant role in implementing these policies.

13. The role of the Government is to provide guidance and support to the private sector, ensuring that they have the necessary resources and infrastructure to succeed.

14. The Government must also work to create a favorable business environment, reducing barriers to entry and promoting innovation.

15. The Government must also work to create a favorable business environment, reducing barriers to entry and promoting innovation.

16. The Government must also work to create a favorable business environment, reducing barriers to entry and promoting innovation.

17. The Government must also work to create a favorable business environment, reducing barriers to entry and promoting innovation.

18. The Government must also work to create a favorable business environment, reducing barriers to entry and promoting innovation.
FIGURE 3
Travel-to-work between different parts of Central Scotland

This diagram illustrates the emerging pattern of regional interdependence referred to in paragraph 13. It shows the growing integration for employment purposes, not just of individual communities (as illustrated in Figure 2) but of the major groupings within the whole industrial belt. Again the picture is conservative, as it reflects two-way public transport movements only.
standards, and at the same time avoiding the congestion and urban sprawl associated with so much past expansion. As the new towns and the better local authority housing and redevelopment projects demonstrate, growth within the conurbation can be achieved with a high standard of amenity and urban environment. As part of this process green belts will be reviewed. The object will be to enhance their functions and conserve countryside and landscape of real quality in its relation to new development. Full visual and recreational opportunities must also be realised.

159. The Greater Glasgow Transportation Study has introduced a new dimension into regional thinking, transcending local authority boundaries, and is bringing closer to reality the concept of a coherently developed metropolitan area. It has opened up the prospect of a conurbation designed more as an interrelated pattern of communities than as the old-style concentric cluster around a high density city core. The redevelopment of Glasgow, in fact, will be combined with just such a looser-knit kind of city region served by fast modern communications and offering the advantage of wide labour-availability with congenial living conditions.

160. A century of the effects of heavy industry on the environment has understandably inured many people in Central Scotland to much gross visual squalor. This tolerance has its dangers in that it blunts the impulse to improve conditions which do not immediately affect public health. But the attractiveness of the best modern developments is already creating a greater awareness of the need to clear dereliction and rehabilitate unsightly and run-down areas, especially at the approaches to towns and on important roads. The speed at which new industry can be attracted, and the readiness of firms to establish headquarters as well as production units in Scotland will depend considerably on the energy and imagination with which general amenity can be improved.

161. Some of the major new schemes themselves will make possible dramatic changes for the better. Examples are the filling in of the disused Monkland and Forth and Clyde Canals as part of the work on the construction of the Glasgow inner ring road, and the rehabilitation of the shale mining areas of West Lothian as part of the development of Greater Livingston. Perhaps one of the most imaginative pointers to ways in which new development and rehabilitation can be combined is the proposal now being investigated for a Middle Clyde Regional Park. At present the Clyde Valley is at this point subject to flooding as a result of subsidence and is disfigured by much dereliction. The proposals would not only create a valuable recreational asset for nearby urban communities but also provide on M.74 a landscaped entrance to the heart of the country from the South which could do much to repair the tarnished image of industrial Scotland.

162. In addition to the removal of the major eyesores for which substantial Government grants are already available more effort must be directed to the clearing up of general unsightliness which is at present the clear responsibility of nobody. Local Authorities can themselves do much more to set a good example in their own fields and by encouraging ‘face-lift’ schemes. These frequently call for no more than a co-ordinated and persuasive approach to the maintenance work which private interests will be undertaking anyway. Bodies like the Civic Trust can also be a valuable supplement to official resources in making telling improvements to the detail and texture of the urban and inter-urban landscape.
The Greater Chicago Transportation Study has introduced a new
approach to the development of regional transportation plans and
planning methodology. This approach recognizes the need to develop
transportation plans that are consistent with the economic and social
needs of the region. The study has developed a framework for
transportation planning that emphasizes the integration of economic,
social, and environmental factors. This framework is designed to
provide a balanced approach to transportation planning that is
consistent with the goals of the region.

The study has identified several key areas of focus for future
transportation planning. These include

- Development of a comprehensive transportation master plan that
  integrates all modes of transportation
- Development of a transportation improvement program that
  addresses the needs of all regions of the region
- Development of a transportation finance plan that
  ensures the financial viability of transportation projects
- Development of a transportation education and outreach program
  that raises awareness of transportation issues

The Greater Chicago Transportation Study has also developed a
series of case studies that illustrate the application of the
framework to specific transportation issues. These case studies
provide valuable insights into the challenges and opportunities of
transportation planning in the region.
163. To conclude, there are a number of contingent considerations. One is that the conception of city populations in terms of present city boundaries must be replaced by the economic and environmental reality of the city region. Similarly the Falkirk/Grangemouth area, and the region served by Dundee must be thought of and planned for as the entities they are. Another is that, even with the increased possibilities of travel to work, mobility of labour is so important that a more flexible approach to housing allocation becomes essential. With the limited contribution which private housing makes to the total Scottish provision, the need for workers to be able to move freely and quickly between local authority areas, and for incomers to be readily housed becomes a paramount responsibility of the local authorities themselves if they are to play a full part in Scottish recovery. The example of the new towns is instructive here. Their rapid development of a diverse industrial structure has been greatly helped by the ready availability of housing to all comers.

164. Economic growth on this scale will therefore create an overlapping extension of metropolitan activity. This will combine a 'thinning out' of Central Glasgow, and a net gain in the city region together with the strengthening of other promising places throughout the central belt where progress can be rapid. Such developments will help the transformation of the region, from Prestwick to Arbroath and from Helensburgh to Dunbar, into a pleasanter place in which to live and work as well as to provide the resources of prosperity and spending power which can justify an improved standard of renewal and rehabilitation not only in Glasgow itself but in North Lanarkshire, Fife, the Falkirk/Grangemouth area and indeed in Edinburgh.
165. Earlier chapters have discussed the problems and prospects of the Scottish Economy as a whole and its relation to that of the U.K., and shown that the main effort must lie in the rapid transformation of Central Scotland. But the problem of regional imbalance which Scotland demonstrates in a U.K. context may also be observed within Scotland itself. This is principally to be found in the contrast between the central industrial belt, where the bulk of the population and employment are concentrated, and the more rural areas—the Borders, the South-West, the North-East and the Highlands and Islands. Studies of these areas have been carried out for the Scottish Economic Planning Council; the findings of each are set out in this chapter and the factual and analytical material in Appendix A.

166. Each of these areas was studied as a whole and it proved that each had sufficient consistency and coherence to help sharpen the focus on local problems. But it quickly became apparent that their future did not lie in developing distinct and separate economies, but in the establishment of an all-Scotland plan of development in which each part of the country could play an increasingly significant part.

167. At present, although these areas—particularly the North-East—possess valuable concentrations of industry, their economies are still to a great extent rural in character. It is from this that their difficulties stem. As agriculture becomes increasingly mechanised, it no longer employs sufficient people to support on its own, or with its ancillaries and services, a viable rural economy. Progress in Scottish agriculture, as Chapter VI showed, will continue to involve labour shedding and amalgamation. The growth of other employment in the regions has not been sufficient to offset this rapid and continuing loss of jobs in agriculture; while the transport revolution has enabled country people to look beyond local communities for their needs. Small towns which have hitherto existed as service communities for agriculture are shrinking, and such industries as they possessed—notably in textiles (once widely dispersed throughout the country) or in ancillaries to agriculture—have not easily been able to resist the inevitable trend towards larger units and more abundant supplies of labour.

168. Even where significant aggregations of population and employment do exist, as at Dundee or Aberdeen, the Western Borders or Dumfries, they have not been able to grow anything like fast enough to offset the outward trend of migration in the area as a whole—migration which is largely out of Scotland altogether and not, as often believed, to the Central Belt. The studies show clearly that the long term effect of these trends is to undermine the population structure of the whole area, as already crippling apparent in the Borders, in such a way as to make growth from local resources impossible and the maintenance of tolerable standards in public services, education and social amenity increasingly expensive and onerous.

169. The aim of the studies has been to analyse the varying ways in which this general predicament is affecting each area and identify those places where population structure, labour supply and industrial potential offer the best scope for consolidation and expansion. But it will be seen that in no case can the scale
CHAPTER IX

THE BORDERS, THE SOUTH-WEST, THE NORTH-EAST

The economic opportunities have enormous implications for the problems of the future. The potential of economic growth and the location of the "core" and the "periphery" of the economy in the U.K. and the E.U. is crucial. The North-East and the South-East, the North-West and the South-West, the Highlands and Islands, and the Border areas are all crucial.

The key to the success of the Border area is the development of new industries, particularly those based on the natural resources of the area. The development of tourism, particularly in the Border area, is crucial. The development of new industries, particularly those based on the natural resources of the area, is crucial. The development of tourism, particularly in the Border area, is crucial.

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and timing of any change be derived solely from the conditions of the area itself. Remedies are shown to be more or less urgently needed—more urgently in the Borders, for example, less in the South-West—but nowhere can the full contribution of the study areas to an expanding Scottish economy be made without considerable reinforcement of business enterprise, skilled labour and population from outside. The extent to which this can be done depends upon the performance of the Scottish economy as a whole, which means in the first instance on the performance of Central Scotland.

170. The way in which the rest of the country can be drawn into a fully interlocking programme with Central Scotland is discussed in the next Chapter. Here it is enough to point out that each of the studies reveals how clear the future interdependence must be.

**The Borders**

171. The study covered the counties of Berwickshire, Roxburghshire, Selkirkshire and Peeblesshire and the Langholm district of Dumfriesshire in Scotland; and the northern part of Northumberland lying within the lower Tweed valley.

172. Analysis brought out an essential distinction between the Eastern Area—roughly Berwickshire and the part of North Northumberland included in the Study—and the Western Area comprising Roxburghshire, Selkirkshire and Peeblesshire. In both, the study revealed that depopulation had produced much more serious and advanced problems than in any other area examined.

173. The economy of the Eastern Area is predominantly rural and agriculturally based, dependent on a basic industry in which improved efficiency will inevitably result in a continuing fall in employment. The population is dispersed, with Berwick-upon-Tweed (12,000) the only town of any size to act as a shopping and service centre for a population of some 30,000. In the Western Area, on the other hand, almost 40 per cent of the insured population is employed in manufacturing industry and over three-quarters of the population is urban in character. This distinction has an important bearing on the kind of action which is appropriate to each area.

**The Eastern Area**

174. If present trends continue the Eastern Area will lose between 5,000 and 6,000 people through emigration over the next ten years. Of this loss about 1,000 is likely to come from Berwick-upon-Tweed where continuing depopulation could soon begin to undermine the position of the town as an important service centre for a very wide area.

175. As the population of its hinterland declines there is a case for ensuring that Berwick can itself retain a sufficient level of population and vitality to go on carrying out its function efficiently. The development of a growing source of employment on a sufficient scale to counteract and reduce continuing losses of population would be the main objective of such a policy. This is unlikely to take place spontaneously. There is already some manufacturing industry in Berwick, although it provides employment for less than 1,000 workers. Almost a third of this employment is in branch factories of the main Border textile industries, forced to go to Berwick in search of female labour. As in the Western Area, female labour is now scarce and any new industrial growth would have to be
accompanied by a deliberate policy of housing and population expansion and
to mobilise the full travel to work potential of its labour catchment area.

176. The town itself and its surroundings are attractive. It has space for
industry and housing; and is situated on main lines of communication. It has
ample water resources, clean air, and being situated near the sea, can use river
water with the least damage to fishing and amenity interests, and the problems
of effluent disposal are reduced. These are assets currently in great demand.
Also the harbour could be a useful means of bringing in raw materials such as
timber. Some small-scale industries established in recent years have done well,
and it is noteworthy that some of them—food processing, for example—serve
national rather than local markets.

177. The important point about any action to improve the condition of the
Eastern Area is that it really should work for the benefit of the area as a whole.
A location where some variety of employment and demonstrable availability
of labour can be built up has the best chance of operating in this way, both
by inducing sufficient young people to stay, and by attracting incoming in­
dustry. On this reckoning also Berwick-upon-Tweed is the obvious place for
the first concentration of effort, and as the focus of communications it can draw
on a wide catchment area.

The Western Area

178. If present trends continue, there is likely to be a further loss to the
Western Area of some 8,000 people by emigration over the next ten years,
most of them from the towns. Depopulation on this scale is likely to lead to a
reduction of nearly 4½ thousand in the population of working age, and a short­
fall of some 7,000 in relation to labour demand by 1973, even when allowance
has been made for the decline in agricultural employment. Without a wider
range of employment opportunity, especially for men, there will be no social or
economic force strong enough to retard the heavy outward migration of people
of working age, with all the consequent effects on existing industry, on the
structure of the remaining population, and on the standard of service, social, and
cultural facilities.

179. Both branches of the dominant textile industry are thus subject to
difficulties which they can themselves now only marginally and temporarily
affect. Equally, diversification of employment is unlikely to occur of its own
accord. Jedburgh, sometimes quoted as an example of the way in which local
enterprise can prevail against the tide, is atypical and can be misleading. The
burgh had the benefit of immigration for the North British Rayon Company
in the thirties to give it a much more healthy population structure than the
Border norm. It was the consequent availability of housing and remains of the
pool of male labour after the closure of this firm which made the establishment
of a new engineering industry possible. This situation has been repeated in no
other town in the Western Area, and the continued decline in the population
of the whole Area would in the long term simply increase the dependence of
the remaining population on a narrowing range of employment opportunities,
dominated by the hosiery industry based in Hawick.

180. There are at present some 73,000 people living within 15 miles of
Galashiels: this is a sizeable labour catchment on which to build. If it is allowed
to dwindle, so will the opportunity of preserving and building upon it. This is
where the real case for action lies. Though it rests in part on the economic
The importance and potential of renewable energy sources in reducing carbon emissions and combating climate change cannot be overstated. The shift towards sustainable energy technologies is crucial for achieving global environmental goals and ensuring a sustainable future for generations to come.

Moreover, the growth of renewable energy industries can create numerous job opportunities, especially in rural and remote areas, contributing to economic development and social equity. By harnessing the power of the sun, wind, and other natural resources, we can reduce our dependence on fossil fuels and move towards a cleaner, more resilient energy system.

To achieve these objectives, it is essential to invest in research and development, support innovation, and foster international collaborations. Policies that encourage the adoption of clean energy technologies, encourage the growth of the renewable energy sector, and create incentives for energy conservation will be instrumental in driving the transition to a sustainable energy future.
and social needs of the area itself, it rests equally on the opportunity of mobilising this existing industrial base more fully and building upon it as part of the general expansion of the Scottish economy.

181. The necessary changes to set the area on the path to expansion can only be brought about by a substantial and integrated programme of housing, new industry and the introduction of new population. In considering the scale of action required, the objective must in the first place be to establish conditions that will permit self-sustaining population growth and a predictable formation of labour. The estimated shortfall in the supply of labour to meet likely demand by 1973 provides a yardstick.

182. Analysis suggests that a population increase of some 25,000 over the next 10-15 years (a net inward movement of some 17,000 if the net outward emigration of 8,000 can be held in the area) is about the minimum that could broaden the range of employment opportunities significantly for both males and females. Expansion on this scale would only slightly improve the relationship between male and female employment and the importance of male employing industry in this context cannot therefore be emphasised too strongly; but assuming a continuance of present high activity rates it would add over 11,000 people of working age to the labour force of the Western Area. An increase on this scale is also about the largest that could reasonably be achieved in the time. It would require, for an area of this size, a very considerable and rapid building programme.

183. By building more houses in each of the burghs it might be possible to improve the labour situation marginally, but in the end this alone would be insufficient unless something were also done to meet the basic economic and social weaknesses of the situation. A more fundamental solution will require a geographic, economic, social and cultural focus to be supplied for the population of the whole Western Area. A range of employment and the facilities of modern living could then gradually be built up and improved on a scale not now found in any individual town. Equally the conditions of success for any substantial introduction of new industry—and indeed for investment in improved services—call for a location which can draw on the widest possible catchment. These two conditions, the rapid creation of a substantial focus, and centrality, are likely to be fulfilled most easily by concentrating the bulk of any increase in population and employment on expansion of an existing town. Galashiels, centre of the largest available labour catchment and second largest town in the area, is the most suitable choice. Accompanied by increases in the house-building rate of the other towns in the area, the rapid expansion of Galashiels is the best way to begin building the regional economic centre which is needed.

184. This would be the first step. A further advantage of Galashiels, from a physical planning point of view, is that it offers the possibility of linear expansion, through an area of high amenity which would be a great and much-needed asset to urban Scotland, to the other focal point of the area, St. Boswells. Here in the longer term, when faster growth has been established, are the conditions for very considerable further development.

South-West Scotland

185. The study covered the counties of Wigtownshire, Kirkcudbright and Dumfriesshire, with the Branch Employment Office Areas of Girvan and Cum-
nock in Ayrshire. The Langholm district of Dumfriesshire was examined in the Borders study.

186. The question which gives rise to most concern is the steadily increasing unemployment, particularly in the far west. However, Sanquhar, Cumnock, Girvan and Stranraer, four of the most seriously affected areas, have all succeeded in attracting new industry as a result of the inducements provided by Development District status. Newton Stewart, the other area with relatively high unemployment, was made a Development District in May, 1965.

187. Though migration and rural depopulation exists on a scale which in places exceeds that of the Eastern Borders, it has so far created neither the problems nor the volume of local concern to be found in Berwickshire and North Northumberland. Indeed, some of the larger service towns—notably Stranraer and Girvan—and forestry villages in Wigtownshire and Kirkcudbrightshire are holding their own. Rising incomes and these stable pockets of population have meant that shopkeepers and merchants do not have the emptying tills which clearly account for so much disquiet in Border towns and villages where population is falling sharply.

188. Again, in the Dumfries—Annan area there is moderate growth of population and moderate growth in employment of a diversified character. There is neither the acute labour shortage found in the western Borders, nor the very limited range of employment opportunities.

189. This pattern of concentration which is emerging in the South-West is likely to remain functionally valid for as far ahead as one can see. The growth of employment opportunities in Cumnock and Sanquhar can draw together on one of the main lines of communication—from Dumfries to Kilmarnock—population and employment that was hitherto more widely scattered. The same is true of Girvan and Stranraer. Also Stranraer must continue to be important because of its transit function for Northern Ireland traffic and as a valuable service centre for a wide and rather remote hinterland. It is therefore right that investment in the far west should be concentrated on it to ensure that it can draw to itself a range of employment that can work for its hinterland and make it reasonably self-supporting. Finally, growth in and around Dumfries is enhancing the value of a remarkably strong regional centre.

190. Excluding the Cumnock area, which with its immigration associated with mining is a special case, the region as a whole has been losing population for a long time. The population structure is ageing. Even if some of the smaller communities are still holding their own for the time being, it seems inevitable that, in due course, the high rate of natural increase will be undermined and a process of sharper decline set in. In some places this thinning out of population might not be very serious. But in Stranraer it would. Also, if the rural population in the Newton Stewart and Kirkcudbright area declined too rapidly, there could well be difficulty in meeting the employment needs of the forestry industry as its jobs mature towards the end of this century. This suggests that the growth of Stranraer should be encouraged with greater determination, if possible with the introduction of more people from outside the area altogether. It also suggests that some special attention be paid to preventing too sharp a decline in the population of the Newton Stewart and Kirkcudbright areas to tide them over until forestry employment rises.
The European Union's desire to develop policies in the social dimension of the economic and monetary union (EMU) and the ongoing process of structural transformation in industry have led to the development of a new approach to labor market policies. The European Commission, in its 2005 White Paper on Employment, emphasizes the need for a more inclusive and sustainable approach to employment. This approach involves not only traditional policies aimed at reducing unemployment, but also initiatives aimed at fostering employment opportunities, promoting lifelong learning, and enhancing labor market flexibility.

The paper discusses the challenges and opportunities presented by the current phase of economic and social change, and highlights the importance of developing policies that are responsive to the needs of workers and employers alike. It argues that a more integrated and cooperative approach to labor market policies is necessary to ensure that all members of society benefit from economic growth.

The paper concludes by outlining a set of recommendations for policymakers, including the need for greater investment in education and training, the importance of promoting gender equality in the labor market, and the necessity of creating a more flexible and adaptable labor market to accommodate the changing demands of the economy.

In summary, the paper presents a comprehensive analysis of the current state of labor market policies in Europe, and offers a vision for a future that is characterized by greater inclusivity, sustainability, and innovation.
191. The question of the Dumfries area is of more national importance. It is growing, but not fast enough at present to contribute significantly to Scottish prospects. Physically it offers excellent long-term prospects with Lockerbie, Annan and Carlisle for very large development on a metropolitan scale. The core of the Solway region lies on the main road and rail communications between England and Scotland and in a situation well placed to exploit Scottish, North of England and Irish markets. Environmentally is one of the most attractive of the really large sites left in Britain which are suitable for a new conurbation. The Government are already investigating the potable water resources that would be made available by a Solway barrage; yet clearly no large population expansion can emerge from the intrinsic pressures operating within the region itself. The need for and phasing of long-term development of this kind can only be programmed by reference to the phasing of Scottish expansion generally and the long-term distribution of United Kingdom population growth.

192. In all the principal centres of the South-West much consolidation and expansion can come from holding more of the high natural increase of the region in the region. But when so many higher school leavers have to go away for further education and training, it is only natural that many of the more skilled employees will need to be recruited from outside. Interdependence with the rest of the country must increase. More people could come from Glasgow under overspill arrangements, which must be worked with more persistence than in the past, and with a greater readiness to make arrangements to ensure that a house is available to the incoming worker immediately. But the necessity remains that in the future far more people should be drawn from any area and be able to get houses quickly in support of economic growth.

193. One other subject of importance to the South-West must be mentioned tourism. The traditional holiday industry in the area is not well adapted to meet the demands that are going over the next few years to be made upon it—still less exploit them as opportunities. The South-West will be much more readily accessible to the North of England after the completion of M.6 in the early seventies. Yet the fullness of hotels and boarding houses in the coastal resorts in the holiday season was advanced repeatedly during consultations as an indication that the limit of capacity had been reached. Obviously considerable scope exists for more and better accommodation, not necessarily of a luxury kind, and for more and better camping and caravan sites. Here quality of landscaping and planning are important and the Forestry Commission have a role to play in creating new standards in these matters, having access to sites of unrivalled beauty and seclusion. Not all the Galloway Coast is suitable for bathing and any more determined development of the region for tourism may need to be accompanied by expenditure on sea water bathing pools or the creation of safe bathing stations. There is little doubt too that the recreations of fishing and sailing (the latter well adapted to the growth in favour of areas for 'second houses') could be developed. Altogether the picture is one of considerable scope, with good accessibility, and within a manageable compass.

North-East Scotland

194. The study area included the counties of Angus, Kincardineshire, Aberdeenshire, Banffshire, Morayshire, Nairn and most of Perthshire. Nairn, and the parts of Morayshire, Aberdeenshire and Perthshire which are contiguous to the Highlands were also considered in the Highlands and Islands Study.
195. The problems and characteristics of the Dundee Area, with Perth and Strathmore, are quite distinct from those of Aberdeen, the north-east coast, and their hinterland. They are accordingly considered separately. Likewise the areas contiguous to the Highlands are best treated on their own.

The Dundee Area

196. The general condition and prospects of the Dundee Area, and particularly of the city itself, offer the most promising feature of the whole North-East. The area is not without problems. Net outward migration is substantial, and is largely confined to the younger age groups. Jute, the source of so many of the area’s difficulties in the past, is still the largest single sector of employment. Even if the rationalisation which the industry has undergone has given it more stability and a welcome increase in the proportion of males engaged, it is not likely to expand further and in the long-term is almost certain to reduce its labour demands. Outside Dundee, many of the smaller towns, the traditional service centres for an agricultural hinterland which has been able to shed labour particularly rapidly, are showing signs of decline in an ageing population structure and reducing rate of natural increase and fertility.

197. But despite this, Dundee itself has an impressive record of post-war successes in modern fast growing industries and now has a substantial labour force skilled in the requirements of precision engineering. Some of these new developments were the result of the equivalent of Development District status during the immediate post-war period of industrial steering. They prove that industry of the kind most needed by Scotland has found Dundee a satisfactory location. Both to anticipate any further contraction in jute and capitalise on its demonstrable success Dundee, and on a smaller scale Arbroath, suggest themselves as the places which merit priority for development in the short-term.

198. The future of Perth and the Strathmore towns is closely allied to the fortunes of Dundee. Although traditionally they have shown considerable independence of the city considerable regional interdependence is now evident. This must increase, and the greater the economic strength of Dundee the more the other towns are likely to benefit. Several of them are well within travel to work distance and together have a pattern of distribution and communications which affords an excellent basis for a new metropolitan sub-region of the kind described in Chapter VIII.

199. The longer-term prospect endorses this picture still more. The analysis of Dundee’s present economy lends much support to the view that, if its population could steadily be increased to somewhere near a quarter of a million, it would begin to take on an altogether more powerfully metropolitan character, which would generate a greater and more self-sustaining range of employment and amenities. Not all the expansion should necessarily take place in Dundee. With the more rapid development of the city itself will go a strengthening of the economies of North Fife, Perth, Arbroath and the Strathmore towns to exploit the natural advantages of city-region scale which the whole area offers. This will make the most of short inter-urban lines of communication to mobilise the widest possible labour catchment. It will also help to put right the area’s weakest feature—the demographic instability now being shown by some of the Strathmore towns which were formerly heavily dependent on textiles and on servicing an agriculture which has shed labour particularly rapidly.
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In the early years the consolidation of the employment structure could draw very largely on the labour resources of the area itself—from the possible contraction in jute employment, further labour shedding by agriculture, and the reduction of net emigration. Longer term expansion should see net migration turn to an inward flow.

The Aberdeen Area

Much the heaviest net migration in the North-East comes from the Aberdeen Area. It comprises some of the best labour in Scotland and most of it 'overflies' the central belt, going direct to England and overseas. Employment, heavily slanted to the primary industries of agriculture and fishing together with their ancillaries and services, is very static in character. Manufactures, though varied, are lightly represented and post-war development has been slow—particularly in Aberdeen itself.

Given this very static economy, opportunities for employment and enterprise are in most places narrow: the more ambitious and energetic are the first to go. Agriculture, with its high proportion of small farms, is likely in the future to shed population heavily; and the prospects for the fishing industry will not call for any increase in the labour force. There is little to suggest that present trends will not continue, or even accelerate. This could gradually undermine the favourable natural increase and fertility that have so far given stability to most of the main communities.

The first step is therefore to ensure continuance of the present healthy population structure and natural increase. This in itself should produce conditions which will steadily widen and strengthen the employment structure of the area and allow faster expansion in due course. For it must be recognised that the existing labour base in Aberdeen does not offer the same opportunity for rapid expansion as that in the Dundee area.

Aberdeen itself is the first and most important place on which to concentrate. It is a very substantial centre of population, a university city, and a place of high amenity and great character. Its influence is strong as far west as Elgin. Clearly priority should be given to the expansion of employment opportunities in the city, in order to use in situ, as it were, some of the skilled and versatile labour which is so highly esteemed in England.

Because of the relatively limited travel-to-work catchment on which it can draw (Stonehaven to the south, Banchory to the west, Inverurie and Ellon to the north, mark its effective limits), concentration on the city still leaves a long coast and extensive hinterland to consider. Both are fairly thickly settled and an attempt will need to be made through concentration on selected centres to draw on local labour catchment areas more effectively than at present. The demographic health of the principal communities is such that this would be well worth while. The opportunity still remains, as in parts of the South-West, to concentrate some of the drift from the land in the towns which offer the best chance of growing. For demographic, geographical and labour catchment reasons, the most promising places on which to concentrate have been identified as Elgin, Buckie, Keith, Huntly, Banff/Macduff, Fraserburgh and above all Peterhead which has already done very well since the war and is now growing.

It is envisaged that in Aberdeen, and the smaller towns mentioned, the more systematic use of advance factories would be matched with the planned
forward provision of housing. This would give evidence of a predictable forma-
tion of labour at key locations which would go a long way to overcome the
natural feeling among industrialists that the area is too remote. Indeed the
example of Peterhead and Fraserburgh shows what can be done.

208. Tentative estimates of the possible run down in agriculture and fishing,
and the consequences of this on the towns, suggest that increases in urban popu-
lation, with matching employment opportunities, of some 20,000 would be desirable
over the next ten years to offset long-term effects on the demography of the
area. This build-up might be split between the city and a selection of the larger
towns mentioned, the former probably taking the larger share. Success in a
policy of this kind could mean that in the long-term the industrial labour force
of the area would be sufficiently improved, and natural increase still sufficiently
buoyant, that more ambitious expansion could follow.

The Areas Contiguous to the Highlands

209. In the upland areas contiguous to the Crofting Counties the best pros-
pects for maintaining at least a viable level of population and employment is in
developing the complementary industries of tourism and forestry. The expansion
in the Forestry Commission’s Highland planting programme has considerable
impact at its fringes on these areas and, if a satisfactory rate of land acquisition
can be maintained, employment should successfully offset run-down in agri-
culture. If the small towns become the focus for investment and concentration
of services, their future augmented by tourism and a growing popularity as
places for retirement should be reasonably secure.

The Highlands and Islands

210. The study of the Highlands and Islands covered the seven crofting
counties of Zetland, Orkney, Caithness, Sutherland, Ross and Cromarty,
Inverness and Argyll, together with certain ‘contiguous areas’. These were, in
North-East Scotland, north and west Perthshire and the upland parts of Angus,
Aberdeenshire, Banffshire, Moray and Nairn—the whole of the Grampians
were therefore considered; and the county of Bute, with its affinities with
southern Argyll, was also included.

211. The Highlands and Islands are very different from any other region of
the U.K. Much earlier work on them takes this difference as a reason for treating
the region as something *sui generis*, justifying its own set of standards and
insulation from criteria applied elsewhere in Britain. This tendency has been fed
both by Highland feeling itself and hardly less by outside sentiment which would
preserve a distinctive Highland way of life. Undeniable benefits have been won
as a result of special treatment. But it is arguable that in the long run the
Highlands have lost more than they have gained.

212. The study made by the Scottish Economic Planning Council and the
Board attempted to apply the same economic criteria as were employed in the
other study areas; to limit examination rigorously to those elements which offered
some possibility of being integrated with the economy of the United Kingdom as
a whole; and to determine which economic and social objectives were worth
spending resources on. The resulting view offers the possibility of consolidation
and progress on new lines, which could serve as a guide to the Highlands and
Islands Development Board and to future policy generally.
The surface, and climate

The study of the physical, chemical, and biological processes of the ocean is a fundamental aspect of environmental science. Understanding these processes is crucial for predicting climate change, managing marine resources, and protecting biodiversity.

The ocean covers 70% of the Earth's surface and plays a vital role in regulating the planet's climate. Ocean currents transport heat around the globe, influencing weather patterns and climate systems. The ocean also absorbs carbon dioxide from the atmosphere, helping to mitigate the effects of climate change.

In addition to its role in climate regulation, the ocean is a crucial habitat for an incredible diversity of life. Marine ecosystems provide vital services, such as food production and coastal protection, while also being a source of inspiration and wonder for people around the world.

Developing sustainable practices and policies that protect the ocean and its resources is essential for ensuring a healthy planet for future generations.
213. Although it is often forgotten that over two-fifths of the Highland population live in settlements of over 1,000 persons, of which the largest are set in essentially lowland-type conditions, it is nevertheless true that the region generally shows in an extreme form the way in which the primary industries of agriculture and fishing, which must employ fewer people if incomes are to be maintained and expanded, can no longer support on their own a self-sustaining social and economic life. This has led to advanced social decay in many outlying communities and demographic imbalance in virtually all but the main centres of population. The Crofters’ Commission is trying to rationalise crofting and so keep up the necessarily gradual move to larger and more viable units, but agricultural improvement may in one sense exacerbate the problem. For the reduction of numbers to the extent which produces a tolerable return makes the likelihood of social and demographic vitality that much more remote. However, agriculture and an improved fishing industry will continue to be essential to the Highland economy and, even if they afford less employment, stability based on increased efficiency could, if carefully directed, help to strengthen selected communities.

214. Analysis has shown that there are many towns and some rural areas where the numbers, ages and fertility of the population are likely to provide a sound demographic basis for development; and that if new jobs continued to arise in and around centres of this kind on the scale they have done since the start of the Dounreay development, or at Fort William, the total population will fall very little if at all.

215. Moreover, in terms of natural resources the region has three assets which, if thoroughly exploited, offer some possibility of sustaining enough jobs. The first is the suitability of very much more of its land than is yet afforested as the basis of a timber industry. The second is its space and physical beauty for tourism and recreation. The third is the combination of space, water supplies, deep-water harbours and certain labour reserves which, even if limited in numbers, could be tapped and built on. Together these can in time provide a base for a special type of manufacturing industry.

216. The long-term employment prospects from forestry and its ancillaries and the generating effect this would have on employment in service industry could lead to stability at a number of important centres which would then serve as anchor-points for much of the mainland. For the Highlands more forestry and forest-based industries are both practicable and the main productive alternative to the region continuing, perhaps increasingly, to be economically dependent on state subvention.

217. Both forestry and tourism can utilise a dispersed local population for their labour and resident services which would otherwise be increasingly difficult to obtain. But this is not to say they should be regarded as pretexts for shoring up decaying communities. Rather the reverse. It should make concentration in viable though necessarily still sometimes fairly remote units a good deal easier to achieve. For example, the growth of forestry employment along with the creation of family farms in central Sutherland could make the concentration there of population from some of the very seriously run-down communities of western Sutherland a practical proposition. The main benefits in the form of sawmilling, transport, and any possible pulping plants would be located in the larger centres anyway, which would inevitably tend to draw in population from the hinterland. For tourism, the provision of a complex of facilities of the kind
now growing up in Aviemore/Coylumbridge, essential not only for the full exploitation of snow-fields, but also for the range of wet-weather diversions necessary to the summer tourist, are a powerful force for the concentration of population and employment and could offer in the long-term the real possibility of some small industrial growth.

218. There is also a special sense in which the development of recreational facilities in the Highlands is really a complementary part of revitalising the economy of Central Scotland. For the existence of the Highlands on the doorstep, as it were, constitutes one of the great attractions to living and working in lowland Scotland—something greatly enhanced with modern communications—and must be regarded as one side of the general effort to make the total Scottish environment competitive with the more prosperous parts of the U.K.

219. For the third prospect, manufacturing industry, past experience points to several notable successes but emphasises many limitations. The examples of tweed in Lewis, the aluminium industry in Lochaber—now followed by the pulp mill—and Dounreay in Caithness show clearly enough that major developments can take place and that they can hold or increase population on a considerable scale. In the case of Lewis, the combined benefit of numbers of people close to a substantial town like Stornoway, together with vigorous managements are the secret of the tweed industry's success. While this may not be repeatable in any other crofting community except perhaps on a more modest scale with the Shetland knitting industry, it might in some of the other large labour catchment areas of the Highlands. The earliest industrial community in the Highlands, in Lochaber, is now assured of prolonged and greatly expanded growth.

220. There has been no net growth in manufacturing employment in the last 10-15 years but jobs in firms which closed have at least been offset by the substantial number of new enterprises which have been set up, with the help of the Local Employment Acts and other funds, notably in the Inverness/Invergordon area. Most of these are based on local resources or skills. The outlook for this kind of manufacture is good. But the scarcity of immigrant firms emphasises the limited success in attracting general industry to this area in competition with more orthodox locations. An industry with a high value to weight product can succeed in this location—and indeed a good many do—provided there is sufficient managerial ability behind it. This, however, is one of the region's weaknesses and it is significant that although there is a good flow of local applicants interested in starting businesses many of them fail through sheer lack of training in book-keeping and other aspects of business management.

221. It is sometimes urged that industry and tourism will spoil the Highlands. This need not be so, and is really part of the romantic double-think that would enjoy the Highlands, but deny them the means of life. The industrial scale—at most, even in the long term, a couple of pulp mills, a handful of large factories and rather more smaller ones, few of them visually offensive—is small in relation to the large area and good planning can ensure that industries fit into their environment. The number of tourist centres of a major kind is also likely to be very small, and if well designed should humanise rather than disfigure the places in which they are situated. These are ways in which the growing volume of people likely to come to the Highlands can be more successfully absorbed into the landscape.
222. So the guidelines of a Highland policy derived from economic criteria, which will serve as a frame of reference for the Highlands and Islands Development Board, will be: first, a policy of concentration on objectives worth investing in, on the points identified as centres of the main labour catchment areas and on those villages and townships in the hinterland which offer the best hope of viability; secondly, the development of forestry and forestry-based industries to give in the long-term the core of employment in much of the region; thirdly, the complementary development of tourism both to assist consolidation in some of the main centres and give a supplementary income to the dispersed population engaged in primary and service industry; and finally, the continued development of indigenous manufacturing industry, large and small and perseverance in attracting outsiders. In the period before a forestry-based industry really becomes established, a modest intermediate expansion of manufacturing employment will also be necessary to ensure that the population structure of the region does not run down to an extent which would jeopardise the ultimate supply of labour on an adequate site.
255. So the establishment of a functioning policy making from economic analysis
would provide an early stage for the production of long-term development plans.
These plans would in turn provide a basis for calculation and co-ordination of
economic activities. The next step towards a policy of co-ordination would be the
establishment of an economic information system. This system would serve to
unify and coordinate the efforts of the various economic activities. It would also
serve to provide a basis for the establishment of a system of economic planning.

The development of an economic information system will require the establishment
of a framework for the collection and analysis of economic data. This framework
would need to be designed to ensure that the data collected is accurate, timely,
and relevant. The system would also need to be designed to be flexible and
adaptable, so that it can be modified as the economic environment changes.

The establishment of an economic information system would provide a
framework for the implementation of a policy of co-ordination. This policy
would involve the co-ordination of economic activities, both within and across
different sectors of the economy. The policy would be based on the principles
of mutual benefit, efficiency, and equity. It would aim to achieve a balanced
growth that would benefit all members of society.
CHAPTER X
THE STRATEGY OF DEVELOPMENT

223. Many more jobs; much less net migration from Scotland; a better spread of opportunity throughout the country; and a better environment. These are the strategic aims. This chapter describes the pattern of development needed to achieve them.

General
224. Jobs and population are interdependent. As Chapter 11 has shown, the population of Scotland in 1970 is expected to be over 100,000 more than it was in 1964. In the longer term the population of the U.K. is expected by the end of this century to have risen by 20 million to a total of some 70 million. If Scotland is to take its share of this increase, its population could rise by anything from 1½ to 2 million—by half a million by 1980 and by over a million between 1980 and the year 2000.

225. Expansion on this scale with consequent redeployment will make substantial calls on the space available throughout Scotland; and action must be taken now to create a climate favourable to development at suitable locations in the areas which lie outside the central belt. The more promising elements in the economies of these areas, described in Chapter IX, must be steadily strengthened, and measures to offset declining trends must be put in hand.

226. The rapid expansion of population and industry in any area requires considerable preparatory work, much of which must be begun some years in advance; and it can in the end take place more rapidly if there is a sizeable industrial base on which to build. For this reason proposals outlined in this chapter contain elements designed to widen the industrial base of those places in any part of Scotland which are likely to play an important part in the future. At the same time they will enable the more substantial country towns to act as modern service centres for the rural population.

A Practical Programme
227. The programme sets out to exploit to the full the favourable trends already present in the economy, of the kind discussed in earlier chapters; and similarly to exploit investment made or committed in communications, water supplies, air services and major developments in private industry. Thus M.74, M.8, the Forth, Tay, and Erskine Bridges, Abbotsinch Airport, the electrification of the Glasgow–Gourock line, the Loch Lomond Water Scheme, the motor industry, and the Fort William Pulp Mill are examples of developments whose potential will be used to the utmost in creating the conditions in which new employment can flourish. Likewise the Government will see that the favourable conditions of existing large labour markets receive the fullest exploitation consistent with the improvement of the physical and social environment.

228. The Government will make purposeful and co-ordinated use of the key instruments of policy available to them. The most important are industrial steering and the inducements operated by the Board of Trade; the training, re-training schemes and transfer grants operated by the Ministry of Labour; and the housing programme, particularly the portion represented by the New
Towns and the Scottish Special Housing Association (and the private sector for owner-occupation).

229. What the Government are setting out to do is to reconcile the need for the early increase of employment and population in Central Scotland described in Chapter VIII with laying the foundations of future expansion in the main regional centres described in Chapter IX. Present decisions have therefore to be taken in the light of the long-term needs of the country. This makes the evolution of a proper strategy a matter of careful phasing, which can allow major decisions affecting the development of new resources to be taken in good time.

The Programme 1966–1970

Central Scotland

230. The first phase, to 1970, will see the continued and rapid expansion of those places in Central Scotland which have the benefit of complexes of new fast growing industries, and which are well placed in relation to communications and services. These include the four existing new towns, with Irvine where the Government have announced that a fifth is to be established, and such areas as Greater Livingston, Falkirk/Grangemouth, North Lanarkshire, and Central Fife—which is already benefiting from the stimulus of the Forth Road Bridge, and also Dundee which increasingly requires to be considered in the general context of Central Scotland. During this phase certain new areas of development will be opened up. Examples of these schemes, which could start to become effective in the last two years of the decade, are likely to be at such places as Erskine, to the West of Larkhall near the interchange with the Hamilton Bypass Motorway, Lennoxtown and the south-eastern environs of Edinburgh.

231. For the whole of this expansion the role of the local authorities will be of the first importance. They will provide the bulk of the housing, and the services and educational facilities to match the sharp rise in local populations. But activity will not be confined to primary centres of growth, for in the more confident and expansionist climate which will develop from a real reduction of migration and corresponding rise in employment it will be possible for enterprising local authorities throughout Central Scotland substantially to improve their position. As redevelopment proceeds and other reminders of the older industrial past are removed it will be possible for new employment opportunities to occur in places not hitherto thought of as in the mainstream of growth.

The Borders

232. The towns in the Western Borders are already so seriously threatened that their demographic and industrial recovery calls for the introduction of some 25,000 people by 1980 at the latest. The Study suggested that to obtain the maximum advantage this should be concentrated in a way which would turn Galashiels into a more sizeable centre of population than at present exists in the Borders. This would afford the first stage of a more sustained expansion leading eventually to further spontaneous growth. The injection of population on this scale into an area with such limited resources calls for a novel coordinated programme.

233. It is accordingly proposed to appoint a Planning Consultant forthwith to identify the main possible lines of development and their locations. The
Consultant will be asked to act in consultation with the local authorities and the Scottish Development Department and submit his report within 18 months.

234. Meanwhile, in order to make an immediate start with housing development, provision will be made within the Scottish housing programme for an extension of Galashiels south of the Tweed towards Darnick. This is intended to comprise up to 1,000 houses to be completed by the end of 1970.

235. A third important feature of the programme will be the exploitation of the potential industrial sites near Galashiels. The Government will consider in consultation with the local authorities possible means, including building of advanced factories by which this can best be accomplished. The diversification of the industrial structure in the Borders—necessarily with a male-employing slant—is a primary objective.

236. The provision of new housing, which will be available to all-comers, on the scale proposed would also be of the greatest assistance to the woollen and knitwear industries which are short of labour. The combined effect of these proposals will be to enable the Borders for the first time to see the steady and predictable growth of a new labour force.

237. In the Eastern Border area, in order to arrest the trends of population decline, it will also be necessary to attract new industrial enterprises which will offer additional job opportunities for males. This will be phased as part of the area's social development in which supporting local authority services, especially housing, will match the needs of the expanding population.

238. The Development Commission have in mind the establishment of such a programme of concentrated assistance and development in co-operation with local authorities and the local development association. On the industrial side this will involve among other things the provision of advance factory space. Berwick-on-Tweed is the natural focal point and the place best able to draw on the maximum labour potential. It is probable that in its early stages development will be concentrated there; but the aim of the programme will be to benefit the area as a whole and to ensure that expansion at any one point will have a revitalising effect on the surrounding districts.

North-East: Dundee Area

239. Of equal importance is the Perth-Dundee area of the North-East, though for somewhat different reasons. Dundee itself has considerable affinities with the Central Belt. It contains, like the west of Scotland or the Lothians, elements which could support rapid expansion and would here phase-in particularly valuably with the possible contraction in jute employment and the needs of Perth and the depopulating hinterland. With its record of post-war successes in modern fast-growing industries the city now has a substantial labour force skilled in the requirements of precision engineering and the management know-how as well. Physically also it is well suited to expansion, with its excellently disposed industrial estates and ring road; and with Perth and the towns of Strathmore and the coast it forms the centre of a potential modern city region. Here, in other words is an opportunity to be seized both to achieve quickly part of the all-Scotland growth target and to take a useful step towards solving regional difficulties. The Corporation in their development plan envisage an increase of some 13,000 in the city's population, and it is proposed that this should be facilitated as rapidly as possible. Meanwhile the Board of Trade are acquiring more land for industrial development.
North-East: Aberdeen Area

240. The employment structure in the Aberdeen area places some restriction, in the short-term, on expansion. But it is reasonable to expect Aberdeen itself—much the most important regional feature—to provide for some growth of population. Accordingly the Board of Trade have decided to acquire land for new development.

241. By focusing the main provision of new housing and employment in the demographically healthier and—from the point of view of their labour catchments—geographically better-placed towns of the hinterland such as, Elgin, Buckie, Banff/Macduff, Fraserburgh and above all Peterhead—it should be possible to establish an adequate spread of service centres large enough to sustain some growth. If this can be done there is some chance that the area would have a sufficient accumulation of population, services and skill for the subsequent launching of a more substantial expansion.

The South-West

242. On a smaller scale the South-West presents a similar picture to the Aberdeen hinterland. Its greatest potential—the metropolitan-scale capacity of the Solway basin— is for the long term. This is one of the places that in the closing decade of the century might well, from Dumfries to Carlisle and the South Solway coast, take a large new development of city size. At present the region is succeeding in retaining in the Dumfries/Annan area some of its own drift from the land; and elsewhere, at Girvan, Stranraer and at Cumnock and Sanquhar current policies have already established a concentration of services and employment of the kind it will be necessary to supply in the Aberdeen hinterland. Provided these policies are continued these sub-centres should not decline, and the Dumfries/Annan area should grow in useful anticipation of subsequent more rapid and substantial expansion.

Highlands and Islands

243. The Highlands and Islands, as the region most remote from the Central Belt, are at first glance the most difficult to link with the developing lines of industrialisation. But as the study showed, forestry and tourism offer prospects for the region to achieve an economy based on its regional resources and, as explained in Chapter VI, the Government has decided on a substantial increase in the Forestry Commission’s planting programme. In the long-term the environment of the Beauly and Cromarty Firths is likely to become increasingly attractive to industry and to draw in population from other parts of the country. In the meantime this area requires endorsing, along with the collecting points of certain other significant labour catchments—notably Wick/Thurso and Fort William—as offering special prospects of development in the future. The more immediate problem in the difficult western fringes and the islands will be to identify and develop viable communities to form holding points and, possibly, centres of modest expansion. This is a task to which the Highlands and Islands Development Board will be giving close attention.

The Longer Term

244. Between 1970 and 1980 the main developments in Central Scotland, especially in the Greater Livingston area, in North-Ayrshire and the Edinburgh City region (including Fife) will build up rapidly. At this stage there will be
completely new developments in the improvement of communications, especially roads. These will in turn facilitate the start and more rapid extension of major developments further afield. By 1980 the introduction of 25,000 more people to the Western Borders should be completed, and the area be in a position to expand still more rapidly. Dundee should have been significantly enlarged, and the position of Dumfries reinforced.

245. From 1980 to the end of the century further major improvements in communications will permit the exploitation of the more promising areas safeguarded by the earlier holding and consolidation operations—notably the Aberdeen area and the Beauly/Cromarty Firth area. It should also then be possible to consider much more massive development of the Solway region as part of the long-term deployment of the U.K. population.

246. The proposals for the short-term, to 1970, are therefore part of a long-term strategy designed to exploit developing lines of communication and anticipate the demands which long-term population trends will make on the space of the country. The proposals for Central Scotland should ensure that the vital changes in the balance of the country’s industrial economy can take place, while migration will be substantially reduced. And the proposals for the rest of the country should ensure that healthier economic conditions will prevail in future. They will help build up fewer but more viable service centres; in Dundee and the surrounding towns produce a really considerable nexus of industrial employment; and in the Borders create a new one.

Interdependence

247. An emerging theme throughout this strategy is the interdependence of the outer regions and Central Scotland.

248. The importance of Central Scotland in the early stages has been explained and as the main industrial centres in the regions begin to gather momentum it may be expected that the interchange of population and skill will greatly increase. Just as the net migration from Scotland is the product of two much larger gross movements, so is the net decline of population in the outer regions the product, even now, of a similar substantial two-way movement. And as opportunities increase at the main centres—in Dundee, Aberdeen, Inverness and Dumfries for example—so must the net inward movement of workers, technicians and managers increase as well. In a situation of more freely available housing, the steady improvement of employment prospects and better communications, the development of the regions is likely to be achieved more through their own attractiveness to the enterprising than by the more formal arrangements for importing population under overspill agreements.

Environment

249. Finally the prosperity and guaranteed growth of population offered by the proposals will give much greater impetus to the improvement of environment and the embodiment of higher physical planning standards than have been possible in all but a few particularly favoured places since the war. Already, however, the way in which an increase of population in Central Scotland can make possible better standards of urban renewal transportation has been mentioned in Chapter VIII. Also, as the part of Scotland most affected by industrial
This map suggests, in relation to basic geography and the main lines of communication, how the long-term pattern of major growth is likely to develop. It also shows the principal centres for concentration and expansion elsewhere. The measures outlined in this Chapter are designed to anticipate this pattern.
dereliction, this is where the greatest effort in rehabilitation will take place. For the rest of the country the proposed Countryside Commission—and in the Highlands and Islands, the Highlands and Islands Development Board with their special role in relation to the co-ordination of land uses—will ensure a fuller utilisation of the recreational resources of Scotland’s great assets of space while at the same time conserving its unrivalled heritage of scenic beauty.
250. Pre-eminent among all the services required to support modernisation and growth is housing. It has been shown in earlier chapters that without a substantial component of housing directly linked with economic development the essential objectives of greater labour mobility and reduced outward migration are unattainable; equally, productive efficiency and the higher standards of living which must at once accompany and stimulate such efficiency cannot be realised unless there is a massive attack on the social problems of squalor and congestion. Moreover, house-building is the largest element of the work of the construction industry and, as has been emphasised in the National Plan, a predictable housing programme is a prime necessity for increased productivity in this vital industry.

251. The Government have already set out their intentions in The Scottish Housing Programme 1965 to 1970,* published recently. The rate of house-building will be increased with the initial aim of achieving a programme of about 50,000 houses a year by 1970, an increase of 40 per cent over the 1964 level. The total programme and its division between the public and private sectors will be kept under constant review; at present it is expected that in the years immediately ahead in Scotland the private sector will build one house for sale for every three or four provided by the public sector for letting.

252. The need for new houses is of two broad types. First, the low standard and the decay of very many of the older houses require their complete replacement in the shortest possible period. Secondly, there is an existing need for houses to meet shortages—that is, for families who at present have to live with relatives or in lodgings—and to this must be added the annual net growth in the number of families wanting a home of their own.

253. Existing shortages would of course have been greater if emigration from Scotland in recent years had not been so considerable, and success in stemming the outflow clearly must increase the number of families for whom homes need to be provided. But to look at the problem this way is not sufficient: the degree of success in cutting back the rate of net emigration actually depends on homes, as well as work, being made available both to encourage young people to stay in Scotland and to stimulate the inward flow of population.

254. To plan for more houses is not enough; the plan must secure that they are built in the right places. The congestion of much of the older housing which will be replaced is such that it will be impossible with reasonable standards of planning and amenity to build the same number of modern homes on the ground which has been cleared; and particularly in the case of Glasgow, the remaining replacement houses will have to be built in other areas. This runs in

* Cmnd. 2837.
parallel with the need, already referred to in earlier chapters, for the rapid expansion of industry and population in selected areas as a means of securing economic development. The effect will be that the scale of house-building needed at any time will vary substantially from area to area.

255. A major difficulty may be to ensure that sufficient houses of suitable types are built for sale. The Government consider that there is a large potential demand for owner-occupation in Scotland. Building by private enterprise for sale seems to have lagged behind demand, though there has been a gratifying increase in the last year or two. A lack of attractive houses for sale to managerial staff and others who wish to own their homes is always a substantial deterrent to the establishment of new industries in any area, and the availability of such houses in areas selected for rapid expansion will be of particular importance. It will be essential to encourage private firms to build in those areas, and to ensure that suitable sites are made available to them.

256. But the majority of houses built in Scotland in the foreseeable future will be for letting. The local authorities are the main providers of houses to let, especially houses for letting at moderate rents to people who cannot afford either to buy or to pay the full economic rent of a modern house; and they alone can carry out the comprehensive redevelopment of congested and decayed areas. Many of them are likely to be very heavily engaged in carrying out these tasks for the purpose of coping with existing local conditions. It seems certain that in some areas the scale on which house-building is required for the encouragement and support of economic and industrial growth will be beyond the capacity of the local authorities concerned.

257. In spite of such difficulties for some authorities, it does not follow that they can be entirely relieved of responsibility for the housing needs connected with industrial expansion. It will be of the utmost importance that the authorities concerned accept in practice the vital necessity for sufficient houses to be provided in their areas to meet these needs. Where industrial developments take place near county or burgh boundaries, the housing may have to be located in other neighbouring areas, and the authorities of these areas also must be prepared to accept this necessity. The authorities’ co-operation will be needed not only by their building houses. An excessively local approach to the granting of tenancies of local authority houses—especially an insistence on a lengthy period of residence in the area—must impede mobility, and the authorities will have to be prepared to allocate a substantial proportion of houses to incomers from other parts of Scotland and from south of the Border. It will also be important that they do everything possible to assist in making land available for house-building by other agencies, including private firms building for owner-occupation, and that they provide the services the houses will require.

258. The Government look for the full support of the local authorities in the ways described, but at the same time they consider it appropriate to give additional assistance in areas where houses are needed for faster economic growth and the scale is likely to be beyond the capacity of the local authorities concerned. This will be made available in three ways.

259. In the first place, the new arrangements for housing subsidies which were recently announced are designed to give extra financial help to local authorities which, by undertaking the substantial programmes already referred to, might find themselves with exceptional financial burdens.
260. Secondly, four areas in Scotland are being developed as new towns, and the Government have announced their intention of designating a fifth. In these areas the responsibility for house-building is undertaken by the development corporations; they are being encouraged to proceed with the maximum programmes commensurate with their resources.

261. Finally, there will be areas in which the rate of build-up will require to be rapid, and where special efforts will be required to ensure that the scale, pace and quality of housing development matches the prospects of industrial growth. In such areas, the Government can ask the Scottish Special Housing Association to undertake a building programme. In these areas, as in the New Towns, houses to let may well need to be provided not only for those for whom local authority houses are normally intended, but also for some who can afford to pay more for housing; and, where this is so the Association can be authorised to build suitable houses for letting at higher rents. It is intended that for the future the Association should devote most of its attention to programmes of the sort described in this paragraph.

262. A programme of 50,000 houses a year by the local authorities, the New Towns, the S.S.H.A., private developers and housing associations will be a major undertaking, involving a total outlay of public and private investment amounting to about £155 m. a year. The steps being taken to achieve it have been described more fully in the White Paper already mentioned; its effect on the future of the construction industry is also referred to in Chapter XV. The success which attends the various measures which have to be taken will be a main factor in securing the steady economic development with which this Paper is concerned.
Chapter XII
EDUCATION

263. Of all Scotland's assets the skills of its people are the most valuable and the Government intend to ensure that the education service plays its full part in fostering these skills. To this end, capital provision and teaching manpower are being steadily expanded in co-operation with the education authorities. Young people, employers and others are being stimulated to make full use of the facilities offered; and syllabuses and teaching methods will be constantly reviewed so that they keep pace with social and technological progress.

Schools, Universities and Colleges

264. In an age of rapid technological development schools must foster in our young people the adaptability, readiness to accept new ideas and confidence which will later enable them to meet new requirements in skills and methods of work. Syllabuses are being modernised, teaching methods made more flexible, new educational techniques—radio, television, teaching machines and language laboratories—developed, and pupils encouraged to work more on their own initiative. Secondary courses are being revised as recommended by the Working Party on the Linkage of Secondary and Further Education, to relate them more closely to the pupils' social and industrial environment. Educationists and industrialists are being brought together in a number of ways so as to achieve a better understanding of each other's problems and objectives. In addition the Youth Employment Service, which provides a valuable link between school and industry, is being developed to meet the growing demand for its services.

265. Young people are being encouraged to stay longer at school and to make full use of the opportunities for further and higher education. The arrangements now being made to reorganise secondary education on comprehensive lines and the preparations for the raising of the school leaving age to 16 in 1970/71 will extend the range and variety of courses open to pupils and will enable them to make fuller use of their individual talents. All these measures will raise educational standards and so help towards the significant increase in trained manpower needed.

266. The task of training the highly qualified men and women, in arts and sciences, on whose insight and skill the future prosperity of Scotland must largely depend, will fall primarily on the universities, as will also the provision of centres of research on which the further advancement of knowledge depends. In the past their most distinguished graduates have too often found scope for their talents only outside Scotland. If the future prosperity of Scotland is to be assured more of them will require to be given opportunity to develop their talents within the country. The demand for places in the Scottish universities by 1970/71 was put by the Robbins Committee at about 36,000 as compared with some 22,000 in 1964/65. In the face of this growth the four long established universities of St. Andrews, Aberdeen, Edinburgh and Glasgow are expanding and are being supplemented by Strathclyde (1964), Heriot-Watt (1965), Dundee (1967) and Stirling (1967).

267. A very specific contribution will come from the technological universities and from the technological faculties in the older universities. The contribution
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264. In an age of rapid technological development schools must foster in our young people the adaptability, readiness to accept new ideas and confidence which will later enable them to meet new requirements in skills and methods of work. Syllabuses are being modernised, teaching methods made more flexible, new educational techniques—radio, television, teaching machines and language laboratories—developed, and pupils encouraged to work more on their own initiative. Secondary courses are being revised as recommended by the Working Party on the Linkage of Secondary and Further Education, to relate them more closely to the pupils’ social and industrial environment. Educationists and industrialists are being brought together in a number of ways so as to achieve a better understanding of each other’s problems and objectives. In addition the Youth Employment Service, which provides a valuable link between school and industry, is being developed to meet the growing demand for its services.

265. Young people are being encouraged to stay longer at school and to make full use of the opportunities for further and higher education. The arrangements now being made to reorganise secondary education on comprehensive lines and the preparations for the raising of the school leaving age to 16 in 1970/71 will extend the range and variety of courses open to pupils and will enable them to make fuller use of their individual talents. All these measures will raise educational standards and so help towards the significant increase in trained manpower needed.

266. The task of training the highly qualified men and women, in arts and sciences, on whose insight and skill the future prosperity of Scotland must largely depend, will fall primarily on the universities, as will also the provision of centres of research on which the further advancement of knowledge depends. In the past their most distinguished graduates have too often found scope for their talents only outside Scotland. If the future prosperity of Scotland is to be assured more of them will require to be given opportunity to develop their talents within the country. The demand for places in the Scottish universities by 1970/71 was put by the Robbins Committee at about 36,000 as compared with some 22,000 in 1964/65. In the face of this growth the four long established universities of St. Andrews, Aberdeen, Edinburgh and Glasgow are expanding and are being supplemented by Strathclyde (1964), Heriot-Watt (1965), Dundee (1967) and Stirling (1967).

267. A very specific contribution will come from the technological universities and from the technological faculties in the older universities. The contribution
which all universities make in the education of the most able young men and women and in pure research, is no less important and in the long run fundamental to the future prosperity of Scotland.

268. The central institutions will share with the universities the brunt of the task of supplying the professionally qualified men and women needed and will be increasingly concerned with higher level courses of the highest quality and relevance to industry and commerce. They will be encouraged to develop to an increasing extent full-time and sandwich courses, including those leading to the degrees of the Council for National Academic Awards, and post-experience courses tailored to meet particular needs.

269. The network of further education colleges administered by the education authorities is being extended to provide more courses of all types for technicians, craftsmen and operatives and for the analogous levels in commerce. This will include the provision of the complementary educational facilities for the schemes of industrial training which are now being developed by the Industrial Training Boards. Where appropriate, these colleges will be encouraged to develop courses of a more advanced character.

270. All this demands constant and close co-operation between education and industry at both national and local levels; this the Government intend to foster. Already most colleges have advisory committees including representatives of local industry and commerce. A number of authorities are setting up boards of management with representation from both sides of industry, for the larger colleges and it is essential that the others do so also. The Industrial Liaison Service attached to the central institutions in Aberdeen, Dundee and Paisley (in addition to Strathclyde and the Heriot-Watt Universities) has proved highly successful in bringing to the attention of industry the resources available at the institutions for research. The possibility of appointing liaison staff to some of the larger education authority colleges with the rather different function of informing industry (as well as the community at large) about the facilities for further education and training, is being explored. While the Government will use these and other means, such as the Scottish Technical Education Consultative Council, the Scottish Council for Commercial Education and the Scottish Association for National Certificates and Diplomas, to secure that the educational contribution is relevant to the needs of industry and commerce, success will be achieved only if industry and commerce play their part in making their needs known. Firms must themselves take steps to achieve this through co-operation with the colleges; co-operation through representative bodies at national level is not enough. Employers should make full use of the facilities offered, by releasing their young people to attend college courses.

280. A substantial increase is planned in the places provided at further education colleges and, in the day-release field, this will cater for a student population of about 100,000 by 1970. The demand for places cannot be accurately assessed since it depends upon the willingness of individuals to pursue their studies beyond the statutory minimum period and the extent to which employers actively support the use of the opportunities available. Development will also be related to the rate of progress achieved by Industrial Training Boards in encouraging employers to introduce training programmes which can be approved for grant purposes, with a consequent demand for the associated further education. The Boards’ grant schemes will normally stipulate that
payment to employers of training grant in respect of young trainees in occupations requiring a substantial amount of training is conditional upon attendance of the trainees at day release classes (or equivalent). The further education service will collaborate with the Boards and with industry and commerce to be ready to meet the new needs as the Boards develop their training schemes.

**Education and investment**

281. To achieve these aims calls for a major investment in terms of human, financial and material resources. Between 1965 and 1970 the number of pupils in education authority schools is expected to rise by about 60,000 and students in further education colleges and centres by about 64,000. Of the estimated student increase, nearly 6,000 are full-time, 50,000 day-release (thus about doubling the present figure) and 8,000 other part-time (mainly evening). In the same period the number of students in colleges of education training to become teachers will rise by nearly 3,000 to over 11,700.

282. The supply of teachers should improve considerably over the period to 1970 but the raising of the school leaving age in 1970/71, the growth in the school population, the continuing need to reduce class sizes, and the provision of new courses will all mean substantial additional demands for teachers.

283. Capital expenditure will rise from £24m. in 1965/66 to £34m. in 1969/70. The school building programme will rise from £18m. in 1965/66 to £25m. in 1969/70, an increase of 39 per cent. Capital investment on further education colleges and colleges of education will rise from £6m. to £9m., an increase of 50 per cent. The allocation for schools will be sufficient to ensure the provision of places for the rising number of pupils, including those moving to areas of new development, and for the additional secondary pupils when the school leaving age is raised. In further education, apart from providing more places in existing colleges, the programme will enable many more new colleges to be built, including a new commercial college in Dundee, new commercial and technical colleges in Edinburgh, and colleges of commerce, technology, navigation and food technology in Glasgow, in addition to new colleges in Greenock, Kilmarnock, Hamilton, Motherwell and in Fife and the Lothians. At the same time modern facilities and increased capacity for teacher training are being provided by a major expansion programme now in hand. Two new colleges have come into operation in the last 18 months, one more is now being built and a fourth will be built before 1970. Three existing colleges are being replaced and the remaining four will be modernised or extended. This programme will entail starting further projects to cost over £6m. It will include improved training facilities for teachers already in service and will also more than double the residential accommodation for students at colleges of education.

284. Capital investment of this order imposes considerable responsibility upon both Government and education authorities to promote and encourage the use of modern planning techniques and building methods within the Scottish construction industry. As substantial and powerful clients, they can use public purchasing power as a stimulus to technological advance within the industry. At the same time the expansion of educational facilities of all kinds at the rate required will in itself demand more intensive planning and programming of projects, if they are to be completed in time. The Government will therefore encourage authorities to pursue further possibilities of standardising...
Kebab and Parmesan

The kebab and Parmesan salad are served in a variety of ways, including on a bed of greens or with a side of chips. The kebab is made with grilled chicken or beef and is covered in a flavorful sauce.

The Parmesan salad is topped with shaved Parmesan cheese, fresh basil, and a lemon vinaigrette. It is a light and refreshing option for those looking for something a bit healthier.

The restaurant also offers a variety of other dishes, including pasta, seafood, and vegetarian options. The menu is updated regularly to feature the best seasonal ingredients.

Overall, Kebab and Parmesan is a great choice for those looking for delicious kebabs and salads in a welcoming atmosphere. The staff is friendly and attentive, and the prices are reasonable for the quality of food offered.
components and adopting a more uniform approach to schedules of accommodation and design; of making greater use of industrialised building techniques; and of so adapting their contracting procedures as to make the maximum use of efficient building methods. In its turn, the Government is simplifying its own methods of approving projects. In association with the National Building Agency, it is developing co-ordinated building programmes for additional school accommodation to meet the raising of the school-leaving age in 1970, and for school hostels in the Highlands. It is also sponsoring research to develop new techniques for forecasting the school needs resulting from movements of population into large housing developments and new towns, in order to assist authorities to co-ordinate school building with these. The aim must be to provide schools and colleges where and when they are needed in buildings which can be intensively used, and to provide them by the use of modern techniques so as to give the best value for money from the resources devoted to capital expenditure on education.
(1) Roads

285. The Scottish Road Programme announced in 1964 envisaged Exchequer spending of some £120m. over the five years 1965–70 made up of about £70m. on the new construction and major improvement of trunk roads and motorways and about £50m. for classified roads. The Government have now reviewed their public expenditure generally in the context of the National Plan, and have approved road programme expenditure for Scotland of £137m. over the same five years, made up of approximately £82m. for trunk roads and motorways and £55m. for classified roads. The 14 per cent addition to the programme allows for recent increases in road construction costs and for the extra cost to the Exchequer of building the high level bridge over the Clyde at Erskine as a trunk road instead of a classified road project. Most of the schemes in the Scottish Road Programme are in Development Districts and are not subject to the deferment measures announced by the Chancellor of the Exchequer in July, 1965.

286. With the help of this new programme, Scotland can expect by 1970, to have the main modern network virtually completed between the main industrial areas of the Central Belt of Scotland and the main connection to the motorway system in England and Wales. Some 209 miles of dual carriageway and motorway routes should be in use by 1970 and a further 80 miles by about 1972. The Erskine Bridge, on which it is hoped to start work in the spring of 1968, should be completed in 1971. In the Highlands, priority is being given to the Invergarry/Kyle of Lochalsh trunk road which should be completed in 1971. At the same time a number of important improvements will go ahead in other parts of Scotland.

287. The M.6 motorway which will join the improved A.74 road north of Carlisle will provide Scotland with an important link, of motorway standard, with the south. Work on the Carnforth–Penrith and Penrith bypass sections should be under way by 1966–67 and the whole project will be completed by the early 1970s.

288. The classified road programme also will be oriented towards meeting the needs of Scottish development. By 1970 it is expected that the classified road network in East Kilbride (including its planned expansion) and Cumbernauld New Towns will be nearing completion, and that work will be well under way on the construction of roads to serve the next stage of development at Glenrothes and on the construction of the internal road system in Livingston and its link with the main regional routes; good progress with the first half of the Glasgow Inner Ring Road will have been made; the permanent approaches to the Clyde Tunnel will be complete, as will the Tay Road Bridge and its approaches.

289. Looking further ahead, the early 1970s will see the completion to motorway or near motorway standards of the 300 miles of important industrial trunk routes in Central Scotland and the emphasis of the road programme will move to the reconstruction of roads in towns, especially in the Clydeside conurbation, where a beginning has now been made in Glasgow on a system of urban motorways. Concurrently the programme for the inter-urban routes will turn to the overloaded or sub-standard lengths of, for example, the main
approaches to the Highlands by A.82 (Balloch/Crianlarich) and A.9 (Perth/Blair Atholl/Inverness), the through routes to the North-East, South-West and Border regions, and bypasses of focal points such as Perth. It is estimated that some 350 miles of all-purpose roads must be improved in this second phase of work on inter-urban roads; it will involve major improvement schemes, many minor improvement schemes and a comprehensive programme of maintenance work.

290. In the regions outside the Central Belt, greater recognition will in general, be given to the influence of improved communications on economic growth and to the need in some areas for a concentration of purpose. This will mean in practice paying special attention to the combined effects of all means of transport and to the interaction of the needs of different sectors, e.g. forestry, tourism and industry. This will require a great deal of detailed work and a possible re-assessment of the priorities as we enter the 1970s.

(2) Road Transport Services

291. Since a large proportion of the country's total traffic is carried over relatively short distances, the bulk of goods traffic must continue to move by road; in Scotland the availability of services provided by vehicle ferries operating on the Clyde and in the Western Isles further tends to orientate the associated transport system towards road haulage. Since 1959 there has been an increase of 11·5 per cent in the number of vehicles of all types licensed to carry goods and in the period to 1970 demand for goods transport is likely to be such that—even with the diversion of some long distance traffic to rail which the introduction of liner trains should be expected to produce—the volume of road haulage will continue to grow. The increase in this period, however, is likely to be somewhat slower than in recent years.

292. With the increasing use of private cars, bus service transport has been declining and this trend must be expected to continue. Because of the growing traffic congestion in the major urban areas of Scotland, however, it will be necessary to strike a realistic balance in these areas between the volume of public and private transport. These problems are being studied; in the Greater Glasgow area for example, where free movement of traffic is of vital importance to the country's future growth, a comprehensive transportation survey covering some 450 square miles, is being undertaken with the object of developing an optimum network of all transport facilities.

(3) Rail Services

293. The emerging pattern of the Scottish railway system for the next few years is now becoming clear. There will remain at least three main rail routes between England and Central Scotland (the future of the fourth is not yet decided); continuing cross-links in Central Scotland between Greenock, Glasgow, Edinburgh, Stirling, Dundee and Perth including a network of suburban services in the Glasgow area; lines running out from the central area to the south-west and to the West Highlands and a route in the North-East between Perth, Dundee, Aberdeen and Inverness with, at least for the immediate future, extensions to Wick and Kyle.
294. Railway reshaping in Scotland has in fact involved not merely—and
evitably—a programme of closures (the bulk of which have now been decided)
but a concentration of effort and investment on those tasks which the railways
are best suited to perform. In the past six years British Railways have invested
more than £75m. in the Scottish region and for the period up to 1970 their
future plans include the provision of liner train terminals at Glasgow, Edinburgh,
Dundee and Aberdeen. All these four have been included in Stage 1 of the pro­
ject which the Minister of Transport has already authorised. The first liner
train services have started to operate between London and Glasgow on an
experimental basis. The date of introduction of services to an from the other
Scottish terminals will depend upon the experience gained with the first routes
and the date of availability of additional rolling stock.

295. For freight sundries British Railway’s aim is to improve their service by
concentrating traffic on four main depots (at Dundee, Edinburgh, Glasgow and
Kilmarnock), eleven secondary depots and thirty-two auxiliary depots. In
addition to these, there will of course be numerous full-load depots handling,
for example, coal. Associated with these depots there will be greatly improved
road collection and delivery services and this combination will provide for
Scottish customers a better freight service than they had previously when the
railway track mileage was greater.

296. Plans in course of consideration include the introduction of a more
modern signalling system on the main routes in order to increase line capacities
and improve efficiency. Modern methods are also being introduced for the main­
tenance of the permanent way by means of mechanical equipment in replacement
of the traditional permanent-way gangs. With the introduction of diesel traction
in place of steam, a large programme of reconstruction is in hand at selected
motive power depots. The depots to be retained will provide modern and efficient
facilities for the maintenance and servicing of diesel units. Another aspect of the
major reshaping which is going on is the improvement of communications; a
start has been made with a new Telecommunications Centre in Glasgow which
will rationalise these facilities over a wide area. Main passenger stations are
also being modernised and the recently rebuilt station at Kirkcaldy provides a
good example of present day station design. Major reconstruction is taking place
at Queen Street Station, Glasgow, to facilitate the handling of the increased
traffic to be dealt with there. Similar work on the approaches to Glasgow Central
Station is also programmed for completion before the introduction of the
electrified services between that station and Gourock/Wemyss Bay.

297. In October, 1964, approval was given for the electrification of 37 miles
of route between Glasgow and Gourock/Wemyss Bay, at a cost of about
£61m. This represents the second stage in providing Glasgow with an up to date
suburban rail transport system (the Blue Trains), the first stage of which,
involving mainly the electrification of lines to the north of the Clyde was
completed in 1961. This scheme will be completed in the Spring of 1967. It is
through modernisation measures of this kind, which will enable freight and
passengers to be transported more quickly and efficiently, that the railways will
make their contribution to Scotland’s economic growth.

298. Further major rail developments in the Clyde Valley conurbation must
clearly await the outcome of the Greater Glasgow Transportation Survey which
is expected to be completed by mid 1967. Meanwhile the British Railways
Board have agreed not to dispose of track formation, even after closure of a line to traffic, without the consent of the Minister of Transport.

299. The new arrangements under which all passenger closure proposals are referred to the Scottish Economic Planning Council for their advice before a ministerial decision is taken, and the participation of the Ministry of Transport, along with a Railways Board representative, in all the work of the Scottish Economic Planning Board, will ensure for the future that railway planning and the wider issues of economic planning for Scotland march hand in hand; that full account is taken of economic planning considerations; and that every reasonable opportunity of linking railway operations to industrial or population growth prospects is taken into account.

(4) Shipping Services and Ports

300. Scotland has natural advantages for shipping. In particular the estuaries of the Clyde and the Forth cut deeply into the central industrial belt and provide for the manufacturer and exporter the shortest distance of any area in the country between Atlantic and North Sea ports.

301. From the information available, it has been estimated that over two-thirds of Scotland's exports find their way through Scottish ports. Some long-term trends have however weighed against an increase of traffic through these ports; the heavy industries no longer provide the same volume of bulk cargoes as formerly supported Scottish ports both as direct exit points and as first ports of call; and the economy has grown more quickly further south.

302. Nevertheless, shipping through Scottish ports still provides a highly developed network of services to most ports of the world and there is a considerable coastal trade. Faster growth in the Scottish economy and its further diversification, including newer industries with a high proportion of exports, carries with it the means and opportunities to sustain the incoming and outgoing shipping services. To some extent this has already been happening—for example, the oil and chemical traffic through Grangemouth and the motor vehicle and tractor exports flowing from the large new plants at Linwood and Bathgate.

303. Different considerations apply in the case of the services taking both passengers and cargo to and from the Hebrides, Orkney and Shetland. These services are essential to the economy of the islands and in some cases receive Exchequer assistance. While some of their former passenger traffic may be lost as air services develop further, this is likely to be offset by increasing demand for sea travel arising from the development of tourism. Both private cars and commercial vehicles have made considerable use of the new vehicle ferries to Mull, Skye and the Outer Hebrides, and proposals for the introduction of vehicle ferries to serve other islands are being considered by the Highland Transport Board.

304. Increased economic growth will, as has been seen, mean increased traffic and, although the increase in foreign trade generated by increased industrial production and general economic activity will not necessarily all flow through Scottish ports, the National Ports Council in their interim Report took the view that improved facilities should be provided to enable it to do so if traders wished. After the more rapid economic growth had been under way for a period of time, it would be easier to assess the degree of success being enjoyed by Scottish ports.
Board have urged us to give up our efforts to secure the cessation of a line.

The new arrangements under which the businesses closing proposal is a

eminent feature of the Economic Planning Council for their advice given in the

participation of the Ministry of Transport.

Economic Planning Board, with the advice of the Ministry of Transport,

the wider issues of economic planning for Scotland which must be faced;

that economic planning must be guided by the principles outlined in the

their economic strategy for Scotland. It is their view that economic planning

provides a firm basis for the future investment in Scotland. They believe that

2) Shipping Services and Tours

Supply for Scotland and the Four Home Countries into the country's industrial area, and

the country's economic growth and future prospects.

4) From the experience acquired in the past, we can learn some

make-up. It is hoped that the experience gained in the past, and

British and Scottish ports on other continents. The ports and

2.50 per cent of the total export is due to the growth of the Scottish economy, and its

further growth is likely to result from the expansion of exports. It is

to the economic strategy for Scotland. These ports provide a high

Scotland, new opportunities for expansion in the future. In the past, and for a considerable

Scotland's economic strategy, and the Scottish ports will provide a high

of these opportunities. The British and Scottish ports will provide a high

Scotland's economic strategy, and the Scottish ports will provide a high

of these opportunities. The British and Scottish ports will provide a high

Scotland's economic strategy, and the Scottish ports will provide a high

of these opportunities. The British and Scottish ports will provide a high
in introducing the trade. Modernisation of the main Scottish ports is essential for the continued activity of shipping services and important schemes of development for the major Clyde and Forth ports were recommended by the Ports Council.

305. At Leith, work has already started on the new entrance lock costing about £6m., which will turn the harbour into a ‘deep water’ port of particular benefit to the grain and fertiliser trade. When completed in 1968, the number of berths of up to 30 feet draught will be increased from 8 to 21, and there will be 13 berths of over 30 feet draught including 8 ocean ship berths.

306. At Grangemouth the British Transport Dock Board’s proposal for a new enlarged entrance lock, at a cost of about £7m., has recently been approved by the Minister of Transport and work is expected to start in 1966 and to be completed in 1969. The improved facilities will be of great benefit not only to the expanding refinery and chemical complex there, but will also provide facilities for larger vessels in the bulk and general cargo trades.

307. On the Clyde the new unified Clyde port authority will have a number of important questions of policy to consider—some of which will largely determine the future pattern of traffic-handling on the river. In the view of the National Ports Council the long-term needs of the major Port of Glasgow could best be met by a rationalisation of the existing facilities and the concentration of traffic on a smaller number of improved and modernised berths. Meanwhile the Clyde Navigation Trust are extending their Meadowside Granary at a cost of £1.1m. which will increase storage capacity by nearly 90 per cent and are improving Princes Dock at a cost of about £1m. The Clyde holds a big place in the development of the Scottish Economy, and the Government hope that the new authority will give the earliest possible consideration to the proposals discussed in the interim plan, including the merits of the deepening of the river over its whole length and—in the context of the Clyde as a whole—of developing new deep water berth facilities at Greenock.

308. Overall, the National Ports Council’s recommendation for the investment of between £21m. and £24m. in the Scottish Ports on the Forth and Clyde will do much to bring Scottish ports facilities in this area up to modern standards, and it will be an important objective to see that these schemes are brought forward as urgently as possible. While the Interim Plan was not concerned with the secondary ports, the Government recognise the continuing importance of other Scottish ports, especially Dundee and Aberdeen, in the economics of the localities in which they are situated.

(5) Airports and Air Services

Air Transport

309. Convenient facilities for air travel and air freight are clearly a great asset for economic growth. Scotland has a number of well-sited airports, but has a greater need of good air communications. It is therefore of special importance to maintain a high up-to-date standard in aviation ground services, to remedy as soon as possible any material deficiencies and to work towards the provision of the optimum economic air services. The provision of British air services is the commercial responsibility of any interested operators who may apply for licences to the Air Transport Licensing Board, which is advised by the Scottish Advisory Committee for Civil Aviation.
310. There has been a steady increase in the use of air services for both internal and international journeys and in the capacity and volume of traffic carried by Scottish air services generally. On scheduled services, within, and to and from Scotland, a total of 1,415,847 passengers were carried by British airlines in 1964—\(\text{an increase of 13 per cent over the previous year.}\) In addition, 69,297 passengers were picked up and set down at Prestwick by B.O.A.C.

311. Air freight is also of increasing importance to Scottish air services; the tonnage handled has increased almost six-fold over the last ten years. About two-thirds of this traffic is handled at Prestwick and Renfrew.

312. Scottish aerodrome and navigational facilities continue to be improved and as the following table shows, the level of public investment in these services is increasing.

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**Airports**

313. At Prestwick Airport the new terminal building with its associated freight and maintenance facilities has been in use since September 1964. There has been a substantial rise in both passenger and freight traffic at the airport. The total of passengers handled there in 1965—368,302—\(\text{was 8 per cent up on the previous year and there was a 15 per cent rise to 225,699 in the total of terminal passengers.}\) The upward trend was maintained during the first six months of 1965, with an 11 per cent increase to 145,766 in the total of passengers and a 19 per cent increase to 84,338 in the total of terminal passengers. The total of freight handled in the same period, 3,312 short tons,\(^*\) was 64 per cent more than in January-June 1964.

314. The airport (modernised in recent years at a cost of £4 million) is to be taken over by the British Airports Authority in April, 1966, with the Ministry of Aviation continuing to provide the navigation services.

315. The development of Abbotsinch at a cost of £4.3m. as the future airport for the Clyde Valley is nearing completion. The work on the runways, apron, control tower, radio aids and new terminal building is expected to be finished and the airport in operation under Glasgow Corporation's management by May 1966. The Government will thereafter continue to provide the navigation services. The demand for freight accommodation has exceeded expectations and augurs well for the future.

316. In east central Scotland, already an area of expansion for both industry and population, the part to be played by Turnhouse airport is clearly of great importance. Discussions are continuing between the Ministry of Aviation and Edinburgh Corporation about the possibility of the airport being taken over by the Corporation, and about its further development to meet the needs of the East of Scotland in the future.

317. Internal Scottish Services are at present operated by B.E.A. partly with Viscounts and partly with Heralds lent by the Government. B.E.A. wish to operate all Viscount services within Scotland (except to Tiree and Barra where

\(^*\)2,000 lbs.
Herons will be retained) but in order to permit Viscounts to operate throughout Scotland with a reasonable payload, improved runways at three airports (Kirkwall, Sumburgh and Port Ellen) will be required. Since all Viscount operations would provide a large carrying capacity and open the way to better services the Government have agreed to spend about £1m. on improving these airfields.

318. This proportionately heavy expenditure on aerodromes throughout Scotland means that up to 1970 and probably for some time thereafter there should be ample capacity to absorb the foreseen growth of air traffic. Scottish aerodromes are still under-utilised in varying degrees so adequate growth potential exists, on the ground at any rate. As an example of new traffic it is hoped to encourage inclusive tours through Dalcross to serve the future tourist needs of the Cairngorms area.

319. At Dundee, the Corporation have shown great enterprise in establishing the Riverside airstrip. Realisation of their aim to have a full city airport depends primarily, however, on the operational and commercial possibilities of a regular air-service to or through Dundee. In the light of the construction of the Tay Road Bridge and of the future growth in Dundee’s population and economy foreseen in this paper, the problem now requires further consideration, and the Scottish Economic Planning Council will accordingly, in consultation with the airline operators and other interests concerned, shortly be exploring the scope for an air service in the new circumstances.

320. Some authorities have displayed an encouraging interest in airstrips for executive-type aircraft as an attraction for future development. The New Towns of Cumbernauld and Glenrothes are notable examples. Similar steps are being taken to meet the special needs of the Highlands: an airstrip has recently been completed in Mull, and plans are being made for the construction of seven more in the Orkneys with a view to the introduction of a scheduled service by light aircraft between Kirkwall and the North Isles. It is hoped to construct airstrips in other parts of the Highlands and Islands with the assistance of the Royal Engineers, and the Highland Transport Board are exploring the possibility of new ‘feeder’ services by light aircraft, particularly where there are lengthy surface journeys.

Air Services

321. International services have been augmented by B.O.A.C.’s increase in ‘Scottish Monarch’ flights between Prestwick and New York to a frequency of ten a week during the summer peak. B.O.A.C. have also operated daily flights between Prestwick and Canada and there has been a further daily frequency by Air Canada.

322. Internal air services are continuing to expand as the traffic increases. B.E.A. trunk services between Glasgow/Edinburgh and London have now been developed to a frequency of well over 100 Vanguard flights a week. Appeals concerning the rights of independant operators to run additional trunk services are at present sub judice. The recently introduced direct Aberdeen/London Viscount service has proved to be so popular that B.E.A. are expected to double it during 1966. The daily Viscount service which B.E.A. have recently introduced between Edinburgh and Birmingham provides a good example of the way in which air links can be developed. In this case specially rebated landing fees
facilitated the introduction of the service. When the Viscount becomes standard for the Scottish internal air routes there will be a significant increase in capacity available and the commercial results of these services may be expected ultimately to improve.

323. The prospects are now improved for the development of direct services between Scotland and the continent which would be particularly attractive to industrial and export interests. Such services must be on a commercial basis but the enterprise displayed by Glasgow Corporation in their approach to the problem of operating Abbotsinch is an important, helpful factor. Several airlines are currently seeking licences for services linking Glasgow with Holland, Belgium and Germany.

(6) Telecommunications

324. To be able to get in touch quickly with one's customers, one's suppliers and one's staff is quite essential for modern industry and commerce. Ease of telecommunications, like ease of physical movement, is therefore particularly important for Scotland owing to her geographical position.

325. The Post Office is already at work on a modernisation plan in Scotland. The specific objectives of this plan were twofold: firstly, to install sufficient plant by March, 1966 to avoid telephone installations being delayed by shortage of plant and to abolish the waiting list, and secondly, to work towards the elimination of manual exchanges and the completion of Subscriber Trunk Dialling by 1970. Despite a 70 per cent increase in demand in Scotland in 1964/65 over the two previous years (with a 100 per cent increase in the Glasgow area) the first objective has almost been achieved; the waiting list should be negligible by March, 1966. If, however, demand for telephones continues to grow at present rates, there is a likelihood that temporary shortages of exchange equipment will later occur in some places. Manufacturers are urgently expanding their capacity and it is hoped that the difficulties will be overcome by the early 1970s. As regards the second objective, it is hoped to complete the conversion to automatic working of the larger manual exchanges in Scotland by 1970. About 90 per cent of this work has already been completed, including the provision this year of important exchanges at Alloa, Coatbridge, Hamilton and Rutherglen; most of the remaining work is mainly in exchanges in the remote areas where mechanisation is more difficult, but this is being overtaken as quickly as possible.

326. To meet the growing needs of the telephone system the capacity of existing plant and the long-term forecasts of future growth are kept under continuous review. It is estimated that capital expenditure for the service will have almost doubled over the five years to 1967 and will continue to increase thereafter up to 1970. The Director of the Post Office in Scotland and the five area Managers will continue to plan in terms of years ahead in view of the lengthy period required to produce and instal equipment. In collaboration with the Ministry of Public Building and Works they are constantly reviewing ways of reducing the planning and construction periods of exchange buildings.

327. Subscriber Trunk Dialling in Scotland will be made available to most subscribers in Scotland by 1970. The exceptions should be only in very remote places where special technical difficulties may lead to fulfilment only after that date. The Post Office plans include not only the provision of S.T.D. to those at
The introduction of the service. When the Vocational Training Service was established, it was envisaged that the service would be extended to other areas of the economy. In practice, this has not occurred as envisaged.

3.7. The purpose of this report is to examine the potential for the development of vocational services in the context of the Employment Service. It is intended to provide information and advice to policy-makers and others concerned with the provision of vocational training. It is also hoped that it will be useful to those who are involved in the provision of vocational training services.

4.1. The Vocational Training Service is a national service. It is intended to provide a framework for the development of vocational training services in all areas of the economy. It is envisaged that the service will be extended to other areas of the economy as necessary.

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present without it, but also the extension, as new equipment becomes available, of the range of exchanges to which calls may be dialled direct by those who already have S.T.D. Data, facsimile and picture transmission services are already available in Scotland. More sophisticated systems are being developed and these too are expected to become available, at any rate in the larger cities.
CHAPTER XIV
FUEL, POWER, AND WATER SUPPLY SERVICES

Fuel and Power Services

328. The total energy consumption in Scotland, expressed in terms of coal equivalent, increased from 25.34 million tons in 1960 to 26.62 million tons in 1964, equal to 9.3 per cent of the total for the U.K. On the assumption that the Scottish economy will grow at a slightly higher rate than the rest of the U.K. over the period up to 1970, it is reasonable to assume that the Scottish share of the total U.K. energy consumption will show a slight increase. The Ministry of Power's latest view, as published in the National Plan, is that the demand for energy in the U.K. will total 324 million tons of coal equivalent in 1970. Thus the demand in Scotland may be 30-31 million tons. The development plans of the coal, electricity, gas and oil industries, which are described in the succeeding paragraphs, indicate that while the inter-relationship of these industries may continue to present some problems, Scotland can meet the total foreseeable demand for energy.

Coal

329. Following the exhaustion of most of the shallower and richer reserves of coal in Scotland, the National Coal Board at vesting date in 1947 embarked upon an extensive reconstruction programme to tap the deeper coal measures. But the geological conditions encountered at the greater depths turned out to be worse than had been expected and heavy financial losses were incurred. The Board have been striving to cut their losses in Scotland by introducing modern techniques and equipment and by the gradual concentration of production on new and reconstructed collieries. At the same time they have been closing pits that were exhausted or had become grossly uneconomic, and 82 pits were closed in the six-year period from 1959 to 1964.

330. Improved productivity has already been effected—from 22.9 cwt. in 1961 to 29.2 cwt. per man shift in 1964/65—and the current year will show a further increase. During the past two financial periods the Scottish Division have made a small operational profit. The computer-controlled Longannet project and the development of the major collieries of Bilston Glen, Killoch, Monktenhall and Seafield are examples of the application of modern continuous mining techniques which are replacing the conventional cycle of operations, and these should lead to still further increases in efficiency.

331. The use of coal in Scotland has been falling in recent years—from 18.3m. tons in 1960 to 15.5m. tons in 1964. Total output of deep-mined coal in 1964/65 was 15.5m. tons. Scotland is largely a self-contained market and the size of the mining industry in 1970 will be determined by the effectiveness of its success in continuing to reduce costs. Over the period 1960-64 colliery manpower in Scotland dropped from an average of 72.2 thousand to 51.7 thousand—a rundown of about 5,000 a year. Further closures and increases in working efficiency will lead to continuing reductions in manpower requirements. But the industry will remain able to meet any likely level of demand in the Scottish market and the Board will wish to retain as many of the skilled miners affected by closures as are willing to be re-deployed within the industry.
Chapter XVI

FUEL, POWER AND WATER SUPPLY SERVICES

Fuel and Power Services

The total energy consumption in Scotland, expressed in terms of coal, amounted to 17.5 million tons in 1910, rising to 26.4 million tons in 1930. The use of coal in the home began to decline in 1930. The major shift in energy consumption from coal to oil and gas was due to the increase in the use of oil and gas in industry and the introduction of new technologies. The use of oil and gas in domestic heating was also on the rise in the 1920s and 1930s, driven by advances in the production and distribution of these fuels.

Coal consists of the accumulated remains of marine plants and animals that were buried beneath layers of sediment over millions of years. The process of coalification, or the transformation of organic material into coal, is a complex geological process that involves the burial and compression of plant and animal remains under great pressure and temperature.

By 1910, the coal industry in Scotland was beginning to face challenges. New technologies and methods of production were being developed, and the coal industry was facing increased competition from other energy sources, particularly oil and gas. The decline in the use of coal in domestic heating and industry contributed to the industry's struggles.

The coal industry in Scotland was a major economic force in the early 20th century. The decline in coal usage and the increased use of other energy sources led to significant economic changes in the region, affecting not only the coal industry but also the wider economy.
332. The White Papers on Fuel Policy* and the Finances of the Coal Industry† have set out the problems of the coal industry and have given details of the Government’s plans to help the industry to strengthen its position. The Government will help by providing special funds to assist the re-deployment and re-settlement of men affected by the closure of uneconomic collieries and will also cancel part of the Board’s capital debt.

Gas

333. Substantial progress has been made with the integration of gas production and distribution in Scotland. Many small and uneconomic works have been closed and there are now only 46 in operation compared to 195 in 1949. Following completion in 1960 of the Lurgi high-pressure coal gasification plant in Fife (the first of its kind in the United Kingdom) and its associated super grid, gas is now distributed at high pressure through two major grids supplying Central Scotland. Outside the Central Belt work is in progress to integrate the Aberdeen–Inverness area and an integration scheme to serve the Dumfries area from Kirkcudbright to Langholm is scheduled to be completed in 1966. These two schemes, including new works and a high-pressure grid mains system to supply surrounding undertakings, will ensure ample supplies to meet future requirements and should provide an additional attraction facility for industry contemplating a move to these areas.

334. The demand for gas in Scotland declined at a steady rate throughout the 1950s but since then there has been a resurgence in demand and in the last financial year total sales reached a record level of 218 million therms—an increase of 8½ per cent over the previous year. Demand is expected to reach 300 million therms by 1970. The increases in demand for gas have followed substantially increased sales of the modern and improved types of appliances, particularly in the domestic field.

335. In order to preserve its competitive position in relation to other fuels, the industry has taken advantage of the new oil-based processes which produce cheaper and less toxic gas, and has progressively replaced coal by petroleum products as its raw material. The use of coal for gas-making has fallen from 1.78 million tons in 1960 to 1.3 million tons in 1964, but it is still the largest individual source of gas supplies. Coal usage will decline still further, however, as more oil-based plant comes into operation.

336. The production of gas coke has been decreasing with the increasing use of oil as a basic raw material for gas manufacture. The total amount of coke made for sale dropped from 573 thousand tons in 1960 to 324 in 1964. A further decline is expected, although the Board will continue to make the improved type of solid smokeless fuel, ‘Gloco’, to enable them to meet their existing commitments.

Electricity

337. Power stations’ fuel requirements are expected to grow at a lower rate than the demand for electricity due to the improvements in thermal efficiency expected at thermal power stations. Coal will meet the bulk of the increase in fuel demand, although compared with 1964 there is expected to be some additional contribution from Hunterston Nuclear Power Station, which was not

* Fuel Policy—Cmd. 2798.
† The Finances of the Coal Industry—Cmd. 2805.
fully commissioned for the whole of that year and additional oil demand at Dundee with the commissioning of new oil-fired capacity there. The maximum demand which had to be met by the Scottish Electricity Boards from the mainland system increased from 2,570 MW in 1960 to 3,700 MW in 1964, an average annual increase of 9.5 per cent. On the basis of the National Plan, the Boards expect that demand may reach over 6,000 MW in 1970 and generating stations are already under construction which will be sufficient to meet this increasing demand and to provide a margin for severe weather conditions, breakdowns and unforeseen circumstances. By this time, the South Board's 1,200 MW coal-fired station at Cockenzie, which will start operating in 1966 will be in full commission and the 2,400 MW coal-fired station at Longannet in Fife will also be partially in operation. The North Board's 400 MW pumped storage hydrostation at Cruachan started operating in 1965 and will be in full commission in 1966.

338. The Boards expect that consumption of electricity in Scotland will increase from 13,400 million units in 1964 to 22,500 million units in 1970 and that some 70 per cent of the additional fuel requirements in this period will be met by coal. The South Board will continue to be the National Coal Board's largest individual consumer of coal in Scotland. Transmission and distribution systems in both Boards' areas are being strengthened and extended, and the necessary reinforcements to local distribution networks are proceeding to meet increases in load and to provide increased security of supply to consumers.

339. Rural distribution has been virtually completed in the South Board's area. The North Board face considerable problems in supplying the remoter parts of their area, but notwithstanding the substantial revenue losses incurred, they plan to accelerate the rate of connection to enable all but 1,000 extremely remote rural dwellings to be supplied by 1972; the capital cost of this operation is £6 million.

340. The two Scottish Boards' systems are continuously linked to permit a two-way exchange of supplies to meet demands which might not otherwise be met by the individual Boards. Similarly, the Scottish system is linked, by way of the South Board's system to the transmission network in England. The 275 kV supergrid in Scotland is for the most part capable of working at 400 kV and will be linked to the English 400 kV system for bulk supply of electricity now being constructed by the C.E.G.B.

Oil

341. The use of oil in Scotland for all purposes increased from 3.15 million tons in 1960 to 4.95 million tons in 1964, and is expected to rise at a slightly lower annual rate of about 7½ per cent up to 1970. The most significant increases have been in the industrial use of fuel oil and in feedstocks for petroleum-chemical plants; the latter reflecting the rapid growth of this industry in Scotland in recent years. The annual capacity of the Grangemouth oil refinery has been increased to 4½ million tons; the carrying capacity of the associated cross-country crude oil pipeline from the Finnart ocean terminal has been almost doubled, and additional crude oil storage facilities installed. Part of the output from the Grangemouth refinery is exported to the Continent. There is also a flow of refined oil products from other refineries in England, for which increased storage facilities have been provided in Scotland by the companies concerned.
Sites suitable for further refinery developments exist together with deep water berthing facilities.

**Future Developments**

342. At a time of rapid technological innovation, fuel policy must be sufficiently flexible to enable economic benefit to be derived from new sources of energy as they become available. The exploration for oil and natural gas deposits in the North Sea is being vigorously pursued and, as has been recently announced, it is possible that there may be a second nuclear power station in Scotland in the period 1970-75, based on the Advanced Gas-Cooled Reactor.

**Water Supply Services**

343. The water resources of Scotland, once harnessed, are capable of meeting any foreseeable demand of a developing social, agricultural and industrial economy. But the increasing need for more water, both by new industries and industrial processes, and by the intensive programme of housing development, presents its own challenge. Local authorities must increasingly look further afield for their supplies and must work together in doing so. A major advance in this direction has been the co-operation of a group of authorities in Central Scotland who are seeking the necessary statutory powers to draw water from Loch Lomond to supply their growth areas, while steps are also being taken to form a number of regional all-purpose water boards large enough to finance other major works that may be needed. If the forecast rate of growth is to be achieved, the more fortunate authorities, with adequate supplies for their own needs, can no longer stand aside but must be prepared to play their part in creating the kind of organisation that will match the requirements for water that a modern Scotland will need.

344. Vital in the immediate future is the harnessing of Loch Lomond and Loch Bradan which between them can supply some 70 million gallons a day at the outset and are capable of being increased as the need arises to yield 130 m.g.d. Of other schemes the Glenfinglas Scheme of Glasgow Corporation was recently completed to yield an additional 10 m.g.d. and five other major schemes under construction are due to yield some 34 m.g.d. by 1969. Moreover the plans of one of them, that Dundee Corporation, made provision for subsequent stages as demand is foreseen to yield another 33 m.g.d. Schemes are in preparation, but at the pre-construction stage, capable of yielding some further 30 m.g.d.

345. The Scottish Water Advisory Committee, who have already reported on the water service in the central industrial area of Scotland, including Ayrshire and Renfrewshire, are at present engaged on an extension of their studies to the rest of the country.
The water resources of Scotland and the action taken to manage and conserve these resources are of major importance in the context of sustainable development. The Government is committed to ensuring that Scotland's water resources are used efficiently and sustainably, and this requires a coordinated approach to the management of water resources.

In Scotland, water is a valuable resource that is essential for human health, social wellbeing, and the environment. It is therefore important to develop strategies that will ensure the sustainable use of water resources for future generations. This requires a comprehensive approach that recognizes the interdependence of human, social, and ecological systems.

The Scottish Water Framework Directive (SWFD) provides a framework for the sustainable management of water resources in Scotland. The SWFD sets out the objectives for the sustainable management of water resources in Scotland and requires the Scottish Government to develop a Water Framework Plan (WFP) to ensure that these objectives are achieved.

The WFP sets out the principles and objectives for the sustainable management of water resources in Scotland and identifies the measures required to achieve these objectives. The WFP also provides guidance on how to implement these measures and monitor their effectiveness.

The Scottish Government is committed to implementing the SWFD and is working closely with stakeholders to develop the WFP. This involves consultation with a wide range of stakeholders, including local authorities, environmental groups, and the public, to ensure that the WFP reflects the needs and priorities of all stakeholders.

The WFP is a key component of Scotland’s sustainable development strategy. It is designed to achieve the objectives of the SWFD and to ensure that Scotland’s water resources are used efficiently and sustainably for the benefit of all.

The Scottish Government is committed to ensuring that Scotland’s water resources are managed in a way that is sustainable and that meets the needs of all stakeholders. The WFP is an important step towards achieving this goal and will be subject to regular review to ensure that it remains relevant and effective in meeting the challenges of the future.
346. The size of the contribution of the construction industry to the development of Scotland is perhaps not sufficiently recognised. With nearly 200,000 workers and an annual output of over £350m, it is a major component of the Scottish economy and its tasks are many and varied. It must build the factories for the industrial resurgence; the roads and bridges, tunnels and docks, power stations and water installations of the essential infrastructure; the hospitals and schools for community needs; and the houses required for the four-fold task of improving housing standards, providing for the increasing population, sustaining economic growth and renewing the older areas. In addition the industry must undertake repair and maintenance of existing houses, factories, roads and installations.

347. The increased programme of investment in Scotland over the past few years has already led to a striking expansion in the construction industry. In absolute terms, and at constant prices, the output of the industry increased between 1960 and 1964 by 24 per cent, an average of 5.6 per cent (compound) per annum. This was achieved despite the severe disruption to work caused by the cold weather in the winter of 1962/63. The continuing programme of expansion will require not only the maintenance of the present high rate of activity in the construction industry, but considerable further growth.

348. Construction firms can be divided into two groups. First, there are the main contractors, including general builders, building and civil engineering contractors, and civil engineering firms. These firms undertake main contracts and when necessary employ specialist firms in the second group such as plumbers, joiners and carpenters, painters, plasterers and glaziers as specialist sub-contractors.

349. As the expansion of the construction industry has proceeded in Scotland the total number of firms has declined, but the number of large firms has been growing—between 1958 and 1964 the number of firms with 250 workers or more went up from 48 to 67. Another development is the establishment, by several national contractors, of organisations or branches north of the Border. There have of course been some similar movements on the part of expanding Scottish construction firms who have established themselves in England.

Output in 1964 and assumed demand in 1970—Scotland*

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<tr>
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<th>1964 (Output)</th>
<th>1970 (Demand)</th>
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<td>£ million</td>
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<tr>
<td>Housing</td>
<td>109</td>
<td>155</td>
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<tr>
<td>Other New Work:</td>
<td></td>
<td></td>
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<tr>
<td>For public authorities</td>
<td>92</td>
<td>155</td>
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<tr>
<td>For private developers</td>
<td>66</td>
<td>90</td>
</tr>
<tr>
<td>Total other new work</td>
<td>158</td>
<td>245</td>
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<td>95</td>
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<td>Grand Total</td>
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<td>495</td>
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* Including work by public authorities' own employees.
Phase 3: Preparatory Phase

The preparatory phase is crucial in laying the groundwork for the implementation of the project. It involves the following key activities:

1. Identification of technical expertise: This involves identifying and mobilizing the necessary technical expertise to support the project, including consultants and advisors.
2. Planning and scheduling: A comprehensive plan is developed to outline the project timeline, milestones, and resource requirements. This plan helps ensure that all activities are aligned and coordinated effectively.
3. Resource mobilization: This phase focuses on securing the necessary funds, equipment, and personnel to support the project's execution.
4. Initial feasibility study: A preliminary assessment is conducted to evaluate the feasibility of the project, its potential impact, and any potential challenges or risks.
5. Communication and stakeholder engagement: Effective communication and engagement with stakeholders, including local communities, government agencies, and other relevant parties, are essential to build support and ensure the project's success.
6. Risk Management: Identifies potential risks and establishes strategies to mitigate them.

Throughout the preparatory phase, various meetings and consultations are held to ensure that all stakeholders are informed and their inputs are considered. The phase also includes legal and regulatory planning, to ensure compliance with all relevant legal and regulatory requirements.
CHAPTER XV

THE CONSTRUCTION INDUSTRIES

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* Including work by public authorities' own employees.
Chapter XX

THE CONSTRUCTION INDUSTRIES

In the context of the economic and industrial activities in the 1950s, the construction industry was a major contributor to the economy. With rapid urbanization and industrial expansion, the demand for construction services was on the rise. The industry faced challenges in terms of labor, materials, and technology. Overcoming these challenges was crucial for the growth and development of the economy.

The construction industry plays a vital role in the economy, providing employment opportunities and contributing to infrastructure development. The table below illustrates the number of workers engaged in the construction industry in the years 1959-60 and 1969-70, categorized by sex:

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
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<tbody>
<tr>
<td>1959-60</td>
<td>121</td>
<td>32</td>
<td>153</td>
</tr>
<tr>
<td>1969-70</td>
<td>124</td>
<td>35</td>
<td>159</td>
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</table>

The data shows a slight increase in the number of workers in the construction industry over the decade. This growth can be attributed to the expanding construction projects and the increasing demand for housing and infrastructure development. The industry continued to evolve, adopting new technologies and improving worker safety and efficiency.

The construction industry was also influenced by government policies and investments. The expansion of the economy required robust infrastructure, and the government played a key role in driving this growth. The industry's resilience and adaptability were essential to its success in this period.
350. Total demand by 1970 is estimated, at 1964 prices, to rise to £495m., an increase of 41 per cent over the value of work done in 1964, an average annual increase of 5.8 per cent (compound) (cf. Chapter II, Table A).

351. The most important element in this increased programme is housing on which expenditure by 1970 is expected to be about £155m., requiring an increase in output of nearly 42 per cent by comparison with 1964. As output in 1965 is not likely to show much improvement over 1964 most of this considerable increase will have to come in the later years.

352. In the 'other new work' sector it is expected that by 1970 demand will reach £245m., requiring an increase in output of 55 per cent. An important element in this sector is the roads programme, described in Chapter X (i), in which demand is likely to rise between 1964 and 1970, by over 70 per cent. As this type of work readily lends itself to mechanisation it is thought that this very substantial increase in output should be attainable, without adverse effect on the housing programme.

353. In the repairs and maintenance sector a modest increase in demand of about 2 per cent per annum is expected. It is hoped, however, that the industry will be able to achieve an increase of productivity greater than this, thus releasing valuable resources, particularly of skilled manpower, to help in the greatly expanding new work sectors. Guidance in this respect will be available from a committee recently set up by the Minister of Public Building and Works, in co-operation with the industry, to investigate problems in this field.

354. The capacity of the industry to meet these likely demands upon it depends upon its being able to obtain adequate supplies of materials, to expand its labour force, and to achieve a satisfactory increase in productivity, in terms of output per man year.

355. In the recent past, the supply of certain building materials, in particular bricks, cement, plaster-board, and copper fittings has not always matched demand. Studies by the Department of Economics, Queen's College, Dundee, of the major construction materials have therefore been commissioned by the Scottish Economic Planning Council. These will enable any likely shortages to be foreseen and action can then be taken to meet them. The Council will consider repeating these studies at appropriate intervals. Maintenance of a steady and planned work load on the industry will facilitate the organisation of supplies of materials and the investment planning of materials producers. It should also help in planning ahead that the size of the programme of public sector construction, which accounts for about three-fifths of all construction work, is now being indicated for 1969/70.

356. Because of the importance of the construction industry in the planning of Scotland's economic development, the Scottish Economic Planning Council also commissioned last year a study by Queen's College, Dundee, of the probable load on the industry up to 1970, and its capacity to meet it. The Ministry of Labour also arranged for the carrying out at Glasgow University of a detailed appraisal of the manpower situation in the industry in Scotland. The results of these two investigations are now being studied.

357. First appraisal of these studies confirms that in order to attain the estimated annual output of £495m. in 1970 (at 1964 prices) it will be necessary to secure substantial increases both in the labour force of the Scottish construction industry and in the productivity of workers in the industry.
358. The Scottish construction industry increased its overall manpower at an average rate of 1.8 per cent per annum (compound) in the period 1960 to 1964. The best estimates that can be made suggest that over the period 1964 to 1970, a growth of about 1.6 per cent per annum compound in Scottish construction manpower can reasonably be expected. This includes an increase of about 1.4 per cent in the operative labour force and an increase of about the same magnitude in the number of craftsmen. The increase in the number of craftsmen is a vital component, and is expected to be obtained from a number of sources—transfers of skilled workers from other industries, an excess of intake from apprenticeships over retirements and other losses, the output from Government Training Centres, and an increase in craftsmen available from a reduction in total net migration.

359. There is obviously a considerable possible margin of error in these estimates of the increased labour supply likely to be available. Over the last few years the industry appears to have been able to recruit additional labour without much difficulty, principally because of the relative weakness of the general demand for labour and the contraction of several important industries. In the period which lies ahead it may not have these advantages to the same degree and it is difficult to predict how large transfers from other industries may be. The Government will continue to examine as a matter of urgency methods by which the growth in the construction industry labour force, and particularly in the supply of skilled labour, can be fostered. The training of joiners, bricklayers and other construction craftsmen at Government Training Centres has been increasing since the first courses began in September, 1963, and the Government will ensure that the fullest possible scope is given to this programme.

360. The Construction Industry Training Board, which is representative of both employers and employees, will continue to examine ways of improving training in all sections of the industry. In addition, the Scottish Committee of the Central Training Council is considering the intake of apprentices to the construction industry which will be necessary to supply skilled workers for its anticipated growth.

361. In Scotland the period of apprenticeship has been five years, but both sides of the industry have recently agreed to the reduction of this period by one year. When this agreement has been fully implemented, it will result in a once for all increase of about 3,500 in the number of time-served tradesmen, and the fact that full craftsman's wages can be earned at the age of 20 may have a stimulating effect on apprentice recruitment. Other possibilities of improving the apprenticeship system will also be examined.

362. The need for strengthening the professional, technical, managerial, and supervisory resources is widely acknowledged within the industry, and the dangers attendant upon any failure to do so are evident. It will be necessary to consider the ways in which the necessary staffs can be recruited, trained and deployed to the best advantage.

363. But even if the 1.6 per cent per annum increase in Scottish construction manpower is obtained achievement of the higher output needed is bound to depend to a large degree on the achievement of greater productivity. Over the period from 1960 to 1964 the increase in output per man year in the industry in Scotland was about 3.8 per cent per annum compound. Given the expectation
of steady and continued growth, it should be possible for the industry to achieve a further significant increase in productivity.

364. The compound rate of increase in output per man year in Scotland estimated for the period 1964 to 1970 is 4.1 per cent per annum. To achieve this, it will be necessary to devote great attention to the ways in which the efficiency and productivity of the industry can be improved.

365. Increased mechanisation can make a considerable contribution, as can the wider use of programming techniques to improve the use of machinery. Standardisation of materials, and dimensions, is also important; on the site this would increase productivity by reducing the number of different tasks or operations, make it easier to operate bonus and incentive schemes, and help to ease the problem of supervision. More use must be made of measures to combat the effects of bad weather and the loss of daylight in winter. Designers too can contribute by bearing in mind the problems that will arise in converting their designs into construction and striving always to combine a high quality of design with simplicity of construction.

366. While there will be no lack of demand for building by rationalised and modernised traditional methods, it is essential that industrialised and system building techniques be exploited to the full. Such techniques provide an opportunity for using a greater proportion of non-craft labour and make possible the more productive utilisation of labour generally through the use of larger units, greater mechanisation, more efficient methods of erection and assembly and the reduction of time-consuming wet finishing processes. They can, moreover, augment the resources of the site labour force by the much greater use of off-site prefabrication employing sophisticated production techniques and ensuring continuity of production to a consistent quality, regardless of the weather. To make the best use of industrialised building there must be better organisation of demand and arrangements for the placing of large orders. The National Building Agency can help client authorities to pool their demands and give advice on the best systems available to meet a particular client's needs.

367. It has long been recognised that wide advertising for competitive tenders is wasteful of effort. One means of reducing this waste is to adopt selective tendering (i.e., to limit invitations to tender to a realistic number of firms all of whom are capable of executing the work in question to a recognised standard of competence), and it is hoped that more clients of the industry will adopt this method of inviting tenders. More use might also be made in appropriate cases of negotiated contracts, which allow the contractor to be consulted at an early stage in planning the project, and of serial contracting which facilitates the continuous employment of teams of workmen, accustomed to working together, on a series of repetitive or similar operations.

368. Considerable benefit can be obtained from the improvement and standardisation of forms and conditions of contract, and it is hoped that the new conditions for building contracts in Scotland recently introduced by the Scottish Building Contract Committee will be widely adopted. They are based on R.I.B.A. conditions currently in use in England with alterations to conform to Scots law and Scottish building practice.

369. All the investigations which have been made for the Scottish Economic Planning Council show that, in the opinion of the industry, the greatest single factor making for higher productivity would be an assurance of a steadily
increasing demand over a period of years. The projections now made for Scotland and those in the National Plan should help to this end, and it is the Government's intention to carry out further reviews of the probable load on the industry in Scotland against its likely capacity, so that it may have the best possible framework on which to plan ahead.
CHAPTER XVI
INVESTMENT

370. The measures described in earlier chapters of this White Paper will involve continuing capital investment on a massive scale. Much of this will be provided by the Government, local authorities and the nationalised industries, but private investment will also have a large part to play.

Public Investment

371. As the National Plan has pointed out, planning of public investment four or five years ahead must be flexible so that unexpected changes in population, costs, or technological development can be taken into account; in addition the capital investment programmes of some Government departments, and some of the nationalised industries, are drawn up on a Great Britain or United Kingdom basis and cannot with precision be allocated in advance to different parts of the country. Subject to these limitations, the public capital investment programme for Scotland has been examined for the period up to 1969/70, using in some cases information later than that available for the National Plan.

372. Public investment in Scotland is expected to amount in the current year to £363 million, compared to £303 million in 1964/65. Housing, electricity, and roads are the major items. The 1965/66 expenditure is as follows:

<table>
<thead>
<tr>
<th>Estimated Public Investment in Scotland 1965/66*</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing (incl. improvement grants)</td>
<td>96</td>
</tr>
<tr>
<td>Roads</td>
<td>30</td>
</tr>
<tr>
<td>Education (excl. Universities)</td>
<td>24</td>
</tr>
<tr>
<td>Hospitals, Health and Welfare</td>
<td>11</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>40</td>
</tr>
<tr>
<td>of which Water and Sewerage</td>
<td>18-2</td>
</tr>
<tr>
<td>Transport</td>
<td>20</td>
</tr>
<tr>
<td>of which British Railways Board†</td>
<td>9-0</td>
</tr>
<tr>
<td>Ports (incl. B.T.D.B.†)</td>
<td>3-8</td>
</tr>
<tr>
<td>Airports</td>
<td>2-6</td>
</tr>
<tr>
<td>Transport Holding Co.†</td>
<td>2-8</td>
</tr>
<tr>
<td>Other Nationalised Industries</td>
<td>104</td>
</tr>
<tr>
<td>of which National Coal Board</td>
<td>9-3</td>
</tr>
<tr>
<td>Scottish Gas Board</td>
<td>7-9</td>
</tr>
<tr>
<td>S. of S. Electricity Board</td>
<td>53-6</td>
</tr>
<tr>
<td>N. of S. Hydro Electric Board</td>
<td>15-8</td>
</tr>
<tr>
<td>Post Office</td>
<td>17-4</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>39</td>
</tr>
<tr>
<td>Total Public Investment</td>
<td>363</td>
</tr>
</tbody>
</table>

† Estimate for calendar year 1965.

373. In the period covered by this White Paper the Government intends that the modernisation of the Scottish economy shall be pressed forward with all possible speed. To this end, it is planning a public investment programme expected to amount to almost £2,000 million over the five years. The present rate of investment is approximately 11 per cent of the total U.K. public investment, compared with Scotland's 9½ per cent share of U.K. population in 1964; over the five year period total public investment will be about £375 per head of the population, or about £75 per head annually. The biggest single factor in the higher percentage of public investment in Scotland is the higher proportion of housing provided by public authorities.

374. The details of this sustained and substantial public investment effort will be kept under review from year to year to ensure that, within the limits set by the progress of the national economy as a whole, the programmes in each

* This excludes defence and comprises expenditure on fixed assets, less sales, together with grants and net lending to the private sector.
CHAPTER XV
INVESTMENT

350. The importance of public enterprises in the economic development of a country can be measured by the extent to which they provide the leadership which can encourage the private enterprise sector to expand and diversify. In developing countries, the public sector can play a vital role in the initial stages of economic development by providing essential services and infrastructure, and by undertaking large-scale projects that are beyond the capacity of private investors. The public sector can also provide stability and security, and can be a source of employment and income generation.

6.3.4.1. The public sector can also play a role in promoting the development of the private sector by providing incentives and support. This can include the provision of finance, the provision of land and other resources, and the provision of technical assistance.

Appendix Table 1

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (in millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>100</td>
</tr>
<tr>
<td>B</td>
<td>200</td>
</tr>
<tr>
<td>C</td>
<td>150</td>
</tr>
<tr>
<td>D</td>
<td>50</td>
</tr>
</tbody>
</table>

Note: Figures are estimated and subject to change.
sector are adequate to meet the needs of the expanding Scottish economy. As at present planned, the programme envisages the following expenditures (at 1965 prices).

<table>
<thead>
<tr>
<th>Public Investment in Scotland 1965/66 to 1969/70</th>
<th>£ million at 1965 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing (incl. improvement grants)</td>
<td>535</td>
</tr>
<tr>
<td>Roads</td>
<td>180</td>
</tr>
<tr>
<td>Education (excl. Universities)</td>
<td>140</td>
</tr>
<tr>
<td>Hospitals, Health and Welfare</td>
<td>65</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>215</td>
</tr>
<tr>
<td>Transport (incl. Ports and Railways)</td>
<td>115</td>
</tr>
<tr>
<td>Other Nationalised Industries</td>
<td>510</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>190</td>
</tr>
<tr>
<td><strong>Total Public Investment</strong></td>
<td><strong>1,950</strong></td>
</tr>
</tbody>
</table>

375. For housing a steady build-up is envisaged as the programme described in Chapter XI is translated into 50,000 houses a year, the majority of them provided by public authorities. The cost of houses provided by public authorities will rise from £95 million in the current year to £115 million in 1969/70. The roads programme outlined in Chapter XIII (but including also car parks, lighting, and unclassified roads, will involve a progressive increase in the annual rate of expenditure to £42 million in 1969/70. The programme of new building in education involves for schools and colleges expenditure of £34 million in 1969/70, compared with £24 million now, and the investment involved in the programme for the universities is additional to this.

376. Transport investment will reach a peak in the middle of the period, but with the completion of some of the schemes of railway modernisation and airport construction and improvement may be slightly lower in 1969/70. Investment in the nationalised electricity undertakings is expected to be at a rate of over £60 million per annum in 1969/70. Investment in improved and expanded hospitals, health, and welfare services is planned to rise from £11 million this year to £14 million, and investment by the Post Office, mainly in the telecommunications services, is expected to grow steadily throughout the period.

Private Investment

377. As the National Plan has pointed out, private investment is much more difficult to forecast than is public investment. Indeed, it cannot be fully quantified for Scotland. There is every reason, however, to anticipate that with the continuation and strengthening of the Government’s regional policies the very large injection of public investment in Scotland will be complemented by a growing volume of private investment.

378. The National Plan has suggested that in the period 1965 to 1969, investment in manufacturing industry will have to average 25 per cent above the 1964 level. Over the last five years this type of capital expenditure has averaged over £100 million a year in Scotland, including the contribution from Government loans and grants. The Government's intensified regional development policy and continued steering of industrial building away from the congested areas of the country will encourage the continued expansion of private investment in manufacturing industry in Scotland.

379. An increasing rate of private investment will also be required in distribution and other services, for such things as the redevelopment of town centres by
### Historical Notes

**Pre-1906 Investment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Category</th>
<th>Investment (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1903</td>
<td>Housing</td>
<td>474.01</td>
</tr>
<tr>
<td>1904</td>
<td>Roads</td>
<td>694.03</td>
</tr>
<tr>
<td>1905</td>
<td>Education</td>
<td>84.01</td>
</tr>
<tr>
<td>1906</td>
<td>Health and Welfare</td>
<td>154.04</td>
</tr>
<tr>
<td>1907</td>
<td>Power and Water</td>
<td>344.05</td>
</tr>
<tr>
<td>1908</td>
<td>Railways</td>
<td>244.06</td>
</tr>
<tr>
<td>1909</td>
<td>Other Public Improvement</td>
<td>54.07</td>
</tr>
<tr>
<td>1910</td>
<td>Total Public Improvement</td>
<td>2,114.04</td>
</tr>
</tbody>
</table>

### Analysis

In accordance with Section X of the Pre-1906 Investment Act, the state of [State Name] has been directed to establish a committee to review the pre-1906 investment and recommend any necessary adjustments. The committee is tasked with analyzing the impact of the historical investment on modern infrastructure, land use, and economic development. The findings will guide future investment decisions and ensure sustainable growth.

### Current Investment

The current investment strategy aims to allocate resources effectively across various sectors. The budget for 2023 includes a significant portion for education, healthcare, and infrastructure development. This balanced approach is designed to support long-term economic stability and social welfare.

### Future Prospects

Given the historical trends, it is expected that future investment will continue to focus on essential services, with an emphasis on technological advancements and sustainability. The state is also exploring partnerships with private sector entities to maximize the impact of investment and foster innovation.
private developers, and modernisation and expansion of wholesale and retail
distribution, hotels, catering, offices, and road haulage. An indication of the
possible increase (in the building portion only) of investment in manufacturing,
distribution and other services can be obtained from Chapter XV where new
building work for private developers, excluding housing, is forecast to rise by
36 per cent between 1964 and 1970.

380. The Government has said in the recent White Paper on The Scottish
Housing Programme that it intends that more houses should be built for sale.
This, too, will lead to a rising curve of private investment, as will the increase
in productivity called for from agriculture.

381. Although it is not possible to make detailed forecasts of private capital
investment in Scotland, all these factors point to a rising trend in private
investment which will be helped by, and will itself reinforce, the efforts being
made in the public sector.

PRINTER'S NOTE

This completes Chapter XVI and is followed by Appendix A commencing on page 140.

Pagination will be correct in finished copies.
APPENDIX A

THE REGIONAL STUDIES

Introduction

This appendix contains synopses of studies, undertaken by the Scottish Economic Planning Board, of the Borders, the South-West, the North-East and the Highlands and Islands.

The aim of these studies was to identify the main problems of each area and those elements in the economy of each which offer scope for development. The studies were also designed to help define patterns of concentration, which would help to stabilise population structure and create new forces for growth which could be related to the developing pattern of the economy of Scotland and the U.K.

It was therefore not the object of the studies to make an exhaustively detailed appraisal of all aspects of the areas examined, but rather to concentrate on certain trends, especially in demography and employment.

Local authorities were informed of the studies at the outset. Many made valuable submissions. Subsequently consultations and discussions were held with local authorities and other bodies throughout Scotland. Of particular importance was the co-operation received from the Hosiery and Woollen Manufacturers' Associations and, through them, of many individual manufacturers, in the examination of the Border textile industry. Special studies were commissioned of a selection of crofting communities and carried out by Glasgow and Aberdeen Universities.

The conclusions reached in the studies, and the broad strategy for action now proposed by the Government, are set out in Chapters IX and X of this White Paper. To work out the details of this strategy and implement the proposals will call for the close co-operation of local authorities in the areas concerned. There will be the fullest local consultation. It is hoped that the analyses set out in the following pages may serve a useful background all concerned with the work of practical implementation of the policies set out in the White Paper.
APPENDIX A

THE REGIONAL STUDIES

Introduction

The purpose of this chapter is to describe the methodology of the regional economic analysis. The analysis
was carried out by the Regional Studies Association and the Centre for Economic and Urban Development.
The study was commissioned by the Department of the Environment and the Department of the Treasury.

The methodology involved the use of a detailed data set on regional economic activity in the UK. The data
set included information on industrial output, employment, and trading patterns. The study also
considered the potential impact of developments on regional economies and the overall economic
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performance of the UK.
The Borders

PART I

THE STUDY AREA

1. The area covered by the study is the economic region of the Tweed basin, with Liddesdale and Eskdale—that is to say, the counties of Berwickshire, Roxburghshire, Selkirkshire and Peeblesshire, with the Langholm district of Dumfriesshire in Scotland; and the northern part of Northumberland lying within the lower Tweed valley. This region lies across four road and two main rail routes from east Central Scotland to the North of England and its centre, the St. Boswells area, is 40 miles from Edinburgh, 60 from Carlisle, 65 from Newcastle and 75 from Glasgow. Altogether it extends for some 60 miles by 40 and comprises in the north-east the arable farming lowland of the Merse and the Berwick-Eyemouth coast; in the middle Tweed zone the woollen and knitwear towns in their dales; and enfolding both of these the sheep farming uplands of Cheviot, Liddesdale, Ettrick, Moorfoot and Lammermuir and the higher forestry land bordering the upper Tweed.

2. The predominantly rural economy of the east, based on agriculture and served by small country towns, and the predominantly urban, industrial economy of the West, characterise two distinct sub-regions. Heavy depopulation—the main theme of the study—is common to both, but in each it has very different implications.

3. The administrative areas are:

<table>
<thead>
<tr>
<th>Area</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peebles County</td>
<td>13,550</td>
</tr>
<tr>
<td>Selkirk County</td>
<td>20,550</td>
</tr>
<tr>
<td>Roxburgh County (excluding Kelso Burgh and District)</td>
<td>34,950</td>
</tr>
<tr>
<td>Langholm Burgh and District in Dumfries County</td>
<td>4,750</td>
</tr>
</tbody>
</table>

Sub-Total, Western Area: 73,800

<table>
<thead>
<tr>
<th>Area</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kelso Burgh and District</td>
<td>8,000</td>
</tr>
<tr>
<td>Berwick County</td>
<td>22,050</td>
</tr>
<tr>
<td>Berwick-upon-Tweed Municipal Borough;</td>
<td></td>
</tr>
<tr>
<td>Norham and Islandshires, and Glendale Rural Districts in Northumberland</td>
<td>22,600</td>
</tr>
</tbody>
</table>

Sub-Total, Eastern Area: 52,650

Total: 126,450

These areas are nearly the same as those of the Ministry of Labour Local Offices of Peebles, Galashiels, Hawick (including Jedburgh Sub-Office) in the west; and Kelso Sub-Office, Eyemouth and Berwick-upon-Tweed in the east. The Galashiels Local Office includes a part of south Midlothian around Stow which is also within the Tweed Basin. Kelso, though in Roxburgh, which as a county belongs to the western complex, is perhaps more properly regarded with its Sub-Office area as part of the agricultural economy of the Merse.

4. About 100,000, or nearly four fifths, of the population inhabit the broad continuously settled valley of the lower and middle Tweed. Only the remaining 26,000 are dispersed in the less accessible upper dales and outlying towns. More than half the total population is in fact urban, (78 per cent in the Western Area, 42 per cent in the
Eastern), but it is distributed in 14 separate burghs (72,000 or 56 per cent) and 7 large villages (7,500 or 6 per cent). Even the largest towns of Hawick (16,200), Galashiels (12,300) and Berwick-upon-Tweed (12,100) are district rather than regional centres and the lack of any one major urban focus, comparable to Dumfries, Perth or Inverness, gives a local separateness and rivalry to Border towns which now constitutes one of the region’s serious handicaps. The group of towns and villages in the middle zone within about 15 miles of Galashiels has an aggregate population of 73,000, a point which assumes some importance later.

5. Roads, both within the area and linking it to Edinburgh and the south, are relatively numerous. There are no less than four through-routes in the Borders: A7 to Carlisle, A68, A697 and A1 to Newcastle. Given the necessity of concentrating a great deal of investment on M6 A74, the main traffic route between England and Scotland, which bypasses the Borders to the west, none of these four has been able to claim sufficiently heavy use to justify major improvement. Again, the internal distribution routes (in part certain lengths of the through routes) are insufficiently trafficked to justify the expensive improvement of numerous stretches of bad alignment which would enhance the value of relatively short inter-urban distances for both public and private transport.

6. Two main railway lines pass through the area, the east coast route from Edinburgh to Newcastle and London, via Berwick-upon-Tweed; and the ‘Waverley’ route from Edinburgh to Carlisle, the Midlands and London via Galashiels, St. Boswells and Hawick. In the Eastern Area the value of local railway services to a sparse and highly mobile agricultural population has declined and there is now only one main passenger station, at Berwick itself. The St. Boswells-Berwick-upon-Tweed line has been closed to all traffic on condition that the track is left meantime. In the Western Area the short freight spurs to Jedburgh and Selkirk have recently been closed. The ‘Waverley’ route, a costly line to operate, was scheduled for closure in British Rail’s ‘Reshaping’ report. This trunk line is of local importance for both passenger and industrial use and carries considerable through freight traffic. It also offers a sleeper service to London for the principal Border towns.

7. Changes in educational provision reflect the character of the area in a similar way. Thirty-two rural primary schools have been closed in recent years which has meant longer journeys to school for the scattered population. Secondary education can only be provided at the main towns, and the only full-time further education establishment in the Borders (including North Northumberland) is the Scottish Woollen Technical College at Galashiels. Any wider range of training can only be obtained by travelling out of the area—or leaving it.

8. Though most of the Borders are in a sense isolated, by hills and winter weather, they are not really remote. Much of the area is only an hour’s run by train or car from Edinburgh and little more from Tyneside. Agriculture prospers and there is negligible man-made dereliction in the well-kept countryside. The towns are well-kept and seemly, presenting little of the decay and obsolescence one finds in some North of England textile towns or in Central Scotland. Environmentally it is one of the most attractive parts of Britain but its appearance conceals a situation of unbalance and decline.

9. Depopulation has caused concern in the Borders for many years and is a symptom of most of the region’s problems. Much of rural Scotland, and indeed many rural parts of the western world generally, exhibit depopulation. It is on the one hand a product of increasing efficiency and falling manpower requirements in primary industries—particularly agriculture; and of increasing urbanisation and industrialisa-
PART II

POPULATION

A. The provision of educational programs for the training of teachers and students is an important aspect of the development of a nation. In order to ensure the effectiveness of educational programs, it is crucial to focus on the following key areas:

1. Curriculum Development:
   - Design of innovative curricula that integrate modern technologies and practices
   - Continuous evaluation and revision of curricula to keep up with changing needs

2. Teacher Training:
   - Development of comprehensive training programs for both pre-service and in-service teachers
   - Provision of ongoing professional development opportunities

3. Student Support:
   - Establishment of effective support systems for students with special needs
   - Provision of resources and facilities to enhance learning experiences

B. The implementation of effective policies and strategies is essential for improving the quality of education. Key areas to focus on include:

1. Access to Education:
   - Expansion of educational opportunities for underprivileged and marginalized communities
   - Promotion of inclusive education practices

2. Teacher Recruitment and Retention:
   - Attracting qualified and committed teachers to various regions
   - Creating a conducive environment for teachers to work and develop professionally

3. Funding and Resources:
   - Allocation of adequate funds for educational institutions and programs
   - Collaboration with stakeholders to secure additional resources and funding

C. The role of the government and other stakeholders in ensuring the quality of education includes:

1. Policy Making:
   - Development of policies that support inclusive education and educational innovation
   - Ensuring that policies are aligned with national goals and standards

2. Monitoring and Evaluation:
   - Establishment of comprehensive systems for monitoring educational outcomes
   - Regular evaluation of educational programs to identify areas for improvement

3. Community Engagement:
   - Involvement of parents, students, and the community in the educational process
   - Foster a culture of continuous learning and engagement in the community

D. The importance of international collaboration in the field of education cannot be overstated. Cooperation between countries can lead to the sharing of best practices, resources, and expertise, which can significantly enhance the quality of education worldwide.
tion on the other. As the volume and variety of employment grows in the main centres of population, so the range and number of jobs in the countryside and smaller country towns declines; and with improved communications country dwellers themselves look increasingly to the larger centres, which alone can supply the ever-widening range of cultural, entertainment and service requirements of modern life.

10. The special characteristic of depopulation in the Borders is that besides thinning out population in the countryside and villages it has also, to an extent unparalleled elsewhere in the U.K., eroded the demographic stability of the main towns as well.

Recent Changes

11. The population of the four Scottish Border counties has been decreasing slowly since 1891—in Berwick County since 1861—but the inter-Censal rate of decrease between 1951 and 1961 was the highest recorded since 1891–1901 and the highest ever in Berwick and Peebles Counties. In Northern Northumberland, which has suffered similar decline in population for some considerable time, the decrease was as much as 16 per cent during the decade—higher than any other part of rural North-East England—and the rate has been accelerating.

12. The decrease was as great among females as among males—indeed in Roxburgh, Peebles and Selkirk Counties the 1951–61 rates were slightly higher for females than for males. The population of all the towns in the region as a whole decreased as well as that of the countryside, though at a slower rate; and indeed the only part to show any inter-Censal increase was Melrose County District which contains the agricultural servicing, administrative and housing centre of St. Boswells. Another, if uncertain, exception has been Jedburgh. Its population increased greatly after the arrival of the North British Rayon Company in 1929, decreased after its failure in 1956, but has remained about level since an engineering firm came to the town in 1959.

13. This 1951–61 rate of decrease in the Borders was considerably greater than the corresponding decline in the Highlands—commonly regarded as a heavy loser in this respect. The following table compares the make-up of the 1951–61 change with that of the seven Highland Counties and with the Scottish average:

<table>
<thead>
<tr>
<th></th>
<th>1961 Census Enumerated Population</th>
<th>1951–61</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1961 Census Enumerated Population</td>
<td>1951–61</td>
</tr>
<tr>
<td></td>
<td>1951–61 Net change No. %</td>
<td>Natural Increase No. %</td>
</tr>
<tr>
<td>Borders Region</td>
<td>128,618</td>
<td>-8595 -6.3</td>
</tr>
<tr>
<td>Western Area</td>
<td>74,983</td>
<td>-3780 -4.8</td>
</tr>
<tr>
<td>Eastern Area</td>
<td>53,635</td>
<td>-4815 -8.2</td>
</tr>
<tr>
<td>7 Highland Counties</td>
<td>277,716</td>
<td>-8070 -2.8</td>
</tr>
<tr>
<td>Scotland</td>
<td>5,178,490</td>
<td>+82075 +1.6</td>
</tr>
</tbody>
</table>

14. The table shows that a distinctive feature of depopulation in the Borders is the low natural increase, especially in the Western Area. This has two aspects. The prolonged migration of younger people has lowered the proportion of married women in the population and raised that of old people, so lowering birth rates and keeping death rates relatively high. This is a feature common to most of rural Scotland. But in addition, the fertility of marriage is peculiarly low in the Western Borders, unlike the Highlands. The causes of this are not fully understood, although they may be related to the high proportion of women, including married women, who are at work in the textile factories and their relatively high standard of living.

15. The implications of these trends are serious for the future. The number of married women of child-bearing age (16–44) fell from 11,133 in the four Scottish Border counties in 1891 to 10,140 in 1901, rose to 12,834 in 1951 and fell to 11,645 in 1961. In 1961 the women in this group represented 11.5 per cent of the population in
these counties, a figure lower than the corresponding percentage of 12.7 for Scotland as a whole. The decline in fertility already mentioned also began about 1890, and after various fluctuations was 86 per cent of the Scottish rate in 1960-62. This means that in 1960-62 the annual average number of births would have been about 1,750 if the fertility rate in these counties had corresponded to that for Scotland as a whole. (The fertility rates for the Border counties and for Scotland in 1961 were respectively 126.1 and 147.5 legitimate births per thousand married women aged 16-44.) The annual average number of births in 1960-62, however, was only 1,537. On current migration trends, births on this scale will be insufficient over the long-term to sustain the population of the Border counties at its present level. The effect of size of family, and age on marriage, on fertility will be examined when the results of the 1961 census are published. It is clear, however, that these long-standing trends discernible in the local population and unfavourable to its maintenance are very relevant to any search for effective remedies.

16. The net outward migration rate in 1951-61 was also higher than the Highland and Scottish averages, and in the Eastern Area it was twice as high. Estimates for 1955-63 for the Counties of Berwick, Roxburgh and Selkirk (derived mainly from the National Health Service Register) suggested that about a quarter of the net loss was to Central Scotland (mainly to Edinburgh) and three-quarters outwith Scotland altogether, divided equally between England and overseas. There were large gross movements, especially to and from nearby parts of Central Scotland, amounting to 3,100 out and 2,600 in per year (excluding overseas). The limited evidence available from Census and Ministry of Labour sources suggests that the outward movement contains a high proportion of younger people and the inward movement an appreciable proportion of elderly and retired people.* The size and character of the gross outward migration is therefore more significant than the relatively small net figure alone. It is quite probable that many who leave the Borders for Central Scotland, especially for further education and training, subsequently form part of the large outward migration from that region, and are so lost to Scotland.

17. A wide variety of local sources confirm the view that this heavy outward migration is caused by the reduced demand for labour in agriculture and other primary industries through continuing mechanisation and improved efficiency; and the restricted number and range of other jobs available in the region, especially for men and those in professional, technical and clerical careers.

**Age and Sex Composition**

18. In 1961 the proportions of children, working age and elderly population in different parts of the Borders were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Western Area</th>
<th>Eastern Area</th>
<th>Jedburgh</th>
<th>Berwick</th>
<th>Other Towns</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 15, %</td>
<td>22.6</td>
<td>23.5</td>
<td>24.9</td>
<td>24.5</td>
<td>21.5</td>
<td>25.8</td>
</tr>
<tr>
<td>15-64, %</td>
<td>62.6</td>
<td>62.6</td>
<td>62.5</td>
<td>62.2</td>
<td>62.5</td>
<td>63.7</td>
</tr>
<tr>
<td>65 and over, %</td>
<td>14.8</td>
<td>13.9</td>
<td>12.6</td>
<td>13.3</td>
<td>16.0</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Of the towns in the Western Area, Jedburgh is the one whose age structure most closely approximates to the Scottish pattern. This is attributable to the immigration, already

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*An analysis of what happened to different age classes of the population in the 4 Tweed Counties between the 1951 and 1961 Censuses shows that after making an allowance for deaths, the net effect of migration ranged from a loss of 25 per cent in the school leaver class (those aged 10-14 in 1951 and 20-24 in 1961) to a gain of possibly 5 or 10 per cent in the retirement class (those aged 55-59 in 1951 and 65-69 in 1961). Ministry of Labour report that the 663 work people known to have transferred to other offices from Galashiels/Peebles Exchange since 1948 were nearly all under 45.
The table below shows the percentage of participants in each category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>38.5%</td>
</tr>
<tr>
<td>B</td>
<td>25.4%</td>
</tr>
<tr>
<td>C</td>
<td>12.3%</td>
</tr>
<tr>
<td>D</td>
<td>11.2%</td>
</tr>
<tr>
<td>E</td>
<td>5.7%</td>
</tr>
<tr>
<td>F</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Total: 100%
mentioned, of young workers to the North British Rayon Company in the 1930s. Berwick-upon-Tweed in the Eastern Area appears at first to be in a similar category with a relatively high rate of natural increase as well as migration loss. But this is to some extent explained by the fact that a number of what are really Berwickshire births are registered in the town. Allowance for this also corrects the impression that Berwickshire shares fully the Western Borders' low fertility rate.

19. More unusual is the appreciable imbalance of the sexes in the Western Area and in all the towns, with again the notable exception of Jedburgh:

<table>
<thead>
<tr>
<th></th>
<th>Western Area</th>
<th>Eastern Area</th>
<th>Jedburgh</th>
<th>Other Towns</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Females per 100 males, 1961</td>
<td>113.7</td>
<td>108.8</td>
<td>105.7</td>
<td>118.5</td>
<td>108.5</td>
</tr>
</tbody>
</table>

**PART III**

**INDUSTRY AND EMPLOYMENT**

20. The character of industry and employment in the Borders is closely consistent with this picture of a declining and imbalanced population. It is dominated by two industries, agriculture and textiles. The first no longer generates the employment and support services in the area that it once did, and textiles, just because they are virtually alone in manufacturing industry, do not afford sufficient variety of opportunity to hold the young.

21. The scale of their dominance may be seen from the fact that the first, with fishing and forestry employs about one-fifth, and the second about one-third of the total employees. The comparable figures for Scotland as a whole are 4.4 per cent and 4.8 per cent. The textile industry provides over four-fifths of the employment in manufacturing industries compared with one-seventh in Scotland: the woollen cloth section, centred in Galashiels, employs slightly more men than women while the knitwear branch, centred in Hawick, has more than 60 per cent females. In the area as a whole females make up about 40 per cent of the insured population; Hawick local office area has the highest proportion, and Jedburgh/Kelso the lowest.

22. Manufactures other than textiles and many of the service industries are under-represented in the Borders in relation to its population—a further reason in itself for social dissatisfaction, especially among the young. Opportunities are thus extremely restricted especially for senior school leavers—at a time when young people are far less ready than before merely to follow traditional local employment.

23. Unemployment is slight—the level is the lowest of any district in Scotland since the war, and there is a correspondingly acute shortage of labour. The annual average percentage of wholly unemployed did not rise above 1 per cent until the textile recession of 1958; even then it was only 1.4 per cent. Male unemployment has been higher than female but over no year has it been greater than 1.5 per cent in 1958 and 1959. Female unemployment has exceeded 1 per cent by a small margin only during years of textile recession. Unemployment is higher in Jedburgh, Kelso, Eyemouth and Berwick-upon-Tweed Local Office areas than in the others. In the twelve months to February, 1965 the corresponding figures were 1.3 per cent and 2.1 per cent. While total employment decreased marginally between 1960 and 1964, female employment was stable while there was decline in the predominantly male employing industries of agriculture, forestry and fishing, mining, chemicals, construction and transport and communications. But even with the closure of North British Rayon in Jedburgh, the percentage
there since the war has never exceeded 2.2 per cent. The indications are that Borderers, if threatened with long-term unemployment, tend to leave the area—which, as we have seen, often means going South or overseas.

24. The accompanying labour shortage in the Western Area has inhibited the expansion of the hosiery industry and imposed great handicaps on the woollen industry. With the contraction of employment in agriculture, and the ageing and unbalanced population structure, this produces in the Borders a situation which is perhaps unique in the U.K. Superficially all is well. The countryside is prosperous with its large and well-kept farms; in the towns, the unemployment level resembles that of the English Midlands. Yet this apparent prosperity and lack of the more obvious signs of industrial and social malaise conceal a condition of growing precariousness. This is suggested more fully by the following examination of employment.

MINOR SOURCES OF EMPLOYMENT

25. Five sources of employment may be noted in this category.

Manufacturing Industry other than Textiles

26. Outside the textile industries, which are discussed separately, manufacturing industry is on a small scale. There were at mid-1963 forty-six establishments in the four Scottish Border Counties employing more than 11 persons. At mid-1963 they employed nearly 2,200 persons compared with over 1,800 in forty establishments at mid-1958.

27. The most important and interesting newcomer between 1958 and 1963 was an engineering firm, a subsidiary of an American parent company, which set up in Jedburgh in 1959 following notable efforts by the town to attract new employment after the closure of North British Rayon Company in 1956. In 1960 they started production of precision tools with a labour force of some 40 people. By 1965 they were employing 280, over two-thirds male, and are now the largest Border manufacturing concern outside textiles. The relatively balanced age, sex and population structure of Jedburgh has been mentioned, and it was precisely the predictable—and in the Borders unusual—reserve of labour (and housing) in the town which made the venture possible. Valuable as some of the other larger undertakings (none employing over 200) are to their localities, their contribution to the general widening of employment opportunity in the Borders as a whole is limited.

Forestry

28. Forestry is one of the few growth industries in rural Scotland. It is of particular value in the Borders as a source of male employment, and is under-represented whether measured by acreage, output or employment. However, although the new pulp mill at Workington will probably in due course afford fringe benefits to Border forestry, the impact of the industry on the Border economy as a whole is likely to be only marginal. This is primarily due to the dominant position of a highly productive livestock industry using the same kind of land as forestry. Thus, while figures provided by the Forestry Commission show a welcome forecast of increased employment, the total by 1980 will reach only 300 (employment offered by private forests is approximately the same) compared with 1,500 in the three south-west Counties of Scotland. It will be concentrated in areas south of Hawick and in Peeblesshire. As it is the current tendency for an increasing number of those employed in forestry to live in the larger villages and even towns, the contribution of forestry will incline to be a minor benefit to the economy as a whole rather than a stabilising influence in the countryside. Although the southern boundary of Roxburgh lies close to the Northumberland forest of Kielder, the largest state forest in Britain, it is expected that its output will be used almost entirely in Northern England.
MINOR SCHOOLS OR EMPLOYMENT

To the Minister of Education of the Colony of British Guiana,

I have the honour to submit a letter of introduction to Major General Sir Williamstone, G.C.M.G., K.C.I.E., Governor of British Guiana, and as a result of the provisions of the 20th section of the Treaty of 1889, I have been directed to communicate to the Minister of Education of the Colony of British Guiana, the plans of the Government of the United Kingdom for the establishment of a minor school or employment institution within the Colony.

I have been informed that the Government of the United Kingdom has decided to found a minor school or employment institution within the Colony, and as a result of the provisions of the 20th section of the Treaty of 1889, I have been directed to communicate to the Minister of Education of the Colony of British Guiana, the plans of the Government of the United Kingdom for the establishment of a minor school or employment institution within the Colony.

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Fishing

29. The fishing industry is of considerable economic importance to Eyemouth and the smaller ports of Burnmouth and St. Abbs. In the last four years the total value of landings of white fish has been about £300,000 and of shell fish £63,000 to £87,000. Most of the fish landed is sold at first hand on Eyemouth market or sent to Newhaven, but small quantities are also sent south. Work on a major harbour improvement scheme at Eyemouth was started in 1963 and is now completed. It is just possible that a modest amount of additional traffic will in future be attracted to the harbour, and that this could stimulate certain fringe investment and employment in the burgh. At Berwick-upon-Tweed the salmon fishing industry employs about 140 men during the season from February to September each year in addition to those engaged in the cold storage and distribution of the product. New premises, including a warehouse and ice store house at Spittal have recently been built.

30. It is hoped that the improvements at Eyemouth will help maintain the fishing fleet, for in the period 1960-64 there has been a steady decline in the number of fishermen in the district from 250 to 195—the renewal of a pre-war trend and one which has also developed in the Scottish industry as a whole. It is argued that young men are not being attracted to the industry because of the long hours and arduous work, while scarcity of fish in the last few years has undoubtedly depressed the local industry's fortunes. So far as the inshore fleet is concerned there is now some prospect of an improvement in fish stocks, and in earnings, which may stimulate recruitment. In the longer term it would appear that if production in this industry is maintained it will be by still more efficient operating and catching methods and with a rather smaller labour force. In other words the fishing industry cannot be looked to as a widening source of employment. Like agriculture, the way to improvement probably lies through shedding labour.

Tourism

31. The Borders are less spectacular than the Highlands but contain much splendid and varied scenery. Angling is the main and abundant recreational attraction, and there is wide scope for walking, pony-trekking, water ski-ing, and relatively traffic-free motoring. The abbeys, historic houses, Roman remains and colourful literary associations have a complementary appeal.

32. Employment in catering and hotels in the Borders in 1963 amounted to about 3 per cent of the insured population. Peebles exchange area, which includes the 300-bed Hydro, has double this. The total number of employees in catering/hotels was over 1,400, more than two-thirds of whom were females. Although hoteliers in the area seem so far to have adapted themselves to the general shortage of labour, it might easily be an obstacle to expansion. The figures of persons accommodated remain steady at about 3 per cent of the Scottish totals over the whole period. The share in the national total of accommodation available has fallen marginally from 3-5 per cent to 3-2 per cent. The number of Youth Hostel bed nights has remained static since 1954.

33. As this suggests tourism is not a major industry in the Borders. Most visitors to Scotland are heading for Edinburgh and the Highlands, treating the area merely as a prelude. If they stop at all they tend to do so in passing only or on day trips from Edinburgh. As the charms of the Borders are reticent and not fully yielded on so cursory a view, this naturally limits the income that can be derived from such traffic, and as communications with the south are improved the position is unlikely to change.

34. The most significant potential of the Borders probably lies in its convenience as a day or weekend resort for those living relatively close. As car ownership increases the distance people are prepared to go for a day or even half-day is widening and the capacity of the Borders to offer the services to meet this new kind of demand could be considerable.
Service Industry

35. Service Industry, including construction, is one of the fastest growing sections of the British economy. In the Borders it is not only under-represented in virtually all categories compared with the Scottish average, but is also growing more slowly. From 1959 to 1963, the percentage of insured employees in services remained around 45 per cent compared with an increase from 56 per cent to 58 per cent in Scotland as a whole. This is, of course, a symptom of the generally declining population and in one sense may give no cause for surprise. But it nonetheless exacerbates the situation and precipitates further decline. The reduction in railway employment, for example, is to be expected, but the shortfall in a variety of sectors both limits employment opportunities and by the lack of the services themselves makes the environment less attractive. With the possible exception of Berwick-upon-Tweed and Galashiels the Border towns reveal rather limited shopping, eating and entertainment facilities for places of their size. The success of the recently opened Kelso skating and curling rink is an example of contemporary enterprise made conspicuous by its rarity. Yet modern amenities like these are increasingly demanded, especially by the young, and their limited provision is undoubtedly a significant disincentive to remaining in the Borders. Prices tend to be high compared to the cities, and as car ownership increases, more people tend to shop in Edinburgh or Newcastle.

AGRICULTURE

36. Agriculture is one of the two dominant industries in the Borders with about 4,700 regular male employees on nearly 1,500 full-time farms in 1964. In the Western Area, where the agricultural economy is based on livestock, particularly sheep, and feed crops, the industry is subsidiary to the urban manufacture of textiles. But in the east, where cash cropping of cereals is of considerable importance in the rich Merse, agriculture is unchallenged.

37. Throughout the industry there has been a trend towards greater mechanisation. In the Eastern Area with its established and increasing emphasis on cereal growing it has been almost complete. With this has gone a substantial reduction in the labour force—a fall of 23 per cent between 1953 and 1963, which is the same as for Scotland as a whole. There has, however, been only a small reduction in the number of farmers. This decline in employment has not had any noticeable adverse effect on production, except perhaps in the more outlying areas, and the output of crops and livestock as a whole has increased. The decrease in employment is largely due to falling demand for labour through mechanisation and increased efficiency, though there may be some pockets among outlying hill and marginal farms where there is a shortage.

38. The rate of decline in the labour force in recent years has been greatest for regular male workers over 65, for part-time, casual and seasonal workers and for women. Changes in population structure suggest that it may also have been heavy for male workers aged 20-44. The present ratio (11 per cent) of youths under 20 to all regular male workers is lower than in Scotland as a whole (15 per cent). In the past the ratio of youths in the Borders has traditionally been lower than in other parts of Scotland—a difference probably due to the relative unimportance of dairying and small family farms. The present intake is probably still sufficient to meet the reduced labour requirements of the future provided there is little or no wastage, which had also traditionally been less in the Borders than elsewhere.

39. There is still probably considerable scope for reducing labour and increasing output and efficiency on the cropping farms in the Eastern Area through further mechanisation and the adoption of improved management practices. On the hill and upland farms, where livestock are the main enterprise, the scope may be less, but economic pressure on farm incomes is likely to be greater and the need for economies in labour will be no less urgent.
40. As Border farms are large there may well be relatively little amalgamation of units except, perhaps, in the hills and uplands where economic pressures are likely to be greatest. There is no shortage of farmers’ sons wanting to get a farm of their own. The difficulty for them is to find the capital required, as a consequence of the fierce competition and high prices. Thus, most of the fall in agricultural employment is likely to be in farm employees and this could amount to 20 to 25 per cent (or 1,100 to 1,400 workers) in the next ten years. With some reduction in the number of smaller farms and farmers, the total fall in agricultural employment could be of the order of 1,200 to 1,500.

41. A reduction on this scale is likely to be necessary if farmers in the Borders—as elsewhere—are to maintain their incomes in the face of greater rises in costs than in farm product prices. In other words, a smaller labour force will be a corollary of a more efficient agriculture.

42. The indirect employment provided by Scottish farming as a whole in ancillary and service industries is estimated to amount to about 70 per cent of the number of farmers and workers directly employed in agriculture. Border farming, with the element of self-sufficiency given by its concentration on sheep and beef cattle, probably gives rise to less ancillary business than other areas. Despite some important auction marts such as those at St. Boswells and Kelso, the relative unimportance of dairy cows, pigs and poultry means that there is less dependence on the use of purchased feeding stuffs, and much service and ancillary industry is situated outside the area altogether. There are a couple of firms making agricultural implements but on a small scale and the national manufacturers have most of the market through local agents. Only the large firms can afford the advertising and technical advisory work customary at present and it is unlikely that the future will bring much development in these trades in the Borders.

43. This picture of a progressive and reasonably stable industry is of course dependent on world trade in wool and meat, and on Government policy, for in common with farming in the U.K. generally farm incomes have been heavily dependent on Exchequer support both from direct payments and guaranteed prices. By and large, the present structure of Border farming seems likely to provide adequate livelihoods for the decreasing number able to remain in it. The size of units and their management means it is relatively well placed compared to other areas to adapt itself to changes that may be necessary. The development of broiler production and such crops as peas for processing in the Merse might come about if there were greater economic pressures than exist at present, and there may well be some intensification of cattle and sheep production on the better grassland. This could be the basis for more local slaughtering and processing enterprises.

44. The industry therefore offers the possibility of diversifying to some extent to meet the introduction of local industries processing its products. But it will in itself hold insufficient people on the land to sustain the balanced rural economy of the past. Indeed increasing mechanisation and the increasingly specialised techniques of modern farming are likely, by changing the character and quality of the labour force, themselves to lead to higher wages—yet another pressure for reduction in numbers.

45. Paradoxically, though its own greatly reduced demands for labour are contributing to the situation of labour shortage in the Borders generally, the agricultural economy is not itself likely to be affected by it. In the first place, as we have seen, advance lies in further labour shedding; and there is likely to be no shortage of farmers themselves. Secondly, as the reservoir of local rural population disappears, and as the farm worker becomes more of a technician, labour is likely to be drawn to the land from a much wider catchment than before, even from the cities.

46. But even if the agricultural economy is not threatened itself by depopulation, social and economic problems of a more general kind are created for the maintenance of tolerable standards of life for those who remain in the country. The expense and
the spread of this idea within the scientific community. The suggestion was eventually taken up by several research groups, who began to explore the potential applications of these findings. This led to a series of groundbreaking experiments that confirmed the viability of the concept.

Further research in this area has continued to yield significant results. Scientists have been able to refine the techniques used in these experiments, leading to even more promising outcomes. The potential applications of this research are vast, ranging from medicine to environmental conservation. As more researchers delve into the subject, the possibilities continue to expand, making it a truly exciting field of study.

In conclusion, the idea of using quantum entanglement to manipulate the properties of matter has proven to be both novel and powerful. The initial experiments have laid the groundwork for further exploration, and future research is likely to yield even more surprising results. As the field continues to evolve, it is clear that quantum entanglement has the potential to revolutionize many areas of science and technology.
difficulty of keeping up adequate services, especially education, has been mentioned. So has the lag in service employment. The rural population has become extremely mobile certainly; most farmers have a car, many two, and those farm workers who do not have one as well often have a motor cycle or scooter. The disadvantages of isolation are thus greatly reduced. But by the same token the range of personal movement is greatly increased; and coupled with the drop in population this is undermining the importance of the villages and small towns which once served a more populous countryside.

47. In the Western Area the existence of substantial towns meets the needs of the rural hinterland. In the Eastern Area only Berwick-upon-Tweed supplies such a focus and it is questionable whether it can continue to do so indefinitely.

TEXTILES

48. The textile industries, employing about a third of the total insured population of the Borders, are concentrated almost wholly in the towns of the Western Area. They have been examined for the purposes of the study with the co-operation of the Hawick Hosiery Manufacturers' Association and the Scottish Woollen Manufacturers' Association, and of a number of individual firms. Questionnaires were drawn up covering a wide range of activities and circulated to a representative cross-section of the two sectors of the industry. The answers form the basis of the following account.

49. The textile industries, including silk weaving and textile finishing as well as woollens and hosiery, were able to increase their labour forces by nearly 1,000, or about 7 per cent between 1951 and 1963. But the trends in the woollen and hosiery sides were very different. The labour force in the woollen industry fell by about 1,000, or more than 10 per cent, while that in hosiery increased by over 1,700, or about 40 per cent. A peak was reached in the woollen industry in 1957 and in hosiery in 1961.

50. Continuing depopulation and the growth of the hosiery side of the industry have combined to produce a situation of acute labour shortage. Competition for both male and female labour between the industries and between individual firms has become severe. Wastage is very high, particularly in the younger age groups, and the woollen industry has had difficulty in recruiting and retaining a sufficient number of young recruits to replace its normal rate. Both industries rely on and indeed could not continue to operate without a very high proportion of part-time labour, particularly older married women; both industries have been forced to bring in a substantial number of female workers daily from outside the Borders; and both industries have been forced to set up branch factories, in other parts of Scotland, Northern England and in Northern Ireland. Attempts have been made by some enterprising firms to encourage the recruitment of workers from Glasgow, with the promise of overspill houses to assist them—with modest success. All these measures have still left the industries short of labour. They are forced to use and train inexperienced labour only to lose it again after a short period, and to rely heavily on part-time married female labour and also male and female labour over the age of normal retirement.

51. The two sides of the industry are now examined separately in rather more detail.

The Woollen Industry

52. The Border woollen industry employs over 6,000 people—about 40 per cent of manufacturing industry in the Borders. It forms about half the woollen industry in Scotland and the trend in employment has been reasonably stable over the last few years. For ten years or so it has formed some 3½ per cent of the woollen industry in the U.K. About half total production is exported, but output has shown little growth in the past decade.
53. The traditional product is woollen and some worsted cloth. The woollen cloth, popularly known as 'tweed' after a happy accident by which the name of the river became attached to the material, is recognised as among the finest of its kind in the world. The industry has in the past depended on quality, specialising in short exclusive runs, and having a flexible and highly developed design policy sensitively adapted to different markets and changing tastes. Demand is high, but the industry is now presented with particularly difficult choices. There are those who argue that the market for high quality products will diminish and that the industry should increasingly move towards the greater production of cloth more suited to the mass markets. However, bulk production requires modern machinery and three shift working. There are few individual Border firms which can afford modern high speed machinery and in any event there is insufficient labour available to provide three-shift working in all the mills. This leads to the further argument that the solution lies in rationalisation with fewer units but which could afford to re-equip on a large scale and for which there would be adequate labour. Against the protagonists of this school are those who contend that the Border industry has been built up on quality and exclusiveness, that it would be folly to try and compete with the mass producers elsewhere, notably in Yorkshire, and that it would be preferable to concentrate on the type of business with which they are familiar.

54. It seems likely that the industry could benefit by an element of mass production provided that at the same time sufficient units also preserved its reputation for exclusiveness and quality. The trend to mass production is already apparent. This has been assisted by a grouping of some firms with a view to concentration of resources and by the acquisition of others by outside interests able to provide adequate resources to facilitate modernisation. These processes will no doubt continue.

55. Such problems of policy and management are serious but labour shortage is the most intractable difficulty facing the industry. It shows itself in many ways. The expansion of many firms is prevented by lack of weavers; some have spare capacity and even idle looms. So reduced is the intake of school leavers, and so heavy the loss of younger workers by migration that retired postmen and railwaymen in their sixties and seventies are being recruited and trained. Many firms also spend considerable sums of money importing workers daily from as far away as Dalkeith, a source which is likely to diminish as the employment prospects in that area steadily improve. If the prospect of working in the wool textile industry has become relatively less attractive to the local young, the industry has also made an insufficient attempt to attract labour from other parts of Scotland in conjunction with houses provided by the local authorities, and particularly from Glasgow with the local inducement of overspill houses. But the labour shortage generally in the Borders is part of the total decline and imbalance of the population in the area explained in Part II.

56. Yet there are ready markets for Border tweed and a real potentiality for growth in a balanced industry if the labour existed, as the record of some firms can show.

The Hosiery Industry

57. Hosiery employs about 6,000 people in the Borders—more than a third of manufacturing industry. The trend has been slightly upward in the past few years. Its share of the U.K. industry was 3½ per cent 10 years ago and increased to 4½ per cent by 1958, but has been stable since. Almost 50 per cent of the product is exported, worth some £5½m. a year. Unlike the woollen industry which makes cloth only, the hosiery industry is both a textile and a garment industry, whose products range from dresses to socks and underwear. It produces medium to high quality garments mainly in wool, and specialises in the use of cashmere.

58. Market conditions have helped hosiery to be distinctly the more expanding half of the textile industry over the last few years. Its terms and conditions have proved more attractive to the younger age groups and as a result it has managed to secure the larger part of school leavers going in to the textile industry in the area.
59. But for all this, hosiery shares many of the same constricting circumstances which affect the woollen industry. Its dominance, particularly in Hawick, limits choice of employment. Then the industry is even more dependent than wool on female labour, and many of the dexterous skills can be learned fully only by the young—which limits the range of recruitment. The shortage of employment for men in turn reduces the pool of female labour too. Signs of this situation are the daily importation of labour over considerable distances by company transport. Firms have also had to set up new branches in other parts of Scotland—and outside the country altogether—where labour is more readily available, despite considerable disadvantages. All these factors have generally inhibited expansion.
South-West Scotland

PART I

THE STUDY AREA

1. The area covered by this study embraces the counties of Wigtownshire, Kirkcudbrightshire and Dumfriesshire with the branch employment office areas of Girvan and Cumnock in Ayrshire. The part of Dumfriesshire within the branch employment office area of Langholm is included in the Borders study. The population in mid-1964 was as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dumfriesshire (excluding Langholm)</td>
<td>83,700</td>
</tr>
<tr>
<td>Galloway (Kirkcudbright and Wigtown)</td>
<td>57,000</td>
</tr>
<tr>
<td>Girvan Area of Ayrshire</td>
<td>11,350</td>
</tr>
<tr>
<td>Cumnock Area of Ayrshire</td>
<td>41,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>193,850</strong></td>
</tr>
</tbody>
</table>

2. Like the Borders, South-West Scotland is to a great extent rural in character with much high ground, but it has a long and varied coastline around which most of the settlements are threaded. Industry is more diversified. There is coal-mining along the northern limits from Sanquhar to Girvan and a considerable variety of manufacturing industry in the Dumfries/Annan area. Nowhere is there found the dominance of a single industry as in the textile towns of the Borders. Agriculturally, the area specialises in dairy-farming and is distinctive for the significant part played by the rural growth industry of forestry.

3. In Dumfries, the area has a real regional centre, something that is lacking in the Borders. Even those portions of the region which do not look to Dumfries—most of Wigtownshire and the Girvan and Cumnock areas—are able to look towards another regional centre, Ayr. This tends to hold within the region more people in service employment than in the Borders, which are also subject to the strong pull of Edinburgh and Newcastle. Also, although the countryside generally is losing population, some small towns are tending to hold it, and even gain occasionally. This is attributable to a number of causes, the most important being the high natural increase, the impact of forestry in the remoter parts, a reasonably diverse industrial economy within the catchment of Dumfries, and the distance of the region from conurbations. All these things make it relatively self-contained.

4. This character is reflected in the pattern of communications. Two trunk road and rail routes skirt the area to the east. Of these the more important as a through route, A74 with the Carlisle/Beattock/Glasgow railway, virtually by-passes the region. The other, A76 with the Carlisle/Kilmarnock/Glasgow railway, climbs Nithdale to link Annan and Dumfries with Cumnock and the Ayrshire plain and is an important regional route. But the main centres, and much of the population, have only extended and even tortuous links with Dumfries and Ayr and with one another. Most of the communities lie on the southern boundary of the region at the mouths of its several river valleys. This produces a straggling system of road communications which it is virtually impossible to shorten. For example, the main road between Dumfries and Stranraer, A75, winds for 79 miles linking the more important communities. A straighter, shorter route, even if practicable, would really only serve Stranraer. And Stranraer's position as the service centre for Wigtownshire, especially since it tends itself to look towards Ayr, could scarcely justify giving early priority to such an investment even when its
South-West Scotland

Part 1

THE STUDY AREA

[Text continues...]

Letter of Agreement

[Text continues...]
relationship to Northern Ireland is taken into account. The only railway services within the region beyond the two trunk routes already mentioned are on the lines from Stranraer via Ayr to Glasgow, and via Ayr and Mauchline to Carlisle and the South, on which freight and passenger (including sleeper) services will be maintained.

5. The very reasons which tend to make land transport circuitous make water transport rather more attractive and coastal shipping uses seven small harbours on the long indented coastline. This is rather more than one would expect to find in use today. Of these Stranraer is the most important with the twice daily ‘roll on roll off’ vehicle ferry to Northern Ireland, developed since 1963. The others are used for small irregular cargoes of such things as cement, timber, grain and fertilisers; Kirkcudbright is also used by Shell-Mex as a supply point for its land distribution depot. The disused wartime port of Caimryan, near Stranraer, is referred to in Part III (3).

6. The provision of public services, especially education, presents problems in so large and, for much of its extent, thinly populated an area. Already in education and hospital services a policy of concentration on the main centres is being undertaken while ensuring that a reasonable standard of provision is within reach of the bulk of the population. The main centres for further education are the Dumfries Technical College, and for the northern and western part of the region, the technical colleges at Ayr and Kilmarnock. More limited courses are available at Castle Douglas and Stranraer.

7. There are a number of locations suitable for a major water-using industry with effluent problems, and one of these, in the Kirkcudbright area, would have the benefit of the tail race from the Tongland Hydro-Electric Station. The mild climate—and particularly the mild winters which permit the valuable early potato crops near Stranraer and Girvan—is also an asset. Near Dalbeattie, along the banks of the River Urr, are extensive clay deposits suitable for the manufacture of high quality facing bricks. Distance from major centres of use has hitherto inhibited exploitation, but long-term growth in the region could give them a new value. Other mineral resources include granite, which is still worked at Creetown (where it is used for making precast concrete) and at Dalbeattie.

8. As later analysis shows, the best prospect for the region lies first in capitalising more fully on the parts which are reasonably healthy in an industrial and demographic sense and lie in the national ‘mainstream’—Cumnock and above all Dumfries. Lacking the natural resources which in the past stimulated population and industrial growth in Central Scotland, Dumfries particularly commands a position, with Carlisle on the other side of the Solway, and possesses physical attractions, which could make it a promising centre for future expansion. Secondly, a reasonably self-supporting economy must be devised for the remoter areas (especially Wigtownshire from which migration is—and will otherwise continue to be—heaviest) which will become an increasing liability if their population structure becomes seriously unbalanced.

PART II

POPULATION

Recent Changes

9. The population of the South-West counties has fallen steadily but slowly from its maximum in 1851 and the total fall since then has been only 11 per cent. This may be compared with 21 per cent since 1891 in the case of the four Border counties. From 1921 to 1931 all three counties decreased and total migration loss and total natural increase were nearly the same as in 1951-61. From 1931 to 1951 all three increased, especially Wigtown and Dumfries, owing to military and industrial developments and much reduced outward migration from Scotland generally. Since 1951 Dumfries has
continued to grow while the Galloway counties have fallen back below their 1931 figures and the South-West group of counties has decreased slightly. The following table sets out the changes in 1951–61.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dumfries</td>
<td>88,440</td>
<td>+2,780</td>
<td>+4,908</td>
<td>−2,128</td>
</tr>
<tr>
<td>Galloway</td>
<td>57,994</td>
<td>−4,351</td>
<td>+3,421</td>
<td>−7,772</td>
</tr>
<tr>
<td>Total, 3 S.W. Counties</td>
<td>146,434</td>
<td>−1,571</td>
<td>+8,239</td>
<td>−9,900</td>
</tr>
<tr>
<td>Total, S.W. Region*</td>
<td>194,976</td>
<td>+4,500</td>
<td>+13,300</td>
<td>−8,800</td>
</tr>
<tr>
<td>Borders Region</td>
<td>128,618</td>
<td>−8,595</td>
<td>+1,329</td>
<td>−9,924</td>
</tr>
<tr>
<td>Scotland</td>
<td></td>
<td>+6,3</td>
<td>+6,5</td>
<td>+7,2</td>
</tr>
</tbody>
</table>

* Including Cumnock and Girvan and excluding Langholm areas, for which natural increase is estimated only.

10. The fact that the South-West taken as a whole was fairly stable in 1951–61 was largely due to the effect of its substantial rate of natural increase, in contrast to the Borders. This in turn was related to both higher fertility and younger age structure in most of the area. But there was a marked difference between the migration and resulting net change in different parts of the region. Dumfriesshire showed small migration loss and moderate growth; Galloway a heavy migration loss—one of the highest rates in Scotland—and substantial decline; and south Ayrshire a temporary net inward migration (to mining areas in Cumnock), a natural increase estimated to be nearly double the Scottish average and a large net increase in population. From 1961 to 1964, growth continued in Dumfriesshire and, at a much reduced rate, in south Ayrshire (in the burghs only), while decreases continued in Galloway at a somewhat reduced rate.

11. Analysis of National Health Service records for 1955–63 shows that there was a substantial net loss by migration from the three Solway counties, nearly all of which (1,100 a year out of 1,300) was to England and overseas. Outward movements from these counties to the rest of Scotland were almost equalled by inward movements, and movements to Glasgow were, surprisingly, exceeded by those from Glasgow (2,591 and 2,716)—this is probably related to construction work at Chapelcross and on the rebuilding of A74. The main streams of internal movement were to and from the Central Belt, especially between Dumfries and Lanark.

12. In the Borders every burgh and County District (except that containing St. Boswells) has decreased since 1951. In the South-West half the burghs and a quarter of the Districts have increased. But these areas of increase are mainly in the east, associated with new employment in mining around Cumnock until 1961, and in manufacturing industry, atomic energy and services in and around Dumfries and Annan (1951–61–64). The areas of decrease cover virtually the whole area for 80 miles west of Dumfries and north-east of Dumfries to the Borders, including all the agricultural districts and their smaller burghs. Depopulation is on a scale and at a rate comparable with the Eastern Borders, but it affects communities thinly dispersed over an area three times as great. Even here, though, there are valuable pockets of increase or stability at the larger towns of Stranraer and Girvan and at forestry villages in west Kirkcudbright, Carrick in south-west Ayrshire, and part of north Dumfriesshire.

**Age and Sex Composition**

13. The population structure of the South-West is younger than that of the Borders and is ageing more slowly. Indeed the age composition and the changes within it are
<table>
<thead>
<tr>
<th>Year</th>
<th>No. Applications</th>
<th>Percent</th>
<th>1st Choice</th>
<th>2nd Choice</th>
<th>3rd Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>1234</td>
<td>45.6%</td>
<td>234</td>
<td>123</td>
<td>98</td>
</tr>
<tr>
<td>1941</td>
<td>1678</td>
<td>56.7%</td>
<td>345</td>
<td>234</td>
<td>123</td>
</tr>
<tr>
<td>1942</td>
<td>2021</td>
<td>67.8%</td>
<td>456</td>
<td>345</td>
<td>234</td>
</tr>
</tbody>
</table>

The above table shows the distribution of applications for the years 1940, 1941, and 1942, indicating the popularity of the 1st, 2nd, and 3rd choices.

In 1940, there were 1234 applications with 45.6% choosing the 1st choice, 234. In 1941, the number increased to 1678 with 56.7% choosing the 1st choice, 345. In 1942, the trend continued with 2021 applications, 67.8% choosing the 1st choice, 456.
similar to those of Scotland as a whole. For example, the percentages of Census population aged over 44 were as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>South-West Counties</th>
<th>Border Counties</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>33-0</td>
<td>38-4</td>
<td>32-4</td>
</tr>
<tr>
<td>1961</td>
<td>35-6</td>
<td>41-9</td>
<td>34-9</td>
</tr>
</tbody>
</table>

This nearly 'average' age structure is widespread, despite depopulation. The only places identified where the proportion of older people is appreciably above the Scottish figure are the small burghs in Kirkcudbright County, and Newton Stewart, Moffat and Lockerbie. These are also the only areas with little or no natural increase. Populations appreciably younger than the Scottish average are found in Cumnock District and Burgh, Wigtown landward area and Stranraer, and in parts of Dumfries landward area.

14. The balance of the sexes in the South-West is also fairly normal. The number of females per 100 males is around 105 in each of the main sub-areas—slightly below the Scottish average. The farming and mining rural districts, as is usual, have about equal numbers of both sexes, whereas most of the burghs have a preponderance of females above the Scottish average, associated with service occupations and an elderly age structure. In Annan, Sanquhar, Stranraer, Wigtown and Cumnock, burghs with younger populations and rather different functions, the sex ratio is about average.

The Future

15. The balanced structure and natural growth of the population suggests that few, if any, major problems are likely to arise in the near future from a continuation of recent trends. In the three counties as a whole, a slight increase might occur as has indeed happened between 1961 and 1964. Even though growth by net inward migration in the South Ayrshire mining area had stopped in 1961-64, and even in the unlikely event of it stopping in the Dumfries/Annan industrial complex, the younger age composition of these populations should help to ensure at least their stability.

16. However, substantial outward migration is likely to continue for so long as primary industry continues to shed labour and other opportunities in the area are restricted. There seems to be some time yet in hand before this distorts the population structure or weakens the traditional fertility and natural growth of the rural area as a whole; but the immediate problem spots, where this has already happened, are the smaller rural servicing communities. One function of the study is to suggest which of these could most easily be assisted to become at least stable. In the rural hinterland (apart from forestry settlements) there is some social erosion, through a thinning out of the already sparse population, and, as in the Highlands, public transport to local and regional centres is deteriorating. Further developments in forestry, food processing, tourism and manufactures may, if they can be promoted in time, be sufficient in a limited number of places to prevent a spiral of social and demographic decline.

PART III

INDUSTRY AND EMPLOYMENT

General

17. The South-West presents considerably more diversity in the structure, trends and problems of its economy than the Borders. In the whole of the South-West including the Girvan and Cumnock employment exchange areas total employees at 1963 numbered about 65,000, of whom 9,000 were in agriculture, 9,000 were in coal-mining, 12,000 in manufacturing and 34,000 in service employment.
18. The region is mainly dependent on primary industries, principally agriculture, but also mining and forestry. Manufactures are a relatively small but varied sector and services are well represented. If self-employed persons could be added, and the total working population accounted for, then agriculture (with some 3,500 farmers) would become relatively more important. Indeed the numbers working in agriculture, forestry and fishing together with their ancillary processing industries would amount to nearly a quarter of the regional total (and this is still excluding ancillary services); while those manufactures which are not based on primary industries would be limited to only about 10 per cent of the regional labour force. The trends of employment since 1951 have been an overall increase of about 4 per cent; a marked decline in all primary sectors; an increase in manufactures, mainly before 1958; and a small increase in services up to 1958 followed by a decrease since.

19. Nearly half of the region’s employment is concentrated in the eastern area including Dumfries and Annan, where both manufactures and services are relatively important, and which is mainly responsible for the growth in employment in the region since 1951. About one-fourth of employment is found in the north in the compact areas of Cumnock, which has grown, and Sanquhar, both dominated by coal-mining but now starting to attract other industry; services are notably under-represented here and indeed for this purpose the Cumnock area looks to Ayr and Kilmarnock and Sanquhar southwards to Dumfries. The remaining employment is spread out over the very extensive and rather isolated western corner, consisting of four employment exchange areas in three counties. Here agriculture dominates and services are well represented—notably more so than in the mining area (or in the Borders)—but employment in general is declining. In the Girvan exchange area there is also some mining and like Cumnock it tends to look northwards to the rest of Ayrshire. Unemployment is above the Scottish average in the Cumnock, Sanquhar, Stranraer, Girvan and Newton Stewart areas.

1. THE MAIN SECTORS

Agriculture

20. Agriculture is the most important single industry in both production and employment. In the three counties it occupies 1.3 million acres of land, of which 800,000 are rough grazings, reflecting the upland character of most of the interior: 400,000 are grassland, favoured by the mild and moist climate; and 100,000 are tillage, on which cash crops are little grown. The predominant types of farming are dairying (60 per cent of the farms and 70 per cent of the output) and the rearing of cattle and sheep. While cattle fattening farms are not common, fair numbers of fat cattle come from the dairy farms.

21. Between 1953-63 the number of cattle and sheep rose while those of pigs and poultry fell. The number of beef cows increased twice as much as in Scotland as a whole and the numbers of dairy cows in all three counties rose, compared with a general decrease in Scotland, and the region is indeed well suited to dairying and cattle production both by reason of the climate and because the farms are well sized and rather larger than those in upland Ayrshire for example. Dairy farms in the South-West are better able both to grow their own winter feed and to produce milk more cheaply during the longer grazing season. Next to dairy farms the most numerous type are upland farms depending more on cattle rearing (often of the dairy breeds) than on sheep. While both hill sheep and upland farms rely on the Calf and Hill Cattle and Hill Sheep Subsidies to maintain profitability, they are in general more productive and remunerative than similar types of farm in many parts of the north and west Highlands.

22. In 1963 the three counties had 8,300 farm workers, (full-time, part-time and casual) and nearly 3,000 full-time farmers, giving a total of over 11,000 engaged in
In the main sections, the reader is expected to provide information and background on the topic. Additionally, the text discusses the various aspects of the main sections, including the introduction, methods, results, and conclusions. The introduction sets the stage for the discussion by providing context and background information. The methods section details the procedures and techniques used in the study. The results section presents the findings of the research, while the conclusions summarize the implications and limitations of the study. Throughout the document, the author emphasizes the importance of the main sections and their relevance to the overall research question.
agriculture. As a result of mechanisation, more labour-saving methods and increased efficiency, the number of farm workers fell by 22 per cent between 1953 and 1963, almost the same as the decrease of 23 per cent for Scotland. The fall in the number of dairy workers can be expected to continue and although the possibilities of mechanisation are much less on hill and upland farms, they also will probably have to make do with fewer workers. Cropping farms will no doubt continue to offer the best opportunities for labour reduction. The number of farmers is also likely to fall, though less rapidly than the number of workers unless amalgamation of units is more actively encouraged. Altogether it may be expected that over the next ten years the number of those engaged in agriculture might fall by about one-fifth—that is by about 2,200—of whom the great majority would be farm workers rather than farmers.

23. Dairying seems certain to remain predominant in the agriculture of the South-West. One possibility is that, with the demand for meat likely to remain keen, more beef will be produced from the dairy herd. The hill and upland farms cannot usually change over to other enterprises and development is confined to intensification and improved output. The relatively small number of cattle fattening and cropping farms may find it beneficial to take advantage of mechanisation by concentrating more on the production of cereals. Agriculture in the South-West is relatively prosperous and progressive. The farmers make good use of the advisory service provided by the Agricultural College and there is a well established and enterprising co-operative society (West Cumberland Farmers Limited). Most of the farms can face the future confidently, the exceptions being some of the smaller units which in dairying areas will have to amalgamate, while in the uplands the choice will be between amalgamation and afforestation.

24. For the region as a whole the implications of this picture are of course simple. The countryside will become even more thinly populated than it is now and this will lead to a diminution in the volume of service the smaller towns and villages are called upon to provide. Insofar as the larger ones, like Stranraer, Girvan, Castle Douglas and Kirkcudbright and possibly Newton Stewart, can maintain a sufficient variety of other employment they will be able to survive, and with increasing personal mobility, serve a wider area than before.

Agricultural Ancillaries

25. The number of businesses and of employees indirectly concerned with agriculture on the processing, supplying, retailing and transporting sides is not easily calculated but it is clearly of considerable importance especially in the various market towns.

26. There are some sixteen milk processing firms employing a total of 1,100 people, 11 of which are to be found in the Galloway dairying country between Stranraer and Kirkcudbright, often in quite small settlements. Dairy-farming is well served by creameries and it is unlikely that much can be expected in the way of further development. On the other hand the Scottish Milk Marketing Board are rationalising and propose to close some of their smaller establishments and to build large new creameries at Stranraer and Wigtown.

27. The 8 auction markets in the region, which are mainly for the sale of sheep, are well spaced out among the towns, and each serves its local area. The two principal ones are at Annan and Dumfries. There are twelve slaughterhouses and, unlike the auction markets, these are concentrated in the South-East. About 70 per cent of the total kill takes place in a triangle between Dumfries, Lockerbie and Eastriggs at five large slaughterhouses, reflecting the strategic position of this area on rail and road routes.

28. Bacon factories are to be found at six centres, of which by far the largest is at Thornhill, Dumfriesshire. Finally there are a number of firms offering an assortment of agricultural services, including grain merchants (9 employing 11 or more workers), seed merchants (2), grain millers (2), several agricultural engineers and a manufacturer
of dairy utensils. These enterprises are distributed among the main centres but concentrated particularly in Dumfries, Stranraer and Castle Douglas.

29. Looking at the combined effect of these agricultural ancillaries, some of them are well distributed throughout the region but only two towns possess virtually all of them—Dumfries in the east and Stranraer in the west. Thornhill, Lockerbie and Castle Douglas are next in importance.

Forestry

30. In 1964 the Forestry Commission had 28 estates in South-West Scotland employing a total of 730 people, one of the largest concentrations of State Forestry in the country. In addition, 130 men were estimated to be employed in associated transport and wood using industries and afforestation on private estates accounted for the employment of a further 300 men. The total of 1,160 is not large in relation to the region’s total employment, or even that in agriculture, but forestry has considerable local significance in the area and is expanding.

31. Most forestry employment is to be found in the three exchange areas of Newton Stewart, Castle Douglas and Dumfries, where 18 out of the 28 forests are found including the six largest as far as employment is concerned. Almost half the forestry workers in the South-West are employed in one main block of forests in the uplands between the rivers Dee and Cree. A number of villages have been specially built for forestry workers, the most important of which are Ae, with over 50 houses, and Glentrool. The small burgh of New Galloway, with a population of only 327, is the community for 87 workers from two of the forests. The growth of employment on this scale has stabilised population in several forestry parishes in recent decades, especially in the west of Kirkcudbright County.

Fishing

32. Girvan is the only fishing port of any significance in the region and landings there are worth some £40,000 per annum from sixteen boats employing about sixty fishermen. Round the coast from Girvan there are thirty-four small boats employing between seventy and eighty fishermen and landing some £50,000 worth of fish a year. There is also a small knot of fishermen engaged mainly on shrimp-fishing in the Solway from Annan where there is a small factory in which the catch is quick-frozen. This small-scale activity is most unlikely to expand employment and the most probable course is for the labour demand to shrink if such fishing as remains is to be competitive.

Coal-Mining

33. Coal-mining is the main industry in Cumnock and Sanquhar areas and in Girvan is on a par with agriculture and manufactures. In the fifties expansion led to considerable inward migration of miners from the declining Lanarkshire coalfield. This has now levelled off and a process of rationalisation is proceeding whereby numerous smaller pits are closing and a few larger ones are being developed. Notable among these are Killoch and Barony. The National Coal Board estimate that while the number of pits may fall from 16 in 1965 to 9 in 1970, total employment will remain almost unchanged.

Manufacturing

34. Although the manufacturing sector is not a large one, there is a fairly wide variety of industries, including textiles, chemicals, food processing, metals and engineering. Some growth is occurring in most of these. A study of employment changes in the manufacturing firms employing 11 persons or over in the area suggests that there has been an overall gain of 3,500 jobs between 1951 and 1964. Employment in chemicals nearly trebled and in food and drink increased by about 80 per cent. Most areas shared in the increase in manufacturing employment but a few had decreases. Maybole
was affected by closures in the footwear industry, a reduction in employment in textiles occurred in Catrine and Kirkcudbright. The main increases in manufacturing employment were in Dumfries/Lockerbie and Annan where over 2,000 additional jobs were provided during the period.

35. About a quarter of manufacturing employment is in textiles. Over two thousand workers are involved, mainly in Dumfries and district and around Catrine and Cumnock. Most of the remaining textile employment is to be found in Newton Stewart.

36. The chemical industry showed the largest increase in employment as a result of the opening of the U.K.A.E.A. plant at Chapelcross, and developments by I.C.I. Ltd. at Dumfries. Girvan has the only other sizable plant—Alginate Industries Ltd., producing chemicals from seaweed.

37. The food and drink industries are more widely scattered over the whole area. Those ancillary to agriculture have been mentioned already—the many milk processing plants in Galloway, which make cream, butter, cheese, and powdered milk, and the bacon curing at Thornhill, Kirkcudbright and Girvan. Sea foods are manufactured at Annan and soft drinks at Auchinleck.

38. The metal using industries are mostly in the south-east: boilermaking at Annan, agricultural machinery at Dumfries and Castle Douglas, and steel radiators at Dalbeattie.

39. These four manufacturing categories (textiles, chemicals, food and drink and metals, etc.) account for about 80 per cent of the workers in the area. The remaining categories and the establishments in them are usually small except for the important rubber industry in Dumfries. Timber using industries are important in such centres as Annan, Newton Stewart, Creetown and Kirkoswald; and concrete slabs are made at Creetown.

40. The experience of some thirty manufacturing projects has been examined by the Ministry of Labour and the Board of Trade. The conclusion is that these firms are well satisfied with the quantity and, especially, the quality of labour they have obtained. Most of them, and particularly the U.K.A.E.A. at Annan, had to import skilled labour from outside the area, but at no time has this proved to be more than a temporary difficulty. In nearly all cases firms have given training to their local employees and this appears to have been successful, in some cases extremely so. One clothing firm, for example, find the female labour they are now recruiting to be of greatly superior quality to that they could obtain before moving production to Scotland.

41. The main attractions of the area for these firms appear to have been available labour and premises or sites (both in some cases left behind by closing Service or other establishments). Strategic location for North of England, Irish and Scottish markets and local persistence in drawing the attention of firms to these facilities have also been important. Development District inducements have helped to attract firms to Cumnock, Sanquhar, Stranraer and Girvan areas.

Services

42. Services, including construction, are well represented in the region except in the mining areas and account for more than half of the employment in the three counties—approximately the same as the Scottish figure and markedly more than in the Borders. This would seem to be due to relative isolation from the cities and consequent self-sufficiency in the urban centres, especially Dumfries in the east and Stranraer in the west; and possibly to the effects of a fairly buoyant population and industrial economy. Although it is nearly three times bigger and only 33 miles away (the same distance Edinburgh is from Galashiels), Carlisle would appear not to be large enough to overshadow Dumfries as a regional service centre for the north of Solway.

43. Services employment increased from 1951 to 1958 and has decreased slightly since then. The main features have been a steady growth of professional and scientific
services, an increase of work on building and contracting schemes up to 1958 and some fall thereafter, a persistent fall in public road and rail transport and a decrease up to 1958 due to the closure of military establishments (which still employ a number of civilians) at West Freuch near Stranraer and at Kirkeudbright.

Tourism

44. The tourist industry is an established one, but on a modest scale. It caters at relatively few and rather small hotels for transit traffic—Anglo-Scottish in the east and Northern Irish in the west—and for those attracted by the diversity and interest of the region's long coast-line, rivers and mountains, which make it a miniature Highlands. In terms of employment in hotels and catering, tourism is at present not much more significant than in the Borders, the total figure in 1963 being nearly 1,400 or about 2 per cent.

45. But it is growing. This is shown by the relatively rapid increase in the number of camping and caravan sites—there are now 74 in the South-West, compared with 24 in the Borders—and the Tourist Board's figures of visitors for each of the three counties shows an increase in the 1961–63 period during which Border figures actually fell. This is mainly a reflection of the greater variety and wider scope for the motoring tourist in this region. Its accessibility to North-West England is a considerable advantage, and with the completion of M6 in the early 'seventies Galloway will be almost as easily reached by the motorway as the Lake District is now, which will increase its already growing appeal for still further weekend and 'second house' recreation. Accessibility would of course be improved by the provision of air services, especially since the main tourist area in Galloway has lost its railway. The Forestry Commission are developing the Glentrool Forest Park for tourism and recreation—they already have one caravan site there—and their recent directive from Ministers gives them more freedom in this way. The largest of several other caravan site proposals in the area is one for 100 caravans at an ex-Army camp near Whithorn. Comprehensive physical surveys for tourism have been undertaken by the local authorities in Galloway and Ayrshire.

2. CHARACTERISTIC PROBLEMS

Unemployment

46. In January 1964 there were 3,700 wholly unemployed in the South-West; and in July, 2,700. Since 1954 unemployment in the region has increased markedly both in absolute terms and in relation to Scotland as a whole. Thus the numbers unemployed rose nearly three-fold over the period 1954 to 1963 (four-fold among males and twofold among females) and in Cumnock ten-fold (though this was so high because of the temporary closure of the Barony pit). The average rate of unemployment went up from 1.7 per cent in 1954 (Scotland 2.6 per cent) to 4.7 per cent in 1963 (Scotland 4.5 per cent). This appears to have been due largely to the run-down in the agricultural, mining, road and rail transport and civil engineering labour forces and the closure of military establishments. There are appreciable numbers of unemployed in every local office area, but Stranraer has a rate almost double that for the area. In Dumfries/Lockerbie the rates are somewhat below the area and Scottish averages.

47. As might be expected in a predominantly rural area, the seasonal element in unemployment is stronger than in Scotland as a whole. This is especially true in Lockerbie, Castle Douglas, Newton Stewart and Girvan where the basic agricultural and service tourist structure predominates. There are proportionately fewer males and females unemployed under the age of 40 than in Scotland generally and proportionately more persons aged 55 and over; this underlines the relatively limited range of employment in the area for the older, less active person. In terms of occupations unemployment reflects the industrial pattern, particularly highlighting the strong bias towards
5. Characteristic Problems

In January 1993, several million South-Western households were affected by severe drought and in
the subsequent period, crop and livestock losses were high. This resulted in a substantial increase in the
number of households facing food insecurity. The Government responded by launching emergency
relief operations and providing food aid to affected households. However, the situation continued to
worsen due to the persistence of drought conditions.

The Government also implemented various measures to support small-scale farmers and
promote agricultural production. These included the provision of agricultural inputs such as seeds,
pesticides, and fertilizers, as well as credit facilities for purchasing necessary inputs. The
Government also introduced drought-resistant crop varieties and provided training to farmers on
agricultural practices that could help mitigate the impact of future droughts.

Despite these efforts, the situation remained critical, and the Government continued to monitor
the relief operations closely. The success of these measures depended on the availability of funds
and the ability of the Government to coordinate with other stakeholders, including international
organizations and NGOs.

In addition to the relief efforts, the Government also focused on long-term solutions to
address the root causes of food insecurity. This included investments in infrastructure, such as
irrigation projects, to improve water management and enhance agricultural productivity. The
Government also implemented policies to promote equitable access to agricultural resources and
invested in research and development to develop new technologies and practices that could
enhance crop yields and resilience to environmental shocks.
primary and service industries, and underlines the scarcity of skilled labour, both male and female, with experience in manufacturing industry. Thirty-nine per cent of the women unemployed were registered for service industry occupations, mainly hotels, catering and domestic service, compared with 17 per cent in Scotland.

48. The proportion of females in the employed population is appreciably lower than the Scottish average and the activity rates (that is, the ratio of employees to civil population over 15) are remarkably low for females compared with Scotland as a whole. It is clear, therefore, that in addition to the registered unemployed there is a hidden reserve of female labour in the South-West which is greater than the Scottish norm. New factory employment opportunities would certainly attract a considerable flow of female labour from these reserves into ordinary employment; and this was taken into account by three firms who recently decided to set up in Dumfriesshire.

Travel-to-work

49. The volume of travel-to-work is nowhere very large. In Stranraer and Newton Stewart areas communities are small, distances between them considerable, and public transport services infrequent. To Cumnock and Girvan there are inward movements of males from Ayr and Kilmarnock, to which there are also outward movements of females. In the east there is a self-contained network of travel-to-work from Annan, Lockerbie, Castle Douglas and Sanquhar into Dumfries, especially of women. There is also some travel-to-work from Annan and other areas into Carlisle.

Labour Demand

50. Labour demand in the South-West, as measured by average unfilled vacancies, has been less buoyant since 1959 than in Scotland as a whole. As measured by vacancies circulated throughout Scotland, it is very small indeed and the only vacancies circulated have been for skilled workers (mainly motor mechanics and fitters among males and glove fingerers among women); three-quarters of the vacancies circulated have been for the Dumfries area. While 'take home' earnings are apparently not high enough to attract labour from industrial centres unwilling to move for other reasons, they are not sufficiently low to deter persons who are attracted for other reasons to the South-West—for example, in search of a house.

Overspill

51. Dumfries, Stranraer, Girvan and Cumnock have overspill agreements with Glasgow but it is clear that, Dumfries apart, the agreements are still on paper only. This is an indication of the failure of these areas so far to attract industry, especially male employing industry, in sufficient quantity. As a result the need to import labour, skilled or otherwise, has scarcely arisen. Even in Dumfries the impact of overspill has so far been slight. However, it is interesting to learn that volunteers on Glasgow's overspill register, who are required to name places to which they would be prepared to go, show a distinct preference for the South-West over other regions of Scotland outside the Central Belt, and particularly favour Girvan and Stranraer. Despite the fact that few people express an initial interest in Dumfries, submissions and placings there have been fairly satisfactory.

School Leavers

52. The great majority of school leavers at age 15 find employment near their homes—more so than in the Borders. Fourteen per cent travel to work daily beyond their home area especially into Dumfries, Ayr and to a lesser extent Carlisle; and only 4 per cent find employment beyond daily travelling distance. (These figures refer to the session 1963–64.) Among older school leavers a large proportion proceed to University, College, other training or to actual posts in professions away from home.
Prospects

53. The greatest volume, variety and growth of manufacturing and service industry exists in the Dumfries area; and this—the Scottish half of the Solway region—is where the prospects of expansion both in the short and long term are best. Already, in a modest way, it is holding some of the population from further west which would otherwise be lost to Scotland altogether. The smaller towns of Annan, Lockerbie, Dalbeattie and Castle Douglas, all of which have certain special roles as manufacturing or service centres, lie within the economic sphere of influence of Dumfries and are close enough to reinforce—and in turn be reinforced by—its further success.

54. Also having scope for positive development are the Cumnock and Sanquhar areas. Although in certain respects they look different ways, to Ayr and Dumfries respectively, they share certain common problems and lie on the same main communications route. Their special value lies in the scope they afford for concentrating population and employment growth for their hinterlands, where it was formerly scattered among smaller and now declining settlements. The same is true of Girvan, which is already proving a collecting point for concentration and growth of employment and services on the long coast between Ayr and Stranraer, and for a large surrounding area in Southern Ayrshire.

55. Stranraer is also growing. As the focal point in the extreme west it has important service functions for a wide hinterland, and recently has been able to attract some additional manufacturing industry as well. Provided the growth and variety of employment can be sustained Stranraer is likely to be able, as Part II suggested, to continue to hold its own and perform its necessary service role.

56. With Stranraer it is appropriate to mention the deserted war-time port of Cairnryan about five miles away. This is the only port on the whole coastline which can take ocean-going vessels. It has three berths capable of accommodating 10,000 tonnes at all states of the tide, off-shore moorings, rail and road access, utility services and room for factories or other premises. Conversely its handling facilities are rather poor and it has inadequate space for transit sheds. The lack of alternative development of this former port has been a source of concern to Stranraer and Wigtownshire Councils ever since it became disused some years ago. It was, however, built purely as a wartime expedient. For a number of years after the war the installation was used for de-fusing ammunition and shipping it for dumping at sea. The Government then sold the port to private interests. Although a number of potential port developers have since been concerned with its promotion, its use for shipping operations has not yet come about.
In the absence of accurate and timely information about the condition and service reliability of the railway system, the government has taken steps to improve service and increase capacity. The railway network has been expanded to connect new regions, and the government has introduced new technology to enhance safety and punctuality. The government has also increased the frequency of services to meet the growing demand for transport.

The government has also implemented policies to reduce the cost of transport for passengers and cargo. These policies include subsidies for low-income passengers and incentives for freight companies to use the railway network. The government has also introduced a system of ticketing and boarding that is more efficient and secure, reducing the risk of ticket fraud and theft.

The government has also invested in the maintenance and repair of the railway network. This includes the replacement of old and outdated equipment, the repair of damaged infrastructure, and the installation of new technology to enhance safety and efficiency. The government has also introduced a system of performance measurement and evaluation to ensure that the railway network is operated efficiently and effectively.

In conclusion, the government has taken significant steps to improve the railway system in the country. These steps have led to an increase in the number of passengers and cargo transported, and have helped to reduce the cost of transport for passengers and cargo. The government has also invested in the maintenance and repair of the railway network to ensure its continued operation and reliability.
North-East Scotland

PART I

THE STUDY AREA

1. The study covered the counties of Angus, Kincardineshire, Aberdeenshire, Banffshire, Morayshire, Nairn and also most of Perthshire. Nairn and the parts of Morayshire, Aberdeenshire and Perthshire which are contiguous to the Highlands are also considered in the study of that area.

2. The study area falls naturally into two main divisions—Perth and Dundee with the lowland of Strathmore; and Aberdeen and its hinterland, including the whole north-east coast as far as Elgin. For convenience these two divisions are referred to as the Dundee Area and the Aberdeen Area respectively. Finally, backing these two areas is a quasi Highland zone containing such towns as Grantown on Spey, Ballater and Pitlochry. For most purposes it is necessary to consider these areas separately.

The Dundee Area

3. The Dundee Area includes the employment exchange areas north of the Tay within the arc from Blairgowrie to Montrose. It contains 43 per cent of the population (362,000) and 49.7 per cent of the insured employees in the region and is dominated by the varied industrial economy of Dundee and the small Angus towns. Dundee in particular already has many affinities with the economy of the Central Belt, and these are likely to increase with the improvement of road communications via Perth and, on completion of the Tay Road Bridge, with Fife. Geographically the most important feature—after the containing massif to the north-west and the coast and estuary of the Tay—is the Sidlaw range. This splits the area into two: Dundee with a strip on each side—the Carse of Gowrie to the west and the coastal plain to Montrose to the north-east; and the vale of Strathmore. Main communications follow these two lines. Perth is an important service centre, especially for agriculture. So are the relatively self-contained market towns of Strathmore. Dundee, separated by the Sidlaw Hills, is rather less important in this respect than its size might suggest and services generally form a smaller proportion of its employment. Emerging as a nineteenth century industrial and commercial city, and regional port, it has maintained the lion’s share of these functions without so far markedly usurping the traditional role of the older towns. Agriculturally Angus and the associated lowland part of Perthshire are versatile and resilient. The large arable farms should be well able to adapt to changing circumstances—better perhaps than any others in Scotland. Conversely, the study shows that the effect on the small towns of a highly efficient modern agriculture, particularly well able to shed labour, is to produce a sharply ageing population structure and a levelling off in the demand for services, which already show signs of decline. Arbroath, which has an overspill agreement with Glasgow, is the one town in the area which has succeeded in attracting new industry on any scale outside Dundee.

4. Distances are nowhere great between the main centres—the furthest out, Brechin and Montrose are barely thirty miles from the centre of Dundee, and only twelve from Arbroath. Road and rail communications are generally satisfactory, and Dundee is to become a liner train terminal; but the nearest airport with scheduled services is Edinburgh, Turnhouse.

The Aberdeen Area

5. The Aberdeen Area contains about 51 per cent of the total population and about 46 per cent of the insured employees. It includes the exchange areas of Aberdeen,
The Study Area

The project area lies in the central part of the North-Eastern Region. It is bounded by the eastern and southern limits of the region. The project area is characterized by a high degree of natural resources, particularly in terms of water and land. The region is known for its fertile soils, which are ideal for agriculture. The climate is generally mild, with moderate temperatures and adequate rainfall, which supports a wide range of vegetation and agricultural activities.

The project area is home to a diverse population, consisting of various ethnic groups. The local communities are engaged in traditional activities such as farming, fishing, and trading. The region is also rich in cultural heritage, with a rich history that is reflected in its traditions and customs.

The project area is strategically located with easy access to major transport routes. This makes it an ideal location for economic development, particularly in terms of trade and transportation. The region is also well-endowed with natural resources, which can be harnessed for economic benefit.

The project area faces several challenges, including limited infrastructure, poor access to markets, and limited access to modern technologies. These factors hinder the region’s ability to fully realize its economic potential. The project aims to address these challenges by promoting sustainable development and improving the quality of life for the local communities.
Stonehaven, Inverurie, of the north-east coast fishing towns from Peterhead to Lossiemouth, and of their hinterland—Elgin, Huntly and Turriff. The primary industries of agriculture and fishing, and their ancillaries are particularly important—almost as much at Aberdeen as elsewhere. Throughout the area there is a distinction between the coastal fringe, orientated towards fishing, and the hinterland of agriculture and small market towns. There is little interchange—social or commercial—save their common dependence for certain purposes on Aberdeen. Agriculturally much of the area is strong, especially along the coast—and particularly the coastal plain of Morayshire. Here, where the efficient agriculture might otherwise have accelerated depopulation, extensive forestry and the presence of armed service establishments have kept the population structure particularly buoyant. But inland, especially on the higher ground, is an area of small stock rearing farms which could well become vulnerable in the future. They preserve a relatively populous countryside which in turn does something to preserve the unusually thick scatter of small towns and large villages in the hinterland.

6. The area was until recently served by a fairly extensive rail network. This is being slimmed down to the main line from the south via Dundee and Aberdeen (which is to become a liner train terminal) and the line via Elgin to Inverness on which a fast diesel service has been introduced. Roads are generally lightly trafficked and good, and although the railway closures may leave a few communities more exposed to the effects of heavy snow, surface communications are generally excellent. The scheduled air service from Aberdeen direct to London is a valuable regional asset.

The Areas Contiguous to the Crofting Counties

7. While these areas contain economically similar elements—upland and quasi-highland agriculture, and small service towns—they do not form a coherent sub-region. They are really fringe areas with certain special common problems.

PART II

POPULATION

Distribution

8. Over the region as a whole the basic contrast between the highland and lowland zones may be expressed in the following average densities of population:

Grampian Highlands: 45,000 people in 4,000 square miles, or 11 per square mile.
Coastal Lowlands: 805,000 people in 3,000 square miles, or 270 per square mile (145 per square mile outwith the Cities).

Despite the spread of population in this spacious region, the striking fact is that nearly three-quarters of the population is urban—much the highest proportion of any of the four study areas. This is due primarily to the size of the two cities (44 per cent), outside which the burgh and landward populations are equal (28 per cent each). There is a greater weight of urbanisation (79 per cent) in the Dundee Area than in the Aberdeen Area (65 per cent). Altogether there are 50 statutory towns—the two cities at 185,000 each; the two large burghs of Arbroath (20,000) and Perth (41,000); five small burghs of 10,000-13,000; and forty-one small burghs of 700-7,000.

9. The distinction between town and country is complicated by the fact that probably a third of these burghs provide no real urban services for their areas today, and by the presence of many large villages which are not burghs, especially in Buchan. Many of these centres began as industrial settlements planned by and often named after the improving lairds in the early 1800s, to resettle families off the land; others grew up purely as fishermen's communities close by the string of harbours, or as riverside
Distribution

80% of the region is where the base categories are presented. The remaining area is

more specifically expressed in the following categories of population:

Central Highlands: 500 people to 8000 people, with 20% of the total.

Cordillera Central: 8000 people to 60,000 people, with 50% of the total.

With these numbers, the population density is:

1. Manila, with a population of 20 million (12% of the total).

The distribution of population in the region is shown in the following chart:

(Chart showing population distribution)

Source: National Census, 2021

Note: The percentages do not add up to 100% due to rounding errors.
mill-towns; and some of the original Royal Burghs and later planned villages which were well located have since become modern agricultural markets and service centres for wide rural hinterlands.

Recent Changes

10. After reaching their maximum population in 1881–1911 most of the counties making up the region have declined. However there was a slight increase between 1931 and 1951 due to the much reduced emigration from Scotland during these years (which brought a slight increase also in the South-West and retarded depopulation in the Highlands and the Borders). Between 1951 and 1961 there was a decrease of only one per cent, when heavy loss by migration (−6.5 per cent) at above the Scottish average rate was nearly offset by the substantial rate of natural increase (+5.5 per cent); these rates of change are almost exactly the same as in the three South-West counties of Dumfries, Kirkcudbright and Wigtown.

11. There was a much higher rate of net migration loss from the northern half of the region (−8.5 per cent) than from the southern (−4.2 per cent), which indeed had a slight net increase in population as a result; and there was faster growth in Dundee than in Aberdeen. Net migration in the counties (excluding the cities) was −12 per thousand per annum in Aberdeen, Banff, and Kincardine (with Galloway, the highest rate in Scotland); −7 in the counties of Moray and Nairn; −6 in Angus; and −4 in Perth (the only one below the Scottish average rate).

12. The general regional picture of net change in enumerated population is shown in the following table.

<table>
<thead>
<tr>
<th></th>
<th>1961 Census ('000s)</th>
<th>1951–61 change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1951–61 change</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. ('000s)</td>
</tr>
<tr>
<td>Aberdeen City</td>
<td>185.0</td>
<td>+2.6</td>
</tr>
<tr>
<td>Remainder of North</td>
<td>266.3</td>
<td>−13.7</td>
</tr>
<tr>
<td>Sub-total North</td>
<td>451.3</td>
<td>−11.1</td>
</tr>
<tr>
<td>Dundee City</td>
<td>185.2</td>
<td>+5.6</td>
</tr>
<tr>
<td>Remainder of South</td>
<td>205.8</td>
<td>−3.1</td>
</tr>
<tr>
<td>Sub-total South</td>
<td>391.0</td>
<td>+2.5</td>
</tr>
<tr>
<td>Regional total</td>
<td>842.4</td>
<td>−8.6</td>
</tr>
</tbody>
</table>

13. An analysis of the local changes between 1951 and 1961 in districts, parishes and burghs shows a prevailing pattern of depopulation. This is especially true throughout the northern lowlands and the Grampian Highlands where decreases were normally between 10 and 30 per cent in rural areas. The burghs show less severe changes, being generally in the lower categories of decrease, and 20 out of the total of 50 have small increases or no change. The main areas of increase are in or adjoining the urban areas of Aberdeen, Elgin and Lossiemouth, Fraserburgh and Peterhead, Dundee–Carnoustie–Arbroath and Forfar, Perth–Crieff and Pitelchiey. Moray County is exceptional. It has enjoyed an increase in population owing to high natural increase and, in the burghs, a reduced loss by migration. This is associated with the presence of considerable numbers of R.A.F. and Fleet Air Arm personnel and their families. Employment arising from large-scale afforestation has stabilised the rural population in south-west Perthshire and one or two other areas. But in the extensive areas dependent solely or primarily on agriculture, there are no signs of any stability.

14. Although the mid-year estimates of resident population for 1961 to 1964 show a sudden increase in the region and in most districts, both urban and rural, except in Angus and Aberdeen City, the reasons for this are largely adventitious. The Registrar
GeneraFs estimates of ‘total population’ (including those absent from home in H.M Forces and the Merchant Navy) for the same years show a static population (a small decrease in the north and small increase in the south) due to a slightly lower rate of migration loss and a slightly higher natural increase than in 1951–61.

Migration

15. High rates of migration out of the region, for 1951–61, are also revealed by analysis of statistics from the National Health Service Register for the period 1955–63. Outside Central Scotland, much the greatest volume of net migration overseas and to England is from the North-East region. Its total net loss—over 7,000 a year—amounted to 25 per cent of the total from Scotland. Only 17 per cent might be expected from the size of its population. A breakdown of migration (within the U.K. only) confirms the evidence from 1951–61 that the main weight of migration is from the Aberdeen area. The Dundee area has a share of migration only slightly greater than its population.

16. This general picture is confirmed by the Ministry of Labour. Workers from the North-East are in particularly strong demand by a number of large English employers, who have a high regard for their quality. Of 3,350 workers transferred from Aberdeen and the north-east coast to England and Wales by the Ministry of Labour from 1958–63, 828 went to Corby (where a North-East community has been established), 220 to Rugby (electrical engineering), 155 to Scunthorpe (steel) and 97 to Luton (motor vehicles). The balance of 2,000 migrants had very diverse destinations throughout England and Wales. Construction workers moved in large numbers to London and to public works projects elsewhere. However, not all movements are recorded by the Ministry. Many migrants make their own arrangements, and there is also a strong tradition of movement into the Merchant Navy and to engineering employment overseas, especially to employment on tea, sugar and rubber plantations and to Canada. Generally, the rate of migration to England and Wales appears to be highest when there is a general improvement in the U.K. economy.

17. Aberdeen University have made a socio-medical study of the motivation and characteristics of young migrants into and out of the city between 1951 and 1959. The composition of migrant groups is complex, ranging from the professional man following his career round the country, through the rural-urban migrant and the skilled workman seeking opportunities, to the restless wandering of the socially unsettled. Strong occupational selection is revealed, the professional and highly skilled groups being most likely to move. Among manual workers the most mobile are skilled mechanics, fitters and electricians. These particularly make their own arrangements for a move. They are very largely Aberdonian in origin, not earlier immigrants from the countryside. The main features of immigration of women before marriage are its predominantly short-distance rural-urban nature. Those studied often showed discontent with occupational opportunities and social life in rural areas and were attracted by the prospect of relatively light and clean town jobs, or of facilities for higher education and vocational training. Emigrants from Aberdeen were more numerous amongst those who had previously migrated into the city than amongst native residents, especially where both spouses came from the south of Scotland or elsewhere. Aberdeen was found to conform to the classic pattern of an urban area in a setting of declining rural employment—a receiver of rural migrants and an exporter to more distant, predominantly urban, centres.

Age and Sex Composition

18. The following table shows that the age composition of the North-East as a whole is similar to that of South-West Scotland and not very different from the Scottish average, the proportion of children being slightly lower and of old people slightly higher. The percentage aged 45 and over, as a single index of age, is also near

167
Cancer Cedamen of the United States, including those that occur in the United States, Mexico, and Canada, are major causes of morbidity and mortality in the United States. The National Cancer Institute (NCI) and other federal agencies, state and local health departments, and private organizations work together to prevent cancer, detect it early, and provide effective treatment. This collaboration is essential to reducing the burden of cancer and improving outcomes for those affected.

The NCI is the principal federal agency for cancer research and training. The NCI conducts and supports research on the causes, prevention, diagnosis, treatment, and consequences of cancer. The NCI also trains and supports researchers, provides cancer information and education, and develops cancer care and control programs.

The NCI's mission is to lead the nation in the development and application of cancer research, with the goal of reducing the burden of cancer and improving the lives of those affected. This mission is achieved through a wide range of activities, including basic research, clinical trials, epidemiology, and population-based studies.

The NCI's approach to cancer research is based on the principle that cancer prevention and treatment must be collaborative and interdisciplinary. The NCI works closely with other federal agencies, international organizations, and private foundations to ensure that the latest advances in cancer research are made available to all.

The NCI's research agenda includes efforts to identify and prevent the causes of cancer, improve the diagnosis and treatment of cancer, and develop new strategies for cancer prevention and control. The NCI also supports research on cancer genetics, which is important for understanding the mechanisms of cancer development and for identifying individuals at risk.

The NCI's research efforts are guided by the National Cancer Act of 1971, which established the NCI as a national resource for cancer research and education. The NCI is part of the National Institutes of Health (NIH), which is an agency of the U.S. Department of Health and Human Services.
the figure for the South-West and a little higher than the Scottish average. It is appreciably smaller than the Borders. However, it is important to note that the rate of ageing of the population structure, as indicated by the increase in the proportion aged 45 and over between 1951 and 1961, is higher than the South-West and the Scottish average and similar to the Borders.

Age groups

(Expressed as percentages of the total population of whole counties included under each heading)

<table>
<thead>
<tr>
<th></th>
<th>North-East</th>
<th>South-West</th>
<th>Borders</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 15</td>
<td>25.1</td>
<td>25.9</td>
<td>22.8</td>
<td>25.9</td>
</tr>
<tr>
<td>15 to 64</td>
<td>63.0</td>
<td>62.6</td>
<td>62.5</td>
<td>63.5</td>
</tr>
<tr>
<td>65 and over</td>
<td>11.9</td>
<td>11.5</td>
<td>14.7</td>
<td>10.6</td>
</tr>
<tr>
<td>1951</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 15</td>
<td>33.7</td>
<td>33.0</td>
<td>38.4</td>
<td>32.4</td>
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<tr>
<td>15 to 64</td>
<td>33.7</td>
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<tr>
<td>65 and over</td>
<td>33.7</td>
<td>33.0</td>
<td>38.4</td>
<td>32.4</td>
</tr>
</tbody>
</table>

19. None of the counties or the cities diverges very greatly from the average age structure for the region. But Perthshire, Angus, Kincardine and Nairn have rather older populations and in these counties especially, and others to a lesser extent, it is the burghs which give the weight of greater age.

20. A comparison of age structure and recent birth and death rates for all the 50 burghs shows that where the age index (45 and over) is about 39 per cent or higher there is little or no natural increase in population (under 4 per thousand) and certainly not enough to survive even the Scottish average rate of migration loss.

21. There are only some 12 towns in the whole region, apart from the two cities, where this is not true and which therefore appear to have a reasonable chance of replacing themselves without special steps being taken to introduce new population. Only two of these 12 towns—the large Burghs of Perth and Arbroath—are in Perth, Angus and Kincardine Counties. The remaining 10 are in Aberdeen, Banff and Moray. This difference may be in part one of marriage fertility and partly an economic one related to composition of the labour forces; that is, between textile towns (heavily female employing as in the Borders) and retirement/tourist burghs on the one hand, and the larger and more balanced population of the fishing, agricultural marketing and Forces communities on the other.

22. Sex composition differs appreciably from county to county but the average position is very similar to the Borders. This appears to be due to the scale of female employing textiles and services concentrated in Dundee and Angus and in Aberdeen.

Females per 100 males, 1961

<table>
<thead>
<tr>
<th></th>
<th>females per 100 males</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-East</td>
<td>111.2</td>
</tr>
<tr>
<td>South-West</td>
<td>105.7</td>
</tr>
<tr>
<td>Borders</td>
<td>111.9</td>
</tr>
<tr>
<td>Scotland</td>
<td>108.5</td>
</tr>
<tr>
<td>Moray</td>
<td>100.9</td>
</tr>
<tr>
<td>Aberdeen</td>
<td>105.6</td>
</tr>
<tr>
<td>Kincardine</td>
<td>107.9</td>
</tr>
<tr>
<td>Banff</td>
<td>109.8</td>
</tr>
<tr>
<td>Perh</td>
<td>109.8</td>
</tr>
<tr>
<td>Nairn</td>
<td>111.4</td>
</tr>
<tr>
<td>Angus</td>
<td>111.7</td>
</tr>
<tr>
<td>Dundee</td>
<td>114.1</td>
</tr>
<tr>
<td>Aberdeen City</td>
<td>117.2</td>
</tr>
</tbody>
</table>

The Future

23. It would be reasonable to expect from present trends a continuing substantial population decline in the Aberdeen Area (and in all agricultural and fishing areas generally) and a slight increase in population in the Dundee Area. More than anything else this is related to the good employment growth and prospect in Dundee itself.

24. Population projections for 1961-81 for the region as a whole, based on recent favourable fertility rates, range from an increase of 20,000 to a decrease of 30,000 according to whether migration is assumed to continue at below or above the 1951-61
### Table 1

<table>
<thead>
<tr>
<th>Scenario</th>
<th>0.25S</th>
<th>0.5S</th>
<th>0.75S</th>
<th>1.0S</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.25S</td>
<td>0.25</td>
<td>0.5S</td>
<td>0.75S</td>
<td>1.0S</td>
</tr>
<tr>
<td>0.5S</td>
<td>0.5S</td>
<td>1.0S</td>
<td>1.5S</td>
<td>2.0S</td>
</tr>
<tr>
<td>0.75S</td>
<td>0.75</td>
<td>1.5S</td>
<td>2.25S</td>
<td>3.0S</td>
</tr>
<tr>
<td>1.0S</td>
<td>1.0S</td>
<td>2.0S</td>
<td>3.0S</td>
<td>4.0S</td>
</tr>
</tbody>
</table>

**Note:** The above table represents the output of a simulation model for different scenarios and time periods.

---

**Further Details:**

The model was designed to analyze the impact of various scenarios on economic indicators. The results indicate that the most significant changes occur in the 0.5S and 1.0S scenarios, with the 1.0S scenario showing the most pronounced effects. Further analysis is required to understand the implications of these findings.

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**Figure 1:**

The graph illustrates the trend of output from the model over time. It shows a consistent increase in output from the baseline scenario, indicating the potential for growth under favorable conditions.

---

**Table 2:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value 1</th>
<th>Value 2</th>
<th>Value 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>100</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>2021</td>
<td>120</td>
<td>240</td>
<td>360</td>
</tr>
<tr>
<td>2022</td>
<td>140</td>
<td>280</td>
<td>420</td>
</tr>
</tbody>
</table>

**Note:** The above table provides a summary of key indicators over a three-year period, highlighting the growth trends in the model.
rate. Another way of looking at the problem is to calculate the net reproduction (or replacement) rates for the counties at 1961, which give an indication of the rate at which potential mothers are being replaced in the population, assuming there is no further migration. Given that condition, none of the counties would apparently fail to replace its female population, although Angus would only just do so; Moray County and, more important, Dundee have replacement rates above the Scottish average and the other counties are below average. This is in line with the general picture already revealed, and again shows the strength of Dundee in contrast to its hinterland.

25. For practical purposes the meaning of the analysis is that outside the cities there are, in the north, several towns at which it would be possible without too much difficulty to achieve stability and a modest but self-sustaining population growth. This has already happened at Peterhead and Fraserburgh, for reasons which are examined later. In the towns of Angus and Perthshire, on the other hand, the population structure and low natural increase suggest that not only employment but also new immigrant population will be required in order to sustain growth.

## PART III

### INDUSTRY AND EMPLOYMENT

#### Employment Structure

26. Employment in the North-East seems at first sight only slightly more dependent on the primary industries and slightly less on manufactures than Scotland as a whole. But this is a superficial impression only, due to the dominating scale of the two cities, which provide nearly 60 per cent of all the jobs, and to understating of agriculture through the omission of about 11,000 farmers who are in the self-employed category. It also disguises the marked contrast, which Parts I and II would lead one to expect, between the Aberdeen area and the Dundee area. In nearly all employment exchange areas, excluding the cities, the percentages in primary industry—mainly agriculture and, in the Aberdeen area, fishing—are characteristically high (from 20 to 40 per cent, even excluding farmers). And in the Aberdeen area many of the food and drink industries are closely linked with primary production. Here is the general breakdown:

<table>
<thead>
<tr>
<th>Industrial Distribution—Employees 1964</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Primary</td>
</tr>
<tr>
<td>Food and Drink</td>
</tr>
<tr>
<td>Other Manufacturing</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Other Services</td>
</tr>
<tr>
<td>TOTAL NOS.</td>
</tr>
</tbody>
</table>

27. Manufactures in the Dundee Area, especially jute textiles, engineering and electrical goods, are strongly represented in the city and its surrounding towns; services are notable in Dundee and Perth and agriculture in the hinterland. In Aberdeen and the north coast the main sectors are agriculture and fishing, and their ancillaries; food processing, whisky, paper making and engineering manufactures, mainly in Aberdeen, Peterhead, Fraserburgh and Keith local office areas; and services especially in Aberdeen City. In the Highland area agriculture, forestry, timber, tourism and construction are important and manufactures negligible.
### Part III

**INDUSTRY AND EMPLOYMENT**

#### Employment Structure

25. Employment in the Metro-Ex area is the fifth highest in the country. The data is based on the distribution of workers by industry and occupation, which is important for understanding the economic structure. The following table shows the employment distribution of the Metro-Ex area, categorized by industry and occupation.

<table>
<thead>
<tr>
<th>Industry/Occupation</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Construction</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Other Services</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: The above data is based on the latest available statistics.
28. Numbers of employees in employment increased only marginally between 1951 and 1964; males suffered a decrease of about 5,000 whereas females increased by about 6,000. The increase was mainly in Dundee and Forfar areas and most of the north coast employment exchange areas; Aberdeen and the Highland areas decreased in employment. The general tendency was for decreases in the period 1951–59 and for increases in the period 1959–64. There were consistent decreases in agriculture, fishing, ship building and marine engineering, transport and miscellaneous services. Textiles showed some fluctuation but have been more stable in recent years. The main expanding industries were paper and printing, engineering and electrical goods (in Dundee particularly), food and drink industries, and services in general.

Agriculture

29. The landscape of North-East Scotland is predominantly rural, but not all of it is dominated by agriculture. Forestry is important over much of the higher ground and the agriculture of the region is predominantly of a low ground type.

30. The region is too large and too diverse to treat as a whole and the division into the Dundee Area and the Aberdeen Area is useful. In the former lies some of the best agricultural land in Scotland. The feeding of cattle and cash cropping are the most important activities. Over a third of Scottish potato production, a high proportion of it for the seed potato market, a similar proportion of the Scottish grain crop, and over half the Scottish acreage of vegetables for human consumption are grown in the area; while Perth and Angus between them contain nearly 80 per cent of Scotland’s small fruit acreage. Both fruit and vegetable production (mainly raspberries and peas) is primarily for canning, freezing or processing.

31. By contrast, the agriculture of the Aberdeen Area is predominantly of a livestock type, and contains over one quarter of Scottish beef cattle. Because of its exposure, elevation and soil, much of the acreage is given over to grass and feed crop production. Pigs and poultry are also important, over 30 per cent of the poultry on Scottish farms being in Aberdeenshire and Banffshire. Westwards along the Moray Firth, conditions become more favourable, and in Moray, Nairn and along part of the Banffshire coast agriculture is of a cropping type, intermediate between the types which predominate in the two previous areas but with a greater emphasis on grain than in Perthshire and Angus. There is also a small fruit and vegetable area in Moray linked to the processing factory at Fochabers.

32. While there is relatively little dairying small concentrations are found near urban centres, particularly those on the coast, such as Aberdeen, Fraserburgh and Banff. Herds tend to be quite large and the efficiency which this promotes more than balances the poor receipts.

33. For the purposes of the study perhaps the most important point to note is that the average size of farm is smaller in the area centred on Aberdeenshire than in other parts of the region. The owner occupied family farm employing no regular hired labour is common. Elsewhere, and particularly in Angus, the average size of full-time farm is appreciably above the national average. Yet it is precisely for the small farm area that the prospects are bleakest. Insofar as there is concentration throughout much of the region as a whole on the production of meat or cereals, prospects are quite good (given no sudden changes in demand, international trading conditions or Government subsidy policy). But the type of livestock farming typical of much of Aberdeenshire and Banffshire has recently been more heavily subsidised than any other farming (as distinct from crofting) area in Scotland. Add to this the fact that the profitability of egg production as carried on in Aberdeen and Banff (where it was particularly important) has declined and the inevitability of considerable amalgamation seems clear if incomes are to be maintained.
The 18th Amendment to the Moroccan Constitution was formalized in the process of settlement and political integration in the 1970s. The amendment, which was adopted in 1973, established a new framework for the governance of the country. It introduced several key changes, including the abolition of the monarchy and the establishment of a new system of government. The amendment also facilitated the process of self-determination for the Moroccan Sahara, which was a key element of the country's political landscape at the time.

Among the most significant changes introduced by the 18th Amendment were the establishment of a new parliament and the introduction of a new system of governance. The new parliament, known as the Consultative Council, was established to represent the interests of the Moroccan people and to act as a checks-and-balances mechanism for the government. The amendment also established a new system of government, with a president as the head of state and a prime minister as the head of government.

The 18th Amendment also paved the way for the establishment of a new constitution, which was adopted in 1974. This new constitution introduced several key changes, including the establishment of a new system of government and the introduction of a new system of governance. The new constitution also facilitated the process of self-determination for the Moroccan Sahara, which was a key element of the country's political landscape at the time.

In addition to these changes, the 18th Amendment also introduced several key changes in the social and economic policies of the country. It established a new system of social security, introduced a new system of education, and introduced a new system of health care. These changes were intended to improve the living standards of the Moroccan people and to promote economic growth.

The 18th Amendment has had a profound impact on the political and social landscape of Morocco. It has facilitated the process of self-determination for the Moroccan Sahara, and it has paved the way for the establishment of a new constitution. The amendment has also introduced several key changes in the social and economic policies of the country, and it has facilitated the process of development in Morocco.
34. Elsewhere, prospects are better. Although the outlook for cash root crops in the region are unpromising and some difficulties have been encountered in seed potato production, there is every prospect of a further expansion in cereals and in small fruit and vegetable production, especially if new lines now being tried are successful.

35. What does this picture mean for the future? Economic advantages would accrue from a reduction in the number of farms and an increase in their average size in most parts of the region. But the need is keenest in Aberdeenshire and Banffshire. An improved level of income per person in agriculture could also be brought about there by a reduction in the number of workers employed. The rural population density is sufficiently great to allow this, for a time at any rate, without serious social consequences. This will depend upon gradually developing from among the present large number of small urban centres throughout the area a sufficient number of more modern and substantial ones to match town employment to the reduction in the rural population.

36. In the Dundee Area the decline in the number of workers is likely to slow up, as mechanisation has already reached quite an advanced stage. This is probably also true of Moray and Nairn. In Aberdeenshire and Banffshire the number of workers per holding is already low. Nevertheless labour economies should be possible in livestock enterprises especially if there is a move out of fodder roots with their high labour requirement; and it is here that farm numbers are most in need of reduction.

37. The present number employed full-time in agriculture is about 32,000 persons (11,200 farmers and 20,400 workers). The reduction in this number in the next ten years might be tentatively estimated at 6 to 7,000 for the region as a whole, of which about 4,500 might be in Aberdeen and the north and 2,000 in Perth and Angus.

Agricultural Ancillaries

38. A wide range of ancillary industries and services are to be found in the burghs throughout the region which act as market and servicing centres for their agricultural hinterlands. The processing of farm products is widespread. Fruit and vegetable canning and processing is carried on in the southern part, at Dundee, Blairgowrie, Forfar, Carnoustie and Montrose, making use of locally grown produce from the Vale of Strathmore and the Carse of Gowrie; and at Fochabers in Moray. Whisky distillation is of considerable importance, particularly in the north along Speyside where about forty of the sixty distilleries in the North-East are to be found; some use is made of locally grown barley, although much is now imported from elsewhere. Milk processing is not widely represented but as some dairying is carried on in the vicinity of the towns there are creameries and other small milk processing units in Elgin, Nairn, Peterhead and Aberdeen. Grain milling takes place at most of the larger regional centres. Other agricultural processing industries include poultry processing at Coupar Angus and Aberdeen and the large bacon factory at Dyce. Some local wool is still used in the textile industries.

39. The main auction markets for livestock are at Aberdeen and Perth but many of the smaller centres such as Turriff, Elgin and Forfar also have them. Slaughterhouses are to be found in most of the larger regional centres including Aberdeen, Perth, Dundee, Forfar, Fraserburgh and Peterhead. Grain and seed merchants are widely scattered but potato merchants tend to be concentrated in or near Strathmore and the hinterland of Aberdeen where seed potato cultivation is important. Agricultural engineers operate mainly in Stonehaven, Aberdeen, Huntly, Turriff, Forfar and Forres. Animal feeding stuffs and fertilisers are manufactured on a small scale at Aberdeen, Peterhead and Carnoustie.

40. It is a function of development in the agricultural industry generally that as numbers directly employed fall and as productivity increases, employment also rises in agricultural ancillaries and services. This is as true of the North-East as anywhere; indeed with the strong representation of the food processing industries the region has done rather well. But this does not mean the total employment necessarily balances
out in any particular area or that the distribution of employment is not changing. Many of the smaller ancillary services are no longer performed locally, and the manufacture of the ever more complicated agricultural machinery now in use often takes place outside Scotland altogether and its servicing is centred on a few of the larger towns. This means that agriculture is less than ever able to support a self-sustaining rural economy, and one cannot look to ancillaries alone to provide the backbone of employment in even the major country towns.

Forestry

41. The current rate of planting by the Commission is 8,200 acres per annum—6,000 in the upland ‘fringe’ and 2,200 in the lowlands. Private estates in the region practice forestry on a large scale and make a very useful contribution to the employment and population of the rural districts. At present they are planting at the rate of about 3,500 acres annually. It is hoped that both private estates and the Forestry Commission will be able to continue planting at the current rate but it must be pointed out that much of the plantable land comprises the best grouse moors in the country and very little has come into the market in recent years.

42. At the beginning of 1965 the number of industrial workers directly employed in the Forestry Commission’s woods was 950 and although no exact numbers are available for private estates the comparable figure was about 120. In addition to those employed directly on timber production it may be assumed that a further 200-300 are employed in local timber using industries.

Fishing

43. Fishing with its processing and other ancillaries is a basic industry in many small towns along the north coast from Peterhead to Lossiemouth, in Aberdeen itself and at a few points south of it. Manpower requirements in the industry are gradually declining. Fewer and more powerful boats call for a smaller labour force, and make decisions necessary about which of the many harbours and settlements should be selected for further development. Those most suitable for continued use seem likely to include Arbroath, Peterhead, Fraserburgh, Macduff, Buckie and Lossiemouth, and above all Aberdeen.

44. Other problems concern the future of subsidies and loans and the question whether Government policy will continue to aim at financial viability in the industry for vessels over 80 ft. in length by 1972. In this and in other respects it is important to distinguish between the in-shore section of the industry along the Moray Firth coast (and from Arbroath to Stonehaven), and the trawling section in Aberdeen. The first, relatively heavily subsidised on weight of fish landed, is also relatively prosperous, and will be protected in some measure by extension of our fishing limits. It employs two-thirds of the total labour force of 6,800 and is a mainstay of many small communities. The trawling section at Aberdeen on the other hand is faced with problems of over-fishing, low prices, competition with English deep water and ‘freezer’ trawlers and loss of some prolific traditional fishing grounds by extension of foreign limits. It employs directly only some 2,000 people, although there are some ancillary functions in Aberdeen, particularly in marketing and processing, which serve the fishing industry throughout the region.

45. Clearly, fishing even with its ancillaries is not to be looked to as a growing source of employment. The real question is the speed at which it will decline, and the ways in which, if at all, decline should be retarded, especially along the north coast. The present scale of operation is being largely maintained by Government subsidies, and it is perhaps a matter for regret that the pattern of the industry seems, in Aberdeen at least, where there is a relatively large number of somewhat small firms, to be cutting


Paarets

It is uncertain that Burlington is the centre of a new wave of

The question of an adequate, long-term, and affordable

The development of a new wave of

The question of an adequate, long-term, and affordable

The development of a new wave of
the city out of the chance of developing along the lines which look most likely to be successful in the Humber. Despite its advantageous geographical position in relation to the distant fishing grounds, Aberdeen is not yet equipped with the kind of cold storage facilities which make the use of ‘freezer’ trawlers possible out of the port. Nor is the multiplicity of small processing and merchanting firms likely to fit in with the trend towards highly advertised, branded and packaged food sold through self-service displays and supermarkets. And meanwhile the traditional advantage of quality which the Aberdeen middle-distance product enjoyed over distant caught fish when the Humber catch was merely iced on board, not frozen, may soon be eroded.

Manufacturing Industry

46. Within the manufacturing sector, in addition to the relatively high proportion of food and drink industries, North-East Scotland has—its largest single group—more than twice the Scottish proportion of textile industries. These two, and the paper printing and publishing group account for about 60 per cent of the North-East’s manufacturing employees. On the other hand it has a smaller share of the metal based industries:

<table>
<thead>
<tr>
<th>Manufacturing Industries—Employees 1964</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-East Region</td>
</tr>
<tr>
<td>Nos.</td>
</tr>
<tr>
<td>Food, Drink</td>
</tr>
<tr>
<td>Textiles</td>
</tr>
<tr>
<td>Metal Industries</td>
</tr>
<tr>
<td>(Orders IV–IX)</td>
</tr>
<tr>
<td>Paper, Printing and Publishing</td>
</tr>
<tr>
<td>All other Manufacturing</td>
</tr>
<tr>
<td>All Manufacturing</td>
</tr>
</tbody>
</table>

47. Manufacturing industry in the North-East generally is thus rather narrowly based, especially when account is taken of the fact that within the textile group the jute and flax processing industries occupy about 75 per cent of the 29,000 in textiles.

48. During the 1950s, the region failed to maintain its level of manufacturing employment; allowing for changes in the standard industrial classification there was a drop of about 6,000 between 1951 and 1959. Since 1959 there has been an encouraging recovery but in mid-1964 the number of employees in employment was still about 2,000 below the 1951 level.

49. After a period of post-war buoyancy, a severe recession took place in the 1950s which particularly affected the traditional jute and linen industries. Since then the expanding sectors have been able to take a strong hold and the jute industry has recovered some of the lost ground. The main expansion in the numbers has come in the food and drink, engineering and electrical and printing and publishing industries. Most other sectors, notably shipbuilding and marine engineering, have either declined or remained weakly represented.

50. Although over the period both the main areas shared in the decline in manufacturing employment, the Dundee Area has come rather better out of the period than the Aberdeen Area. In the Dundee Area considerable employment losses in the fifties due largely to contraction in the traditional textile industries have been largely offset since 1959 by expansion in a more diversified range of industries many of them new to the area. By contrast the Aberdeen Area, apart from the northern coastal belt, has attracted only a small share of new expanding manufacturing industry and the period has been one of slow decline in manufacturing employment up to 1959 and of stability without overall growth since.
51. A slightly surprising and encouraging feature is that, despite the high rate of net migration, male employment in manufacturing industry more than maintained its position between 1951 and 1964; an increase of 6 per cent in the Dundee Area was accompanied by a decrease of 5 per cent in the Aberdeen Area which was more exposed to migration losses. In contrast the number of females in manufacturing fell by 8 per cent but this took place almost entirely in Dundee, the more vulnerable textile area, whereas employment for women and girls in the Aberdeen Area showed little change.

52. Another little known feature is that manufacturing employment in the north-east coast group (Buckie to Peterhead and hinterland) rose by 20 per cent from 1951 to 1964. This was mainly due to the fact that two important concerns concentrated their fish processing activities in Fraserburgh and to the growth of engineering there and in Peterhead.

53. The most important contrast of all and one which confirms the rather sluggish overall picture of the Aberdeen Area so far presented, concerns new development. Aberdeen has gained little new and diversifying industry throughout the period. But like the Peterhead and Fraserburgh corner Dundee has had a great deal. Firms introduced to Dundee after the war increased their employment by over 10,000 between 1951 and 1964.

54. Three other parts of the region require some separate comment. First, the coastal area from Lossiemouth to Banff, and its hinterland centred on Elgin, Keith, Huntly and Turriff. This is not primarily a manufacturing area. Only one-sixth of its employees are in manufacturing firms. The main manufacturing activities are the food and whisky industries, textiles in Elgin and Keith, boat-building and repairing in the coastal towns, and sawmilling. There has nevertheless been a useful expansion in the manufacturing sector. The main increase has come from the growth of food processing at Fochabers and from increased employment in whisky distilling. But the other sectors have also undergone a modest expansion. Very little new industry has come into this area since the war, the main example being the A.E.I. electrical factory at Buckie. One of the main problems is that population is very scattered and no one place can at present provide a substantial manufacturing labour force.

55. Secondly, the Strathmore towns, including Arbroath and Carnoustie, provide another reasonably distinct group within the region. Although within travelling distance of Dundee, these towns—Blairgowrie, Forfar, Brechin, Montrose and the two already mentioned—have their own distinct economic life and problems. Their main problem in recent years has been the decline in textile employment consequent upon the contraction of the jute and linen industry. More than 500 jobs have been lost in this way since 1951. Nevertheless there has been a useful infusion of new industry, with the result that the manufacturing labour force has increased slightly. The numbers employed in the food industries have grown, and there has also been some increase in engineering, notably in Arbroath, where impressive developments in machine tool manufacture have taken place and a food can factory has also been established. During this period the jute firms themselves have become less dependent on the more vulnerable jute products and they have managed to achieve a modest measure of diversification. Except in Blairgowrie, the numbers of females in manufacture have fallen throughout the area, most heavily in Brechin, but in all the towns there has been more employment for males. As a result, the employment structure of the towns has become rather more balanced between males and females.

56. Thirdly, there are Forres, Nairn, Grantown-on-Spey, Banchory, Crieff and Pitlochry—the areas which join North-East Scotland to the Highland counties. Here manufacturing industry is of very small importance, more than two-thirds of employees depending for their livelihood on the service sector of the economy and more than a quarter being engaged in agriculture. Only about 5 per cent of the labour force—under 1,000 people—is engaged in manufactures and the total amount of manufacturing employment, as well as the total labour force in all activities, has fallen since 1951.
The principal forms of production are sawmilling and whisky distilling, but while the whisky sector has been prosperous and has increased its employment, there has been no parallel expansion in the remaining manufacturing industries.

FOOD AND DRINK INDUSTRIES

57. The food and drink industries have provided one of the two main blocks of increased employment in the region; nearly four thousand more people have found work in them since 1951, an encouraging alliance with the natural resources of the area.

58. The Aberdeen Area has accounted for two-thirds of the increase, owing to the vigour of a few large concerns such as those at Fochabers, Dyce, and at Fraserburgh where employment has also become less seasonal.

59. The Scotch whisky industry has achieved a spectacular expansion in output and exports. Because of its concentration on malt whisky distilling and the absence of the larger-employing grain distilleries, and because there is little blending and bottling in the area outside Perth (only one malt distillery in the area bottles its own product), the industry in North-East Scotland contains less than 3,000 employees out of about 15,000 engaged in distilling, blending and bottling in Scotland. About two-thirds are in over 60 malt distilleries (the largest of which employs not many more than 40 people), mostly in Banffshire and Moray.

60. Nevertheless there has been a most useful increase in employment of about 1,000 in the North-East industry since 1951, the greater part having been in the numerous small distilleries. Employment in the manufacturing side of the industry has grown more sharply in Central Scotland, because of the proportionately larger use of grain whisky in blends; and in the Highlands and Islands since the setting up of the large grain distillery at Invergordon. Additional employment in the North-East industry has had three other benefits; it has been very largely for males, it has become less seasonal, and it has helped the more rural parts. New developments have consisted of the setting up of several additional small malt distilleries and the large-scale modernisation and expansion of blending and bottling facilities in Perth.

61. Current new projects in the whisky industry (that is, new projects now building up their labour force and those still to recruit) are likely to provide an additional 1,500 jobs, but only 150 of these are likely to be in the North-East. Upper Banffshire is still collecting most of the projects. In addition a new mechanised malting is being built at Burghead. Maltings of this type are tending to replace less economic smaller maltings at individual malt distilleries and provide easier disposal of effluent on the seaboard.

THE METAL-BASED INDUSTRIES

62. The metal-based industries in North-East Scotland, that is to say foundries, shipbuilding, mechanical and a little electrical engineering, and metal goods, employ about 29,000 people. This amounts to more than a quarter of all those in manufactures. But significantly over two-thirds are in the Dundee area. Very little metal itself is produced from the few foundries in Dundee, Perth, Arbroath, Montrose, Aberdeen and Elgin, and so the northern area is thus at some disadvantage in having long inward hauls for its raw materials.

63. The main branches of the metal-based industries (proceeding from the older to the newer) are founding, shipbuilding and marine engineering, pneumatic engineering, mechanical handling, electrical engineering, office machinery, timepieces and refrigeration. Indeed, the metal-based sector is probably better looked at as a rather
miscellaneous group of individual firms of whom about a dozen employ two-thirds of the labour force.

64. Between 1951 and 1964 the whole group increased its total employment by over 2,000 or about 10 per cent. The great bulk of this increase was in the Dundee area and followed the introduction of new engineering industries such as National Cash Register and Timex to Dundee. Closures, in common with the whole North-East pattern, were heavier in the earlier part of the period. Nearly 3,000 jobs were lost in this way up to 1959, whereas the decline from this cause has been modest since—about 3 to 4 per cent of the number employed in that year.

65. Over the period the number in shipbuilding and marine engineering fell by about 1,500 and the number in iron foundries and the other small metal-producing industries rose a little. A rather unexpected feature was the acquisition by the north-east coast district, chiefly in Peterhead, of some vigorous new engineering firms which brought about an increase in employment in the metal-based sector in this district of nearly 1,000 persons, over two-thirds male. There is also a notably efficient railway workshop at Inverurie with 600 workers, for which a long-term future is planned by British Railways Board.

66. The general picture for the metal-based industries in the region has therefore been a reasonably stable level of employment in the older-established engineering group, a heavy decline in numbers in the shipbuilding and marine engineering portion, and a sharp increase in the newer firms, mainly in Dundee but also in Peterhead.

TEXTILES

67. Now overtaken by the metal-based group, the textile industries were formerly the largest employing group in the North-East manufacturing sector. In 1951 they gave employment to 33,000 people, about 7,000 more than in metals. But by 1964 the number had dropped to 28,000 while metals had increased to 29,000. This has been the main structural change in manufacturing employment in the region.

68. The main textile industries are jute—all in the Dundee Area with about 16,000—and flax with about 4,000, over three-quarters of which is in the Dundee Area.

69. The jute industry—defined to include made-up goods—consists of about 80 separate establishments employing about 14,000 people in Dundee and about 3,000 in the smaller Angus towns. In the last ten years, employment in the industry has fallen by nearly 3,000, mainly in Dundee. There has thus been little decline in the other Angus towns. The fall in numbers has been wholly among females; the number of males increased slightly.

70. The broad structure of the jute industry has not altered a great deal in the past ten years. There has been a tendency to concentrate on more specialised lines. Modernisation and a modest amount of rationalisation have taken place, and efficiency has considerably increased—which is one reason for the decline in the labour force. Despite some liberalisation in recent years, the jute industry in Dundee (spinning, weaving, finishing and making-up) remains protected by special arrangements covering a range of competing imports from India and Pakistan. The industry now supplies about two-thirds of the home market, and has limited opportunities for expanding exports in the face of competition from the sizeable industries of India and Pakistan and those which are growing in some other developing countries. It still employs between 17,000 and 18,000 people so its future is important to the area. The latest changes in the import arrangements, which are maintained in the interests of employment in Dundee, were made in the autumn of 1964 and are due for review in 1967.

71. In the event, the reduced protection has been temporarily offset by the recent import surcharge and conditions at home and abroad have sustained employment in
the industry to an extent that it has actually been experiencing some labour shortage from the competition of other expanding industries. It is at present intended that the protection arrangements for the industry will be reviewed in 1967.

72. Employment in the flax industry has fluctuated a good deal in the last decade. There was a sharp fall in employment in the late 'fifties when the textile industries both nationally and internationally were depressed. The years since have seen a rise, fall, and recently yet another rise in the numbers employed. But the long-term trend, as a result both of greater efficiency and competition, has been for the labour force in the industry to fall. In 1964 about 4,000 were employed, a drop of about 20 per cent since 1955, mainly in female employment. The industry in the Aberdeen Area mainly comprises one vertically integrated firm whose employment, like that of the industry as a whole, has fluctuated over the period but it is only a little less now than ten years ago. The decline in the industry's labour force has therefore been almost wholly in the Dundee Area.

73. The remaining textile industries are principally knitwear and carpets and both have increased their employment—Dundee is a modestly growing centre of carpet production.

74. The total employment picture for textiles in the study area is therefore a decline of about 5,000, mainly in female employment comprising a fall in jute and flax associated industries of about 6,000, and an increase of around 1,000 in other textile industries. The net decline in the group and also the incidence of closures have been very largely in the Dundee Area.

PAPER, PRINTING, PUBLISHING, ETC.

75. The remaining significant group of industries in North-East Scotland includes the production of paper and board together with printing, publishing and bookbinding. This group employs about 10,000 people, rather less than half in paper and board. The group has expanded its employment fairly steadily since 1951 by almost a quarter in paper and board and by 15 per cent in the rest of the sector. The Aberdeen Area now contains almost the whole of the paper and board industry in North-East Scotland and the number employed has risen by over 800. The Dundee Area has recently lost its main paper concern at Invergowrie. However, it contains much the largest portion of the printing and publishing industry with several large and important units in Dundee itself; and it has benefited from two sizeable local newspaper concerns. The rest of the printing and publishing industry has enjoyed an expanding market, and has been little affected by closures.

BUILDING MATERIALS AND WOOD PROCESSING

76. The mineral extraction industries are only meagrely represented, a handicap for a more distant area. Only about 700 people are employed, mostly on working roadstone. Until recent years granite quarrying was important in the Aberdeen Area—one of the two traditional sources for Scottish granite—but the local processing industry now depends on co-operative shiploads of Scandinavian granite which is denser, more consistent, and obtainable in larger pieces which can be fashioned more cheaply. By dint of local enterprise the Aberdeen processing industry has re-established building granite as a modern facing material: the use of memorial granite is continuing to decline.

77. Production of building materials is also poorly represented. Bricks, common and facing, slates, cement, glass, builders' ironmongery and most of the timber have to be brought in, as do the more modern materials and fittings. Granite bricks made from chips have been developed in Aberdeen but the area is not a large consumer of facing granite which is mostly used in office buildings in the south or large institutional
buildings in the main centres. Production of manufacturers' joinery is being established in Stonehaven by an Aberdeen firm.

78. Altogether these industries employ only about 2,500 people. The labour force has grown by about 5 per cent since 1951 but has fluctuated considerably. Most of the units have remained small; returns made in 1964 for 60 establishments (employing 11 or more persons) showed only 13 employing over 50 persons and only 4 of these between 50 and 100. The growth of employment achieved in recent years appears to have had no special industrial characteristic, a gradual increase in employment over most firms. But all of it has occurred in the northern portion of the area. As in the area as a whole closures of firms were heavier in the first half of the period: indeed no closures have been recorded since 1957.

79. The wood processing industries—sawmilling, builders’ joinery, wooden buildings, containers, furniture, etc.—occupy about 4,000 people in the study area fairly evenly divided between the northern and southern portions. Outside Dundee and Aberdeen the industry is largely confined to sawmilling. Nowhere is it carried on on a large scale; the main units, which tend to be larger on the fabricating side, employ only between 100 and 200. Between 1951 and 1959, employment fell sharply and the smaller districts contiguous to the Highlands were particularly affected by the closing of sawmilling establishments: in all between 1951 and 1960 about 20 establishments closed down in North-East Scotland with the loss of about 1,000 jobs. The main reasons seem to have been the reduced demand for wooden pitprops and the greater selectivity of consumers when imported timber became more freely available.

MANUFACTURING PROSPECTS

80. Despite its more distant location manufacturing employment in the Aberdeen Area, at least since 1959, has managed to maintain a reasonably stable level. It is thus possible to take a moderately optimistic view, as a whole, of the prospects for established manufacturing enterprise. Discussion with 20 or so of the main manufacturing firms in the Aberdeen, Peterhead and Fraserburgh areas recently has tended to sustain this view, though the shipyards are facing fierce competition in common with the rest of the country’s shipbuilding industry, now the subject of a special Government review.

81. Looking at the main sectors of established manufacture in the Aberdeen Area, and taking into account their employment history since 1951 and what is known of future prospects in the next 5–10 years, a moderate growth might be hoped for, mainly in food processing and paper, printing and publishing. But these alone could not provide a big enough dynamic to invigorate the area. This can only come if existing firms show much greater readiness to move into new fields, and if new enterprises can be attracted.

82. Turning to the Dundee Area, the basic change in the employed manufacturing labour force was a small net loss between 1951 and 1964. This represents about 5 per cent more males but 10 per cent less females, a situation reflecting the reduction in the demand for women in the older textile industries, accompanied by the introduction of newer industries more weighted towards male employment. This situation was reflected not only in Dundee but the other Angus towns. Perth, however, did not receive new industry to any marked extent and its manufacturing structure has therefore tended to weaken. Generally, manufacturing industry has been improving its balance between male and female employment.

83. Since 1951 the predominating feature of new development has been the success of Dundee in attracting projects carrying about 8,500 new jobs. About 1,500 more have gone to other places in the area.

84. The major growth has taken place in the newer industries of electrical and electronics engineering and the manufacture of office machinery and watches and clocks. These gains did much to offset losses in the traditional textile and shipbuilding industries.
85. The major influence on future employment in the area for some years is bound to continue to lie in the balance which emerges between the numbers in the expanding new industries and in the main industries which have been declining over a period, notably jute and flax.

86. The future position in shipbuilding is uncertain more than a very few years ahead because there is only one shipyard and its prospects naturally depend on its competitive position in an industry which now faces a period of considerable reorganisation. The decline in the textile machinery industry has been halted since the closure of one large firm in Dundee in the late 'fifties. There should be good prospects for the other firms for a considerable period in equipping the developing countries.

87. Jute apart, the potentially declining elements in the Dundee Area do not appear to be likely to give any cause for serious concern considering the buoyant element it also contains. Both the newer industries and strong established industries such as printing and publishing, have considerable scope for further enlargement. One of the more interesting features of the healthily evolving new structure of industry in the area is its increasing stake in the expanding carpet industry. Already a substantial proportion of the output of the jute industry is supplied to carpet makers and there is a growing production of wool and mixed fibre carpets. The building materials industry has also better scope for growth here than in the Aberdeen Area.

88. Some account must also be taken of the likely rate of expansion of the newer industries. About half of this employment arises from several large concerns which have now built up to a considerable size. Not many completely new industries have come into the area recently. It would be reasonable to expect, therefore—and this tends to be confirmed by knowledge of the prospects of individual firms—that the rate of expansion of the newer industries already there might be rather less in the next five to ten years than in the past ten to fifteen. In fact, the rate of expansion did moderate slightly in the second half of the period from 1951 to 1964; about 6,000 jobs accrued up to 1958 and under 5,000 up to 1964.

89. While it is not possible to attempt to make any detailed forward budget of gains and losses in manufacturing employment for the Dundee Area over the next five to ten years, the view taken in the study is that the expanding elements in the manufacturing economy should be able comfortably to overtake likely decline—other than from any special problem which may arise in respect of the jute industry. A severe contraction in the jute industry could affect the Strathmore towns, but moderate changes would not present serious problems; the jute firms outside Dundee have been engaging in some diversification and there is also a leavening of new industries which are increasing the employment opportunities for males.

Tourism

90. The wide variety of scenery, wealth of historical associations, ease of access and comparatively dry, sunny climate have established many parts of the North-East as popular holiday areas. In 1963 there were 1.33m. visitors (including the parts of South-West Perthshire and Kinross outside the study area). This was over a quarter of the Scottish total.

<table>
<thead>
<tr>
<th>Visitors, 1963</th>
<th>Approx. Nos. ('000s)</th>
<th>Per Head of population</th>
<th>% of total employment in hotels and catering (June 1963)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairn</td>
<td>38</td>
<td>4.6</td>
<td>Nairn</td>
</tr>
<tr>
<td>Moray</td>
<td>73</td>
<td>1.4</td>
<td>Moray</td>
</tr>
<tr>
<td>Banff</td>
<td>51</td>
<td>1.1</td>
<td>Banff</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>460</td>
<td>1.4</td>
<td>Aberdeenshire</td>
</tr>
<tr>
<td>Kincardine</td>
<td>38</td>
<td>0.5</td>
<td>Kincardine</td>
</tr>
<tr>
<td>Angus</td>
<td>136</td>
<td>0.5</td>
<td>Angus</td>
</tr>
<tr>
<td>Perth and Kinross</td>
<td>533</td>
<td>4.1</td>
<td>Perth and Kinross</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,329</td>
<td>1.5</td>
<td>2.9</td>
</tr>
</tbody>
</table>
Aberdeen and Perthshire accounted for three-quarters of the visitors. In relation to total population and, in employment, Perth and Kinross and Nairn emerge as the most active tourist counties.

91. There are two main tourist areas—the coast and the mountains. The coastal resorts, from Carnoustie to Nairn, have traditionally catered for families staying for a week or more. They have a listed capacity of over 6,000 beds a night in hotels and boarding houses, though the actual figure is believed to be well in excess of this. The mountains and valleys to the west have accommodation for more than 6,500 visitors a night. The remainder of the total listed capacity of 16,100 beds a night is scattered throughout the lowland areas. It is not known to what extent all this capacity is taken up, but field work at Grantown-on-Spey and on Deeside shows that severe pressure occurs during the peak summer holiday months.

92. The coastal resorts all compete in the same market—principally Central Scotland—with those of Fife, East Lothian and the Clyde. At a time when traditional resorts are suffering a decline the initiative of local authorities and tourist associations in publicity, standards and facilities is of great importance. ‘Second holidays’ and conferences offer possible lines of development.

93. The Grampian Highlands on the other hand are not duplicated anywhere else in the British Isles. They have a far larger market than the coastal areas of the North-East and it is expanding. This subject is also examined in the Highlands and Islands study.

Problems and Prospects

94. One encouraging point that emerges from most of the available employment and population records for the North-East region as a whole is that the usual trend from 1951 to 1958 was one of decline, especially in the Aberdeen Area, but that from 1959 to 1964 there has been something like stability.

95. The twin problems of heavy outward migration and fairly high unemployment mainly affect the Aberdeen Area. They are both related to the rapid run-down in manpower in agriculture, fishing and transport, and to the very restricted number and range of other employment opportunities within travel-to-work distance. The negligible growth of new manufacturing in Aberdeen is a special problem. Inward and outward migration have balanced sufficiently to give the city a relatively static population, and unemployment has never been high.

96. There is notable scope for development in food processing, in tourism, and in the highland and coastal areas, in chemical or other industries with special water supply and effluent disposal requirements.

97. While there is a diverse range of industry it is too dependent upon the fortunes of individual enterprises for any reliable labour budget to be worked out for all the sectors and sub-regions of the North-East’s economy. In general the prospect of a maintenance or modest improvement in the total amount of manufacturing employment is more likely than a decline. But an infusion from time to time of some new industry is a feature of most healthily developing areas. This is overdue in Aberdeen at the very least as an insurance against the future but more importantly to assist in stemming net emigration.

98. In the Dundee Area the jute industry contains some large firms, but the fortunes of this area are, on the whole, less dependent on the prospects of individual firms and more on the course of events in the jute industry as such which in the longer term seems bound to continue to be a declining source of employment. The growth of employment in the area will hinge essentially upon the rate at which new industries can be matched to this decline and to the numbers available who would otherwise migrate. The main focus for expansion seems bound to remain Dundee itself with its developed facilities, substantial labour force and its ability to draw on nearby communities conveniently as well as offer them services on a city scale.
99. Finally, on the evidence of past and present performance, some conclusions can be reached about towns which offer the best scope for future development. About half the 50 towns in the region may be regarded as significant centres of local population from a development point of view. These are burghs with over 3,000 population (or 8,000 including their immediate hinterlands) located about every 15 miles along trunk roads and railways and possessing an essential minimum of key services, professions, amenities and, mainly north of Aberdeen, still having an appreciable natural increase. Of these, besides the two cities, the most suitable for development specially when the size of existing or potential labour catchment is considered appear in the south to be Perth, Arbroath, Forfar, Montrose; and in the north, Peterhead, Fraserburgh, Banff, Macduff, Buckie, Elgin and Keith. The northern towns are demographically sounder and offer better prospects of providing a continuing source of labour from their own population resources than do those in the south, which, as Part II has suggested, might require the injection of new population to meet any sustained labour demand.
The Highlands and Islands

PART I

THE STUDY AREA

1. The Highlands and Islands for the purposes of the study were taken to be the seven crofting counties of Zetland, Orkney, Caithness, Sutherland, Ross and Cromarty, Inverness and Argyll. These have together a resident population of 276,000. But certain contiguous areas, with a population of 65,000, have also been taken into account. They comprise, in North-East Scotland, north and west Perthshire and the upland parts of Angus, Aberdeenshire, Banffshire, Moray and Nairn; this means the Grampians as a whole come within the study. And the county of Bute, which is generally regarded as part of Central Scotland, also requires consideration in association with Argyll’s Highlands-in-the-Clyde.

2. It must be recognised at the outset that the Highlands and Islands are as a whole quite unlike any other part of the United Kingdom. They make up about a fifth of the total land mass, contain a large number of inhabited islands—and inhabited mainland peninsulas more inaccessible than islands—and stretch for over 400 miles from the north of Shetland to the Mull of Kintyre, which is south of Alnwick. For transport, education, public services generally—this sheer physical extent of inhabited country presents a difference of degree so great as to constitute a difference of kind.

3. When this has been said, however, it must also be recognised that the Highland image most popularly held, which tends to reflect the crofting fringe of the economy, is a misleading one. Only one-fifth of the population live on crofts, while two-fifths are in the rest of the countryside and another two-fifths live in urban settlements of over 1,000 persons. The largest of these—notably in the Inverness-Dingwall-Invergordon area and Wick-Thurso—are set in conditions which apart from their outlying position differ little from many parts of Lowland Scotland.

4. The region is in fact split into three distinct economies. The first and most important is the fairly urbanised, central, and quasi lowland area around the Beauly and Cromarty Firths, which extends in a narrowing belt of orthodox lowland-type farming up the east coast and reappears in Caithness and Orkney. The second is the Eastern and Southern Highlands, an area of upland farming, a growing tourist and recreation industry, and small service towns, which is within a few hours of Central Scotland by train or car. Finally there is the western and northern periphery, including the Hebrides and Shetland, which contains—though even this is not wholly dominated by—the crofting economy. Remote as most of this area is by land and sea the numerous places served by air are within an hour or so of Glasgow or Aberdeen.

5. Rising standards of living have made the provision of acceptable services for the more scattered parts of the population a difficult problem, and have led inevitably to the concentration of facilities in the more populous centres—for certain medical and educational purposes, even in Aberdeen and Glasgow. It is on the character and potentialities of the main centres and the labour catchment areas on which they draw that the study concentrates for the purpose of examining the employment possibilities of the region. For the servicing of these main centres and of smaller settlements the North of Scotland Hydro-Electric Board has provided a network and source of domestic and industrial supply they would not otherwise have had; and their great dependence on good communications whether by road, rail, sea or air is manifest.
THE STUDY AREA

The study area for the UNCTAD/IDA Project was chosen on the basis of several criteria. First, it is located in a country with a substantial industrial sector, which is important for the development of a comprehensive industrial policy. Second, it has a relatively high level of industrialization, which indicates a strong commitment to industrial development. Third, it has a well-developed infrastructure, which is necessary for the implementation of industrial projects. Finally, it has a favorable economic climate, which is conducive to industrial growth.

The study area is characterized by a diversified industrial structure, with a strong presence of small and medium-sized enterprises (SMEs) in the manufacturing sector. This is indicative of a need for targeted support to SMEs, which are the backbone of the industrial sector in the study area. The study area also has a significant number of large firms, which are primarily engaged in the production of intermediate goods for export. These firms require access to a range of support services, including financial, technological, and business development services.

The study area is characterized by a relatively high level of industrial specialization, with a strong focus on sectors such as textiles, food processing, and electronics. This specialization is indicative of a need for targeted intervention in these sectors, in order to enhance their competitiveness and foster innovation. The study area also has a strong presence of foreign direct investment (FDI), which is essential for the growth of the industrial sector. The FDI is primarily directed towards sectors such as manufacturing, mining, and energy.

The study area is characterized by a relatively high level of unemployment, particularly among youth and women. This is indicative of a need for targeted intervention in the labor market, in order to enhance employment opportunities and reduce poverty. The study area also has a relatively high level of poverty, which is indicative of a need for targeted intervention in the social sector, in order to enhance the well-being of the population.

The study area is characterized by a relatively high level of education, which is essential for the development of a skilled workforce. The study area also has a relatively high level of innovation, which is essential for the development of new products and processes. The study area is characterized by a relatively high level of public spending on research and development (R&D), which is essential for the development of new technologies and products.

The study area is characterized by a relatively high level of trade, both exports and imports. This is indicative of a need for targeted intervention in the trade sector, in order to enhance the competitiveness of local firms and foster trade liberalization. The study area also has a relatively high level of foreign trade, which is essential for the development of a diversified and open economy.

The study area is characterized by a relatively high level of industrial investment, which is essential for the development of new capacity and the modernization of existing facilities. The study area also has a relatively high level of industrial productivity, which is essential for the enhancement of the competitiveness of local firms. The study area is characterized by a relatively high level of industrial efficiency, which is essential for the development of a sustainable and efficient industrial sector.
PART II

POPULATION

6. Past history and present geography make population problems particularly relevant in Highland development. This Part outlines the trends of migration and depopulation and compares them with those of other regions of Scotland. It also indicates the very different ways in which change is affecting the population level and structure of a variety of dispersed settlements, and examines tendencies towards concentration, the extent of declining and of stable areas and the impact of new sources of employment. Finally the demographic basis for future regeneration is discussed.

7. The seven Highland counties occupy some 47 per cent of the land area of Scotland but have a population of only 276,000 or 5 per cent of Scotland’s total (with the contiguous areas 62 per cent and 341,000, or 7 per cent). The average density of the seven counties is only 20 persons per square mile compared with 97 in other rural regions and 910 in Central Scotland. Sixty per cent of the population is rural. Settlement is largely confined by mountain, moorland and sea to parts of the coasts, the islands and the eastern straths. This scatter and isolation of communities accentuates their dependence on declining primary employment, and their generally ageing and falling numbers. This is the basic Highland problem. Naturally most acute in the predominantly rural and outlying West and North zone where crofting prevails, it is mitigated in the more accessible central and southern Highlands where there are several important concentrations of both urban and rural population, notably from Inverness to Invergordon and at Fort William and Oban. There are also outlying concentrations at Thurso–Wick and Stornoway in Lewis. These and other smaller nodal points offer the most likely basis for further development.

Net change and Migration

8. The population of the Highland counties has been falling for a century and emigration has continued for a very much longer period. In 1911 the resident population was 341,500 and it fell in the following two decades by over 51,000 as a result of heavy emigration. Between 1931 and 1951 emigration was at a very much reduced rate (during the depression and war years) with the result that the population fell by less than 4,000. Since 1951, however, net emigration has been resumed, though at a lower rate than in the period up to 1931, and the Census population has fallen by over 8,000 in 10 years. The following table gives a comparison of changes in ‘Total Population’ in the Highlands and the rest of Scotland between 1951 and 1961.

<table>
<thead>
<tr>
<th></th>
<th>Total Population</th>
<th>Changes 1951–61</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(June)</td>
<td></td>
</tr>
<tr>
<td>1951 (Thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seven Highland Counties</td>
<td>290.0 279.7</td>
<td>-10.3 -3.6 7.1 2.4 -17.4 -6.0</td>
</tr>
<tr>
<td>Other outer regions</td>
<td>1,132.6 1,112.1</td>
<td>-20.5 -1.8 56.3 5.0 -76.8 -6.8</td>
</tr>
<tr>
<td>Central Scotland</td>
<td>3,746.4 3,834.2</td>
<td>+87.8 +2.3 275.7 +7.4 -187.9 -5.0</td>
</tr>
<tr>
<td>Scotland</td>
<td>5,169.0 5,226.1</td>
<td>+57.0 +1.1 339.1 +6.6 -282.1 -5.5</td>
</tr>
</tbody>
</table>

9. It will be seen that the distinctive feature of the Highlands was the low rate of natural increase, not the rate of loss by migration which, was about the same as
### Table 1

<table>
<thead>
<tr>
<th>Column</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>Unit</td>
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<tr>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td>1.0</td>
<td>0.2</td>
</tr>
</tbody>
</table>

#### Notes

- Column 2 represents the unit of measurement corresponding to the values in Column 1.
- The table is intended for comparative analysis in scientific research.
in the rest of Scotland in this period, while the rate of net fall in population was
double the average of other rural regions. About half the net outward migration—
more than in the other regions—was to the rest of Scotland, mainly the Central belt.
The scale of net movement out of the Highland Counties (1,750 a year in 1951–61
and 1,400 in 1961–64) is, like the total population, not particularly great in relation
to the figures for Scotland as a whole. But the effects of emigration on small, scattered
Highland communities with little or no natural increase are greater than elsewhere.
Gross movements both out of and into the Highlands are at relatively high rates,
apparently confirming the tradition of temporary emigration by Highlanders and
Islanders and temporary immigration by, for example, construction workers.

10. The impression given by these average changes in the Highlands population in
1951–61 must, however, be modified on closer inspection. In fact they are made up
of an increase of 4,700 in the Census population in Caithness County and 1,700 in
Inverness Large Burgh—the former including a net gain of 3,000 migrants arising
from the Dounreay development—and a decrease in all other Counties and all the
contiguous areas—which together contain 84 per cent of the regions’ population—
amounting to 23,000 or 7.2 per cent, double the average rate for the 7 Counties.

Natural Increase

11. Similarly, for natural increase, the rates in Caithness and Inverness Burgh were
7 per cent, as high as in Central Scotland; but in the rest of the Highlands only averaged
1 per cent, almost as little as in the Borders. The low crude birth rates and high crude
death rates in most of the Highlands are due to the low proportion of younger married
people and high proportion of older people in the population, itself a result of prolonged
emigration of the reproductive age groups. They are not due, as they are in parts of the
Borders, to low fertility of marriage, which is indeed at a rate 10 per cent above the
Scottish average; or to ill-health, for the standardised death rate is in fact 14 per cent
below the Scottish average. It is also reassuring that the average rate of natural increase
in 1951–61 was the highest in any decade since before 1911 and it has risen further
since 1961. This appears to be due partly to higher marriage rates at younger ages and
to lower mortality, as in Scotland generally recently; and partly to the immediate gain
in fertility from the retention, or inward migration, of younger working age groups in
developing areas, notably in Caithness and some of the towns.

12. A continuation and wider extension of this process could bring stability to many
parts of the Highlands. The rates of marriage fertility are in fact above the Scottish
average in five of the Highland Counties and in Orkney and Sutherland are only
slightly below. Looking at individual areas, fertility would appear to be relatively
higher in South Uist and Stornoway, Oban and North Lorn, Fort William, Aird and
Inverness district, Dingwall and Muir-of-Ord and the Wick/Thurso area. In some
areas there is a shortage of younger men (as in Dunoon, Tiree and Coll, and Barra)
and in some areas a shortage of younger women (as in Mull, Harris, North Uist and
Lewis).

Age Structure

13. Compared with Scotland as a whole the Highlands have a relative surplus
of persons over the age of 65 and of the older working age groups, and a relative
deficiency of persons in the younger working age groups and of children under 15,
though the latter sector is still comparatively large considering the long-term effects of
emigration. The existing age structure is more favourable than that of the Border
Counties which has the features of a less viable population than that of the Highlands.
The following table sets the age structure of the Highland Counties’ population in
perspective.
### Proportion of Total Population in the Main Age Groups 1961 (%)

<table>
<thead>
<tr>
<th>AREA</th>
<th>Under 15</th>
<th>15-44</th>
<th>45-64</th>
<th>65 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCOTLAND</td>
<td>25.9</td>
<td>39.3</td>
<td>24.2</td>
<td>10.6</td>
</tr>
<tr>
<td>BORDER COUNTIES</td>
<td>22.5</td>
<td>35.4</td>
<td>24.4</td>
<td>18.0</td>
</tr>
<tr>
<td>HIGHLAND COUNTIES</td>
<td>24.5</td>
<td>35.7</td>
<td>25.4</td>
<td>14.4</td>
</tr>
<tr>
<td>CAITHNESS COUNTY</td>
<td>27.5</td>
<td>40.4</td>
<td>22.0</td>
<td>10.1</td>
</tr>
<tr>
<td>ARGYLL COUNTY</td>
<td>22.4</td>
<td>34.4</td>
<td>27.2</td>
<td>16.0</td>
</tr>
<tr>
<td>LOCHCARRON D.C. (ROSS AND CROMARTY)</td>
<td>17.7</td>
<td>27.1</td>
<td>32.4</td>
<td>22.8</td>
</tr>
</tbody>
</table>

14. Within the Highlands there is a considerable range of conditions, Caithness representing the positive end of the scale and Argyll the negative. Caithness's high proportion of children under 15 and younger working age groups has given it a younger population than the Scottish population, while Argyll's relative deficiency of these age groups and preponderance of older working age groups and persons of retirement age, has given it a population considerably older than that of Scotland as a whole. The figures for Lochcarron illustrate the extreme of this condition where persons over 65 actually exceed the number of children under 15 by a considerable margin. Other areas with a low proportion of persons of younger working ages include Dunoon, Mull, Tiree and Coll, Barra, Harris and North Uist, Cromarty, Lewis, almost all of Sutherland, and most of Orkney and Zetland. Those with relatively high or even average proportions of younger working age populations include South Lorn, Inverness, Fort William, Aird and Lochaber, Dingwall and Avoch, Lerwick and most areas in Caithness. Areas with favourable proportions of children under 15, include Fort William, Aird, Barra, Lochaber and South Uist, Stornoway and Tain, Dingwall, Fortrose and Invergordon, the Golspie area and the north of Caithness. Such areas may be regarded as relatively sound demographically.

### Declining Areas and Stable Areas

15. Between 1951 and 1961 over three-quarters of the parishes in the seven Counties decreased in population, the majority by between 10 and 50 per cent. This was apparently the result of low natural increase, or decrease, and moderate or heavy loss by migration. Decreases were most prevalent in the West and North, both in crofting areas and in farming areas like Orkney; and nearly all parishes and a majority of burghs in the East and South Grampians and Bute decreased. Broadly this was a continuation of the earlier trend of 1911-31 and 1931-51, but there are now signs of a slowing up in decline in some crofting areas of Wester Ross and North-West Sutherland.

16. Although there is a prevailing pattern of depopulation and an overall regional decrease, some internal re-distribution of population is taking place. A quarter of the parishes (including burghs) increased or were virtually static in 1951-61 and they now contain as many as 140,000 people, half the total of the seven counties. The stability of the burghs, and probably the other areas, is known to be due to moderate or high rates of natural increase and a small net gain or moderate loss by migration. Some of the people leaving the farms and crofts—the proportion is not known—are being held in these Highland towns.

17. These 'holding areas'—most of which were also growing or at least static in 1911-31 or 1931-51 and in 1961-64—are concentrated along what may be called the central axis of the Highland mainland from Cowal and mid-Argyll in the south-west through Lochaber and the Great Glen north-eastwards to Inverness, Easter Ross, East Sutherland and most of Caithness. It is in this relatively accessible zone that both urban growth, based on services, industry and tourism, and forestry development have been mainly concentrated in the past 40 years. Hydro-electric constructional work has
played a temporary part. The most striking examples of expansion are in Lochaber and Caithness, associated with the introduction of non-indigenous industrial employment, and in Inverness Burgh, the regional ‘capital’, associated mainly with the growth of services.

18. The effect of industrialisation of a crofting area is seen in the changing population of part of Lochaber:

<table>
<thead>
<tr>
<th>Year</th>
<th>Kilmallie and Kilmoravaig parishes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1911</td>
<td>5,348</td>
</tr>
<tr>
<td>1931</td>
<td>7,561</td>
</tr>
<tr>
<td>1951</td>
<td>9,268</td>
</tr>
<tr>
<td>1961</td>
<td>10,132</td>
</tr>
</tbody>
</table>

The first large-scale industrial development in the Highlands was carried out here by the British Aluminium Co. and its subsidiaries, who set up power plants and factories at Foyers in 1893, at Kinlochleven in 1909 and Fort William in 1933. Entirely new towns were built to house immigrant workers from the Lowlands, and from other parts of the Highlands. The environs of Fort William including several outlying villages, have greatly expanded. The number of workers there has been tending to fall.

19. The striking increase of nearly a quarter in the population of Caithness and the rejuvenation of its age structure since 1951 has occurred mainly in and around Thurso Burgh, which increased from 3,200 in 1951 to 9,200 in 1964. It has been transformed by the setting up of the United Kingdom Atomic Energy Authority’s breeder-reactor station at Dounreay in 1955–59. Over half of the permanent staff are immigrants, including scientists transferred from the U.K.A.E.A.’s establishments in England who have been housed in Thurso. Educational and other services have been greatly expanded. Formerly Caithness County was dependent almost entirely on farming, fishing and crofting and it had a long history of unemployment, outward migration and depopulation.

20. The few cases of increase or stability of population which have occurred in more outlying parishes in the West and North appear to be due to a variety of circumstances. These include urbanisation (in and around Lerwick, Kirkwall, Stornoway and Portree): continuing afforestation (in South-West Ross, Glenelg and Morvern); tourism (in parts of Badenoch and possibly Loch Broom); the communal stability and up-to-date methods of some small fishing or crofting communities (for example in Shetland); and the establishment of Services bases (in South Uist and Unst). But for weaving, the fall in population in crofting townships in Lewis would have been much greater.

Future Prospects

21. The impact of these past economic developments has increased the wide diversity which clearly exists in the demographic structure and potential future of local populations. These differences will have to be closely examined from statistical information and local surveys before the relative opportunities for development in one district or another become apparent. At one extreme there are districts, often isolated, where people are thin on the ground and elderly at that, and where for this and other reasons there is little prospect of a self-generating community. Other districts have a less unfavourable demographic future but may have one adverse characteristic, such as a shortage of marriageable young women. But there are many towns and rural townships, mainly in the S.W.–N.E. axis of the mainland but also in Lewis and in the Northern Islands, where the numbers, ages and fertility of the population are likely to provide a sound demographic basis for development. A projection of the population for 1961–81 suggests that to ensure the total population of the region falling very little if at all it would be necessary for new jobs to arise at about the rate they have done since Dounreay began. This would not be easy as Dounreay itself was an unusual form of labour demand but if it is to be brought about at all it would seem necessary to concentrate on planning for a limited number of centres with the best prospects for accommodating and sustaining new developments.
PART III

INDUSTRY AND EMPLOYMENT

Structure

22. Analysis of the industrial structure in the Highlands on the basis of employees is particularly difficult because of the relatively large numbers of self-employed, notably in agriculture and textiles. In the following table for the 7 Highland Counties, the first column is derived from the 1961 (10 per cent) Census. The remaining columns give the Ministry of Labour’s estimates of employees at 1961 and 1964 and a comparison with Scotland as a whole.

<table>
<thead>
<tr>
<th></th>
<th>Working population</th>
<th>Employees 1961</th>
<th>Employees 1964</th>
<th>Scotland 1964</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1961</td>
<td>1961</td>
<td>1964</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>No. (%)</td>
<td>No. (%)</td>
<td>No. (%)</td>
<td>No. (%)</td>
</tr>
<tr>
<td>Primary Industries (Agriculture)</td>
<td>20.9 (14.5)</td>
<td>12,000 (8,000)</td>
<td>12,000 (8,000)</td>
<td>7 (3)</td>
</tr>
<tr>
<td>Manufacturing Industries</td>
<td>9.0 (11.9)</td>
<td>8,000 (14,000)</td>
<td>9,000 (13,000)</td>
<td>34</td>
</tr>
<tr>
<td>Services (Construction)</td>
<td>70.1 (7.9)</td>
<td>61,000 (17)</td>
<td>65,000 (15)</td>
<td>59</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>106,500</td>
<td>86,000</td>
<td>100</td>
</tr>
</tbody>
</table>

23. The distinctive features of the economy are thus the heavy dependence on declining agricultural employment, the very small representation of manufactures and the large and growing service sector. The first two accounted for less than a third of the working population in 1961—lower than in any other study area—and services more than two-thirds—higher than elsewhere.

24. An average proportion of only 10 per cent in manufactures, compared with about one-third in Scotland as a whole, is a striking index of the Highland problem. Only two employment exchange areas have more than 15 per cent of their employees in manufacturing—Fort William in Lochaber, centre of the aluminium smelting industry and Stornoway in Lewis, centre of the tweed industry; there is also a zone of smaller manufactures from Inverness to Invergordon. However, these and certain other exceptions are of some significance for the future in a Highlands context.

25. The abnormally high services sector includes a large but fluctuating construction industry, most of the U.K. A.E.A. development at Dounreay (in Professional and Scientific Services) and tourist services such as Hotels and Catering which includes part-time and seasonal workers. There remains a larger internal servicing component than in any other study area, the nearest to it being the South-West which is also an outlying and rather self-contained area.

THE MAIN SECTORS

NATURAL RESOURCES AND LAND USE

26. The Highlands are endowed with substantial resources of hill land, much of it suitable for stock grazing and timber growing; with spacious mountain and coastal scenery for recreation and tourism; water power, industrial water supplies and deep-water harbours; sea and river fisheries. Among the mineral deposits are dolomite,
PART III

INDUSTRY AND EMPLOYMENT

25. Apparatus of the manufacturing industry to the Government of the Public and the Press of industry. The employment of the various categories of employees in industrial and service industries is given in the following table:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employees</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The main sectors

THE MAIN SECTORS

1. NATURE OF THE MAIN SECTORS

The main sectors of the economy include agriculture, industry, and services. Agricultural activities are important for the food supply, while industry contributes to economic growth and development. Services, including tourism, education, and healthcare, play a significant role in the economy's overall performance and development.
limestone, shell-sand, silica, potash-bearing shales (whose investigation has been
Government assisted), lead and zinc, serpentine and talc; but their economic exploita-
tion in all but a few cases has not been possible owing to inaccessibility or limited
occurrence and the easy availability of bulk supplies of equal or higher quality from
abroad.

27. The land use aspects of economic development in the Highlands are particularly
important because of the virtual absence of other sources of economic production
over large parts of the area. The seven Highland Counties extend to nearly 9 million
acres of 14,100 sq. miles (47 per cent of the land surface of Scotland) and the whole
geographical region including the contiguous uplands of the North-East and Bute
extends to 18,600 sq. miles (62 per cent of the land of Scotland or 21 per cent of
Britain). Of the 9 million acres, 8½ million are taken up with agriculture (only 7 per
cent under tillage and grass and the remainder rough grazings). Deer forests total
2½ million acres (overlapping with agricultural use) and rather less than half a million
acres are taken up for forestry. The main land use problems are the need to rationalise
the crofting pattern which has too many very small uneconomic units; the allocation
of land for the forestry programme, which can take place without appreciable detri-
tment to agriculture; the under-use of much of the deer forest land which is capable
of fuller development for agriculture and forestry; the improvement and control of
access to the open spaces for recreation and tourism; and the orderly and attractive
development of land for urban uses—for which ample space can usually be found—
mainly by expansion of certain existing centres.

**Agriculture**

28. Agriculture produces a gross output valued at about £20 million a year (approxi-
mately 11 per cent of Scotland’s gross output) of which some three-quarters comes
from 4,600 full-time farms and one-quarter from some 20,000 crofts. The pattern of
agricultural land use reflects the limiting effects of soil and climate as well as the
sparseness of the population, and the crops grown are mainly for feeding livestock.
Sheep are strikingly important and the Highlands make a large contribution to Scot-
land’s output of wool, sheep and lambs. Most of the full-time farms, which form the
backbone of the agricultural economy, are devoted primarily to breeding and rearing
of livestock and commercial farms are concentrating to an increasing extent on sheep
and cattle rearing. The more intensive forms of enterprise such as milk, pig and egg
production have been declining, while sheep and particularly cattle have been increas-
ing. Crofting agriculture generally provides only a small supplementary cash income
from sales of stock, plus some milk, eggs and potatoes for domestic use.

29. The demand for beef and probably lamb is likely to increase by at least as much
as for food generally, and these and other possible developments in livestock pro-
duction could benefit the Highlands if farming there can be competitive in production
costs with similar stock rearing farms elsewhere. This in turn will depend on exploiting
the area’s basic resources of a relatively plentiful supply of hill land and of labour by
the use of new techniques of production. Moreover, the growing tourist trade provides
a seasonal increase in demand for foods such as milk, eggs, potatoes and vegetables
which could be met by local farmers and crofters if they compete in price and cost
with imported supplies. To provide an adequate living, some increase in farm sizes
will be necessary.

30. Farming at present provides full-time employment for some 7,700 farm workers
with 4,600 farmers and part-time employment for about 2,000 workers and
possibly 16,000 crofters. Making some allowance for crofters, whose strictly agri-
cultural employment is difficult to assess, farming probably accounts for the equivalent
of about 17,000 full-time jobs, or about 16 per cent of the working population. In the
decade to 1962 the number of regular full-time workers fell by 23 per cent, the same
PART III

INDUSTRY AND EMPLOYMENT

The table below gives the industrial distribution of the population, as stated in the census of 1931, for the various industries of the United States. The table includes all industries, both manufacturing and mining, and shows the number of persons employed in each, by sex and race.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employed Males</th>
<th>Employed Females</th>
<th>Total Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1,000,000</td>
<td>250,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Manufacture</td>
<td>2,000,000</td>
<td>1,500,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Mining</td>
<td>500,000</td>
<td>300,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Total</td>
<td>3,500,000</td>
<td>2,450,000</td>
<td>5,950,000</td>
</tr>
</tbody>
</table>

THE MAIN SECTORS

Natural Resources and Land Use

In the utilization of the United States' natural resources, the government has a major role to play. The government needs to ensure that the natural resources are used efficiently and sustainably. This involves managing the extraction and use of resources such as timber, water, and minerals to meet the needs of the present without compromising the ability of future generations to meet their own needs.
limestone, shell-sand, silica, potash-bearing shales (whose investigation has been Government assisted), lead and zinc, serpentine and talc; but their economic exploitation in all but a few cases has not been possible owing to inaccessibility or limited occurrence and the easy availability of bulk supplies of equal or higher quality from abroad.

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Agriculture

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29. The demand for beef and probably lamb is likely to increase by at least as much as for food generally, and these and other possible developments in livestock production could benefit the Highlands if farming there can be competitive in production costs with similar stock rearing farms elsewhere. This in turn will depend on exploiting the area’s basic resources of a relatively plentiful supply of hill land and of labour by the use of new techniques of production. Moreover, the growing tourist trade provides a seasonal increase in demand for foods such as milk, eggs, potatoes and vegetables which could be met by local farmers and crofters if they compete in price and cost with imported supplies. To provide an adequate living, some increase in farm sizes will be necessary.

30. Farming at present provides full-time employment for some 7,700 farm workers together with 4,600 farmers and part-time employment for about 2,000 workers and possibly 16,000 crofters. Making some allowance for crofters, whose strictly agricultural employment is difficult to assess, farming probably accounts for the equivalent of about 17,000 full-time jobs, or about 16 per cent of the working population. In the decade to 1962 the number of regular full-time workers fell by 23 per cent, the same
rate as in Scotland as a whole, and it is estimated that employment in this sector will continue to fall, if rather more slowly. Numbers of full-time workers and farmers may therefore be estimated to decline from 12,300 at present to about 11,000 in ten years' time; similarly part-time employees from 2,200 to about 1,500. If crofting were to be reorganised in units providing full-time employment for one man, not more than 4,000 crofter-farmers would be needed compared with possibly 16,000 partly engaged in agriculture at present. In fact reorganisation on this scale is very unlikely to be achieved for a long time.

**Crofting**

31. On the 20,000 crofts there are estimated to be some 16,000 crofter households, forming about 15 to 18 per cent of the working population, in the seven Counties. An estimated population of 60,000 or 22 per cent of the Highlands population is dispersed in some 700 townships in the main crofting districts along the western and northern seaboard, the Outer Hebrides, Skye and Shetland. Analysis of the diversity of the crofting economy is only possible by field studies, and this account draws on work in recent years by the Crofters' Commission, and by Glasgow and Aberdeen Universities, which includes surveys of four different outlying districts.

32. As an economic activity crofting is partly agricultural, contributing about one-quarter of the gross output of the Highlands, but mainly a many-sided means of livelihood based on all available local resources and sources of income, whether part-time or virtually whole-time. This is because the original pattern of very small, uneconomic croft holdings still largely persists, and only in exceptional areas, such as Westray in Orkney, has reorganisation produced what are really small farms and a more advanced agriculture. Usually less than 20 per cent of crofters and their families are supported by full-time croft work. The remainder either have ancillary occupations in local public services, shops, hotels, trades, farms, fishing and forestry; work away from home for all or part of the year (for example, in the Merchant Navy and on hydro-electric and road works); or are unemployed or under-employed. It is a case of outside employment with ancillary crofting agriculture more often than agriculture with ancillary sources of income. Nevertheless, the labour provided off the land in these ways is particularly valuable in the Highlands context. It is the only labour available for many small tourist catering and essential service activities and for much forestry development in a widely dispersed population, and it makes a contribution in industrial and urban centres such as Fort William, Stornoway and, on a smaller scale, Brora.

33. In the four districts recently surveyed estimates were made, with the assistance of several Departments' records for 1963/64, of three categories of earnings: (1) from primary production (sales of livestock, fish, knitwear, etc.); (2) remuneration of doctors, teachers and other public servants (including from temporary public works) and of those with jobs temporarily outside the area; and (3) welfare benefits (chiefly unemployment, national assistance and pensions). The following table shows that the share of these 'external earnings' varies considerably from one district to another, but that, except in Westray, category (1) is about equalled or exceeded by (2) and (3) taken together. The table also shows that these earnings amounted to an average per capita for the year of between £150 in North Uist and £231 in Westray (or £500 and £730 per household). No comparable figures are available for other areas or in the same years, but except in Westray these figures are probably below the Highlands average (Inland Revenue figures of taxed income for 1959/60 gave an average of £180 per capita in the Highlands, £242 in Scotland and £309 in England).

34. The main trend in the adaptation of the crofting structure is that crofts are tending, slowly, to be amalgamated. On current trends and policies, the number of crofts and the number of croft holders may be expected to fall by only about 2,000 by
[Text not legible]
Crofting Earnings

<table>
<thead>
<tr>
<th></th>
<th>Yell</th>
<th>N. Uist</th>
<th>Assynt</th>
<th>Westray</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of agricultural and other products</td>
<td>33</td>
<td>34</td>
<td>51</td>
<td>64</td>
</tr>
<tr>
<td>Wages and salaries from services</td>
<td>36</td>
<td>44</td>
<td>27</td>
<td>29</td>
</tr>
<tr>
<td>Welfare benefits</td>
<td>31</td>
<td>22</td>
<td>22</td>
<td>7</td>
</tr>
<tr>
<td>Total, 1963-64 %</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>£'000s</td>
<td>220</td>
<td>276</td>
<td>135</td>
<td>193</td>
</tr>
<tr>
<td>Per capita</td>
<td>£190</td>
<td>150</td>
<td>193</td>
<td>231</td>
</tr>
</tbody>
</table>

1980. If action were taken by stronger powers and inducements to accelerate this trend towards more viable units, it is doubtful if the reduction in units and holders would be greater than another 1,000. The traditional regard for the croft holding and house as a secure and cheap base of operations is deeply implanted, especially in areas like Lewis where considerable non-crofting income is possible and where social cohesion is strong in relatively large townships. Most crofters still prefer a variety of expedients in employment and income, in order to remain at or based on their homes. In any case many smaller townships would no longer have sufficient numbers of active people for community life in relative isolation if they were cut down to a purely rational agricultural level.

35. It seems clear that crofting will continue as the main economic activity in the north and west Highlands and Islands. And despite its frequent gross inefficiency viewed purely in modern agricultural terms it has a value in providing a tolerably satisfying life for people in remote places, whose services are useful to the community in other ways—services which could not be easily or cheaply replaced if the crofting population were to disappear. But croft holdings must be enlarged and agricultural techniques improved if adequate opportunities are to exist for the young. Townships can with advantage be fostered where labour for other purposes is likely to be needed nearby, especially for forestry and tourist development; and where the numbers of people of working and reproductive age are likely to be sufficient to maintain stability.

FISHING

36. Inshore and off-shore sea fisheries are a considerable resource available—not of course exclusively so—to the Highlands and Islands. Though a traditional adjunct to the crofting economy, there has been a marked decline in the participation of local men in the industry. The number of part-time crofter fishermen fell from 4,000 in 1938 to about 900 in 1964; they operate mainly in the Outer Hebrides, Shetland, Orkney and Skye. Whole-time fishermen using sizable modern motor vessels have maintained greater stability of numbers since the war. They number at present some 2,200 and operate mainly from Campbeltown, Tarbert, Mallaig, Wick and several centres in Shetland and the Outer Hebrides, including Stornoway and district where nine full-time fishing vessels were provided between 1961 and 1963 under the Outer Hebrides Training Schemes. However, most of the fish landed on the north-west coast, at Kinlochbervie, Lochinver, Ullapool and Gairloch as well as at Oban, are from vessels registered elsewhere—chiefly on the east coast—there being very few resident fishermen at these ports. Schemes of assistance to the fishing industry apply in the Highlands as in the rest of Scotland. These provide for financial assistance by way of grant and loan for building new fishing boats and for a limited range of improvements to fishing vessels. An operating subsidy is paid to vessels engaged in fishing for herring and white
fish, but it is intended that this should be gradually reduced and eventually eliminated. The fishing ports of the Highlands have been built and developed mainly with small and medium-sized vessels in mind. They do not provide facilities for the larger modern vessels which in Scotland work from Aberdeen. Processing facilities in the form of quick-freezing and cold storage plants, reduction factories, and shellfish processing, exist at a number of Highland fishing centres but are often handicapped by irregular supplies.

37. Certain modest improvements in employment and income are not impossible in certain favoured places, particularly in shell fishing; and in the longer term fish farming and associated processing may bring employment. But for the purposes of this study it would be quite wrong to imagine that fishing can be looked to as a significantly expanding sector of the Highland economy.

**Forestry**

38. The extent of managed woodlands in the Highland counties (400,000 acres) is less than that of tillage and enclosed grass on crofts and farms (600,000 acres) and amounts to only 4-5 per cent of the land surface; it gives employment to 2,900 forest workers, contractors, haulage workers and men in sawmills, etc., about 3 per cent of the Highland’s labour force. In the greater Highlands, including the fringe uplands of the southern and eastern Grampians, the Forestry Commission have planted 358,000 acres and private owners 272,000 acres and this gives similar employment to about 4,500.

39. Wherever planting has been on a large scale as in mid-Argyll, west Perthshire and south-west Ross, and in crofting areas where local surveys have been made, it has been found to have a notable effect in diversifying local employment, in concentrating the thin spread of habitation and in retarding or halting rural depopulation with a consequent maintenance of viable communities. Much greater regional effects in terms of basic industry are also now beginning through the setting up of the Annat pulp and paper mills which will employ 1,200 by the early seventies. With some further expansion in the eighties this will lead to more than a doubling of the urban population around Fort William, as well as stabilising or increasing many smaller communities in the extraction areas. State ownership of land in districts of high scenic and recreational value, such as Glenmore National Forest Park in the Cairngorms, has contributed to substantial developments in tourism; while afforestation in upland areas has a significant role in providing shelter for livestock and conservation of soil.

**Manufacturing**

40. Manufacturing industry, which is unrelated to indigenous primary products, is poorly represented in the Highlands and Islands. Distance from the main markets and the lack of skilled labour and managerial enterprise still present obstacles to substantial development. In 1964 only 9,000 persons were employed in manufacturing—about 1-4 per cent of the number employed in manufacturing in Scotland as a whole. Only one-tenth of the total employees in the region were employed in manufacturing compared with just over one-third in Scotland as a whole and more than two-thirds of these jobs were in industries based on indigenous primary products.

41. The manufacturing industry that does exist is mainly represented in a few towns, including centres of communication, though in most of them it is narrowly based. Three-quarters of the employment in manufactures is in 7 out of the 18 employment exchange areas and in only six of the eighteen are more than 10 per cent of the employees in manufacturing. Stornoway and Lerwick rely heavily on textiles and food processing, Dingwall/Invergordon on whisky and timber and Campbeltown on whisky and cloth-
ing. Fort William and Thurso are heavily dependent on single industries (aluminium and atomic energy) for which special location factors apply. Only Inverness Employment Exchange Area with its concentration of population and communications astride the region exhibits a reasonably broadly based industrial structure, including engineering and electrical goods, printing and publishing and metal manufacture as well as primary based manufacturing industries. The Inverness area in fact provides one-fifth of all manufacturing jobs in the region.

42. Of the four principal Industrial Orders in the region, three are closely associated with primary industries—food and drink which provide more than a quarter of the total jobs in manufacturing, textiles (about a fifth) and timber products (about an eighth). Just over half the employment in food and drink is provided by whisky which has its main strongholds in Speyside, the eastern seaboard (Dingwall, Invergordon, Inverness) and the islands of Islay and Skye; about a quarter of the labour force is employed in meat and fish processing, particularly in Shetland, Lewis and Thurso. Over 60 per cent of the employment in textiles is in the Hebridean tweed industry, but even so crofter weavers of whom there are about 1,500 are excluded from these employment figures because they are self-employed. Tweed is also produced in Oban and the Inverness area. In addition the small but important Shetland knitwear industry provides substantial employment for self-employed knitters who are not included in these figures. Timber using industries are concentrated in the eastern part of the region around Inverness, Dingwall and Invergordon and in the contiguous areas. Other industries of lesser importance but of significance in local areas are boat building in coastal fishing towns, building materials in Inverness and seaweed processing in the Oban area and the Uists.

43. Among the industries unrelated to local primary industry, metal manufacture is the most important providing about an eighth of all manufacturing jobs, almost entirely in the aluminium industry at Fort William and Kinlochleven. Engineering and electrical goods follow closely with just over a tenth of manufacturing jobs; much of this is ancillary to the nuclear project at Thurso and most of the remainder is in the Inverness/Dingwall area. Other industries are small in scale but often important in the local economy. These include printing and publishing in Inverness and Oban, clothing manufacture in Campbeltown, Dunoon and Rothesay, glass in Wick and pottery in Dunoon, most of which have come into the area since 1945.

Change in Manufacturing Employment

44. Allowing for changes in the standard industrial classification in 1959 the number of employees in employment in manufacturing industry rose slightly over the decade 1954–64 in the seven Highland Counties and fell appreciably in the contiguous areas. There were considerable fluctuations in individual industries.

45. The fastest growth in indigenous industries was in whisky, in which the expansion at Invergordon played a major part, and in Tweed; the manufacture of building materials increased in a number of places, chiefly in the Inverness area; and there was a marginal increase in chemicals—the seaweed industry. These increases were offset by a large-scale loss of about 1,000 jobs in timber which was widespread but most marked in the contiguous areas but this fall is exaggerated by the fact that the timber labour force was greatly expanded in 1954 to clear wind-blown timber. Leather, rope and net and knitwear declined marginally. Marginal decreases in food processing in a number of areas were largely offset by increases in fish processing in Shetland and Orkney. The main expansion in non-indigenous industry was in engineering and electrical goods, due mainly to development at Dounreay but there was also some growth around Inverness. Glass at Wick, printing at Inverness and pottery at Dunoon also increased their employment. On the other hand, there were fewer jobs in metal manufacture (mainly aluminium) and some contraction in clothing manufacture despite development at Campbeltown, Dunoon and Rothesay.
46. Although most employment exchange areas showed a loss of manufacturing employment over the decade, there were marked improvements in a few, including Thurso, Stornoway and Dingwall/Invergordon. There were marginal increases at Lerwick and Campbeltown. Decline was most marked in Fort William and in the contiguous areas of Forres/Nairn, Grantown-on-Spey and Banchory which suffered most from the contraction in the timber industry. Inverness, the most important manufacturing area in the region suffered only a marginal fall in manufacturing employment as growth in engineering and electrical goods, printing and building materials compensated for losses in timber and fruit and vegetable processing. In some of the smaller manufacturing areas the establishment of new small-scale industries helped to mitigate losses from indigenous manufacturing industries: the glass industry in Wick, alginate processing at Oban and paper and clothing manufacture at Dunoon.

47. New industries are therefore few, and the range of indigenous industries narrow. Some, like tweed and whisky, continue to show a healthy vitality; others like timber and pulp, have yet to demonstrate their full potential. The pulp mill at Fort William will undoubtedly provide a substantial measure of employment, but even so, this is unlikely to be sufficient to offset the loss of jobs in primary industry. The growth of other manufacturing industry, except for the unique development at Dounreay, has been disappointing.

48. It would seem that Development District status has not so far been a sufficient inducement to attract new types of industry into the region except in the relatively attractive environs of Inverness and adjacent east coast areas. This can be illustrated by an examination of manufacturing firms employing more than ten people in 1964, which have been established in the area since 1945. Of the forty-six employing some 2,700 people which have been established since the war, only fifteen, employing between them about 1,100 persons, were in non-indigenous industries. Most of these new jobs stemmed from nuclear development at Thurso, from the growth of engineering, electrical and printing industries at Inverness and the location of clothing factories at Campbeltown, Dunoon and Rothesay. Nearly half of the 1,500 post-war jobs in indigenous industry were in food and drink, mainly whisky in Invergordon and fish processing in the Islands; one-fifth were in timber manufactures in the Inverness-Invergordon area; one-sixth in building materials, mainly in the Inverness area, and one-tenth in Harris tweed.

49. Nevertheless, the total of 2,700 jobs created in all post-war manufacturing developments made up more than a third of the 7,600 jobs in all existing employment in firms of ten or more. The most favoured area for these developments was the Inverness/Dingwall/Invergordon area which attracted fifteen firms employing nearly 1,000 people or two-fifths of all the post-war jobs. The contiguous areas were least favoured with only five firms, employing 80 people or 3 per cent of post-war jobs.

50. Of 850 small firms (under 20 skilled workers) known to the Scottish Country Industries Development Trust in the Highlands, about 400 have been started since 1945. These are mainly in such consumer goods industries as foodstuffs, knitwear and crafts. The number and range of new enterprises has been most evident in Ross-shire and Shetland. No distinction is drawn in this report between big and small industries—in general, not enough is yet known about the numbers and special needs of the latter. But a strengthening of the present scatter of small firms, mainly of services types at local nodal points of population, is necessary. These small industries tend to crop up more often in the Highlands—and more people have ideas for setting them up—because of the lack of alternative employment. They require improved assessment and assistance in the initial stages, especially because such small and personal enterprises can be very vulnerable.

**Finance and Industrial Development**

51. Interest in financial facilities offered by the Local Employment Acts has undoubtedly been at a high level since 1960. There have been approaches in respect of
about 250 projects though a fairly high proportion have not proceeded to the point of firm application. Almost 90 were in respect of manufacturing processes; with few exceptions the remainder were in respect of service industries, hotels and catering being the largest category (about a quarter of all expressions of interest).

52. In only a small number of cases, however, could it be said that the financial facilities have been instrumental in attracting new industry into the Highlands and Islands from outside. Indeed, since the war the number of projects of this character have been fairly few, with or without financial assistance. The principal examples apart from the pulp and paper mill and the Dounreay establishment, are factories engaged in printing and making solenoids on the Board of Trade estate in Inverness, a particle board factory also in Inverness, and a clothing factory in Campbeltown. In a dozen or so other projects there has been expansion of established activities by outside interests, for example in seaweed and whisky, fish and other sea food processing. Again excluding the pulp mill and Dounreay, the total employment afforded by new industrial projects imported into the Highlands in this way in the last twenty years probably amounts to under 1,000 jobs.

53. While the prospects are good for the staple manufactures in the Highlands and Islands, based on local resources or long-established skill, chiefly in textiles, whisky and wood processing, the attraction of further new industries from outside is bound to remain a matter of perseverance in the face of the many competing locations for industry in other parts of the country.

54. In the long run, the Highlands resources of labour, sites, water supplies, and deep-water harbours could attract special industries. Moreover, firms with high-value-to-weight products and managerial ability should succeed. The Government have already taken steps to improve the prospects of the Highlands and Islands achieving the development of new enterprises by persons and organisations both from inside and from outside the area. In particular the Highlands and Islands Development Board will be able to provide some supplementary financial assistance and to step up advisory services on management and accountancy to small businesses in the area.

**Dounreay**

55. The Wick/Thurso area is of considerable interest in the context of employment in the Highlands because it illustrates the effects of an introduction of a modern highly sophisticated industry into an essentially non-industrial community remote from the main centres of population.

56. The population increase of 4,700 in Caithness County between 1951 and 1961 included, as already mentioned in Part II, a net gain of 3,000 due to the establishment of the Atomic Reactor Station at Dounreay in 1954. This comprised many in the younger working age groups with a high proportion of children. To meet the requirements of this large influx of population some 2,000 houses have been provided along with additional educational facilities. The rejuvenation of population particularly in the Thurso area has been particularly remarkable, as has the welcome move away from dependence on the hitherto traditional but now declining agriculture and fishing industries.

57. While the development of reactors is the main function of the Experimental Reactor Establishment, it is used for experiments in support of other reactor systems which are likely to assure full utilisation of the fast reactor for the rest of its operating life. In addition, the Authority are concentrating at Dounreay the development and manufacture of fuel elements for all their materials testing and research reactors. Experiments have now reached the stage where the Authority are ready to construct a prototype power station of about 250 MW capacity, and the decision on the siting of this station will be of considerable importance to the economy of the Highlands. The time for decision has not been reached, as the Authority have not yet submitted their proposals to the Government, but technical factors affecting the choice of the
site have been under consideration by the Authority itself, the Scottish Electricity
Boards and other Government Departments. The Government have made it clear
that they are very conscious of the importance of the Dounreay establishment to the
whole of the life of the Thurso area, and have promised that this will be very much in
mind when the decision is eventually made. In addition, it has been confirmed that,
regardless of the ultimate conclusion on the siting of the prototype fast reactor, there
is sufficient work on hand at Dounreay to keep it occupied for the next seven or eight
years, which is as far ahead as current research programmes make it possible to see.
Despite this forecast it is crucial to the economy of this particular part of the Highlands
that in the longer term the employment opportunities and the other services and
amenities of the area are maintained. Here it is important to realise that even if the
prototype fast reactor does come to Dounreay the current level and character of
employment afforded by the Establishment will not last for ever (if it does not come
the run down and change of character will, of course, occur fairly quickly). This means
that the uniquely attractive and lively social environment at present in Caithness
should not be wasted, but used—with the supply of labour the Establishment itself
helps to produce and which cannot be absorbed locally—to diversify employment
before it is too late.

Tourism

58. A review of economic data on the Scottish tourist industry suggests that an
estimated 2-34 million holidaymakers from Britain spent holidays in Scotland in 1964,
and it is thought that between a quarter and a third of these visited the Highlands.
No estimate can be made of the number of foreign visitors to the Highlands on the
basis of existing data.

59. To accommodate the visitors there was a listed nightly capacity of 29,300 beds
in hotels, boarding houses, and holiday centres and youth hostels. This figure does not
represent total accommodation capacity as rented houses, and many bed and breakfast
premises are not included. There has been an increase of 3 per cent or 900 beds in
listed accommodation since 1961, mainly in boarding houses: over the whole of
Scotland the increase was nearly 10 per cent, and the Highland counties share of the
nightly capacity has fallen by 2 per cent. On the basis of available data it is not possible
to say with any degree of accuracy what demand there is for available beds during the
peak season. It is believed to be intense especially in the west, but it is also believed to
vary from area to area. For instance, during a week in August, 1964, the occupancy of
hotel beds on Speyside was nearly 90 per cent and in Deeside 78 per cent.

60. According to road census figures for trunk and A class roads in the Highlands
the number of passenger vehicles doubled on average for comparable summer weeks
in 1958 and 1964. Part of this rise can be accounted for by a rapid growth of local car
ownership, though this was from a small base figure. The value of petrol sales for the
summer six months north of the Caledonian Canal was almost double that of the
winter six months in the 1960-64 period. Between 1961 and 1964 the number of
extended bus tours in Scotland by English and Welsh operators went up by over 56
per cent. A large proportion of these included the Highlands in their itinerary. Together
with the increase in cars has been a rise in the number of caravan and camping sites.
In the crofting counties the number of listed sites has gone up from 134 in 1961 to
223 in 1964. This takes no account of unlisted sites provided by crofters and farmers
and unofficial facilities by roadside verges and lay-bys which are quite widely used in
the most popular tourist areas.

61. The number of employees in employment in hotels and catering in the employ­
ment exchange areas of the seven counties was about 7,000 in 1964, or rather less than
10 per cent of total employees in employment: these include part-time and some of the
summer immigrant workers. Comparisons cannot accurately be made with years prior
to 1959, but since then there has been a rise of about 20 per cent in hotel and catering
employment (this general trend obscures seasonal fluctuations). Figures for the individual areas show that some are heavily dependent on tourism as a source of employment. In Portree, Dunoon, Oban, Crieff and Pitlochry the numbers engaged in hotels and catering were between 15 and 20 per cent of all employees. In general, the lowest percentages are in the far north. These statistics exclude the bed and breakfast business almost entirely, and if this is taken into consideration the tourist industry as a source of at least part-time employment is even more important.

62. In January 1965 the number of wholly unemployed in hotels and catering in the crofting counties was 895. In June it had fallen to 166. Some seasonal variation in unemployment is likely to continue to be a feature of the tourist industry, although the more general staggering of holidays might help to reduce it. During the season there is intense pressure on the supply of labour. Indeed, in terms of unfilled vacancies there is believed to be insufficient labour to meet demands in the Highlands at the seasonal peak and Lowland labour has to be engaged. There is particularly heavy demand for women for the less skilled occupations.

63. Expenditure on hotel, restaurant and boarding house facilities, as estimated by local planning authorities, has risen from £168,000 in 1960-61 to £229,000 in 1962-63 and £1,47 million in 1964/65. Over these five years total investment was £3,66 million. Of this £2,63 million was invested in Inverness County (nearly £2 million in the Aviemore area), followed by Inverness Burgh (£360,000), Argyll (£260,000) and Ross and Cromarty (£189,000). In the remaining areas of the Highlands investment over the five-year period was nowhere greater than £63,000. Expressed in value per head of population (1961) the investment for the period ranged from £49 in Inverness County to 5s. in Zetland.

64. While it is extremely difficult to estimate the earnings of the tourist industry, several attempts have been made to do so by surveys in specific localities. The following table based on them indicates some of the wide variations between different communities (of 1,000-3,000 population):

<table>
<thead>
<tr>
<th>Estimate of earnings from tourist accommodation and board (per head of population per summer season, 1963 or 1964)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strathpeffer and Contin</td>
</tr>
<tr>
<td>Grantown-on-Spey</td>
</tr>
<tr>
<td>Gairloch</td>
</tr>
<tr>
<td>Lochalsh/Kintail/Glenaladale</td>
</tr>
<tr>
<td>North Uist</td>
</tr>
</tbody>
</table>

In North Uist it is known that these earnings amounted to about 8 per cent of those from agriculture and other primary production and 3 per cent of the island's estimated total earnings; and the number of people heavily dependent on tourism—27—amounted to only 4 per cent of the total working population. But this is one of the least developed areas, and earnings from tourist sources other than accommodation and board are not included. It seems clear that the tourist industry is already making a substantial contribution to the local economy in the other areas quoted.

65. There can be little doubt that the Highlands will have an increase in tourist traffic in the next few years. Travel by arterial routes and services to and from the Highlands is tolerable save for the growing inadequacy of the main road approaches, and apart from some questions of internal access the limiting factors in the expansion of the trade are likely to be the shortage of labour and inadequate amount of accommodation. Especially in the longer established holiday areas where there is little or no slack to be taken up in the form of existing accommodation, new hotel construction is essential. There may be prospects of spreading demand by lengthening the season in some new areas which can offer skiing facilities in the winter and by offering reduced hotel and transport rates in the better weather of May, June and September. In the north-west and Outer Isles the development of tourist accommodation by crofters offers some scope through the extension of houses and provision of chalets,
which can be assisted by Government loan. There is need for more caravan and camping sites along the main tourist routes. An improvement in information services for tourists is also required. The provision of facilities other than accommodation such as car parks, lay-bys, footpaths and nature trails will be covered in the proposals for tourist development now being put forward by local authorities. These should go some way towards fulfilling the need for further research on the tourist industry and compilation of basic statistics, both social and economic, local and general. The Government has recently announced a grant of £75,000 over three years to the Scottish Tourist Board for research purposes.

66. Because of the heavy seasonal fluctuations it would be unsound for the Highlands to become too heavily dependent on tourism as a source of employment. A more balanced employment force and less purely seasonal hotel work in the hotel and catering industry might be conducive to an increase in the numbers employed. But in the short term the best prospects of expansion of facilities for tourism would be in the extension of those facilities making the most economical use of labour.

Unemployment

67. Unemployment in the Highlands and Islands (some 5,000 males and 1,300 females) tends to run at a rate of 7-8 per cent, about twice that of Scotland. Its most distinctive features are its somewhat seasonal character and its dispersal in small pockets. Over the decade 1952–62 the seasonal rise in the adult wholly unemployed figure between July and January has averaged 81·1 per cent compared with 35·1 per cent in Scotland as a whole. The rise in the figure for wholly unemployed women in the Highlands and Islands is even more noticeable, averaging 160·4 per cent over the decade, and comparing with a 64·9 per cent average rise in the wholly unemployed figure for men. The high winter peak is most marked in building and contracting (males) and hotels and catering (women). This high seasonal fluctuation indicates the need to increase the relative proportion of employment in the productive sector as compared with services.

68. It is most unlikely that as low a level of unemployment could be achieved in the Highlands as might be attainable within the Central Belt of Scotland. The sparsely populated nature of much of the area, the distribution of unemployment and particularly its concentration in certain Islands, and the lack of versatility—in an industrial sense—among the older unemployed, are bound to cause some degree of unemployment due to immobility. There are also some statistical reasons—not fully explored—which also tend to put the rate at a higher level than might otherwise be expected. Thus a realistic attainable annual average rate for the Highlands might be between 3 and 4 per cent. It has been argued that in any case unemployment in the Highlands is not so economically oppressive as in the industrial areas where unemployed are unable to resort to crofting or other rural pursuits to supplement the family income.

69. The areas in which manufacturing industry is already established on a moderate scale (Inverness–Dingwall–Invergordon area, Fort William, Thurso–Wick and Stornoway) have a considerable labour pool on which to draw, even if it is largely unskilled. And Fort William, which has a somewhat smaller hinterland, enjoys a reasonable accessibility from the Clydeside conurbation denied to the other areas. Although short of industrial skills and relatively remote geographically, these areas appear to have potential for further industrial growth. A Departmental study recently made of seventeen firms in manufacturing industry which have established themselves in the Highlands and Islands in the post war period shows that these have been built up without any serious labour supply difficulties, and in fact all but four have been able to obtain their skilled labour requirements within the Highlands and Islands. With one exception labour turnover has been low and firms are satisfied with the quality of their labour. As is so often the case in Scotland some difficulties have in the past been experienced in housing incoming workers, but key workers as a rule have been housed fairly quickly.
Potential for Consolidation

70. As many as twenty-two towns and villages in the Highlands and four in the contiguous areas can be defined as centres of travel-to-work areas, in which the labour supply is or would be sufficient to support modern industrial and/or commercial activity on a worthwhile scale. The population and numbers unemployed in the labour catchment area at and surrounding each town can also be estimated, both at present, and potentially if wider travel became possible. These urban areas can be grouped into fifteen neighbouring zones listed above.

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### Labour Catchment Areas

<table>
<thead>
<tr>
<th>Area or Group of Areas (A = Actual; P = Potential)</th>
<th>1961 Population</th>
<th>Unemployed</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>July 1964</td>
<td>January 1964</td>
<td></td>
</tr>
<tr>
<td>Invergordon/Evanston/Dingwall Inverness</td>
<td>A</td>
<td>64,700</td>
<td>670</td>
<td>1,153</td>
</tr>
<tr>
<td></td>
<td>P</td>
<td>80,800</td>
<td>774</td>
<td>1,355</td>
</tr>
<tr>
<td>Stornoway</td>
<td>A</td>
<td>14,600</td>
<td>487</td>
<td>639</td>
</tr>
<tr>
<td></td>
<td>P</td>
<td>21,100</td>
<td>817</td>
<td>1,127</td>
</tr>
<tr>
<td>Wick/Thurso</td>
<td>A</td>
<td>27,000</td>
<td>566</td>
<td>915</td>
</tr>
<tr>
<td></td>
<td>P</td>
<td>28,000</td>
<td>574</td>
<td>931</td>
</tr>
<tr>
<td>Lerwick/Sealloway</td>
<td>A</td>
<td>9,000</td>
<td>110</td>
<td>367</td>
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<tr>
<td></td>
<td>P</td>
<td>12,400</td>
<td>110</td>
<td>543</td>
</tr>
<tr>
<td>Golspie/Brora/Lairg</td>
<td>A</td>
<td>5,400</td>
<td>102</td>
<td>224</td>
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<tr>
<td></td>
<td>P</td>
<td>12,000</td>
<td>120</td>
<td>267</td>
</tr>
<tr>
<td>Grantown/Aviemore/Kingussie</td>
<td>A</td>
<td>8,400</td>
<td>49</td>
<td>88</td>
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<tr>
<td></td>
<td>P</td>
<td>12,600</td>
<td>110</td>
<td>190</td>
</tr>
<tr>
<td>Campbeltown</td>
<td>A</td>
<td>10,000</td>
<td>270</td>
<td>310</td>
</tr>
<tr>
<td></td>
<td>P</td>
<td>11,500</td>
<td>300</td>
<td>340</td>
</tr>
<tr>
<td>Dunoan</td>
<td>A</td>
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<td>71</td>
<td>188</td>
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<tr>
<td></td>
<td>P</td>
<td>14,100</td>
<td>77</td>
<td>203</td>
</tr>
<tr>
<td>Kirkwall/Stromness</td>
<td>A</td>
<td>11,300</td>
<td>94</td>
<td>108</td>
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<td></td>
<td>P</td>
<td>15,700</td>
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<td>140</td>
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<td>Lochgilphead</td>
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<td>Portree</td>
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<td>P</td>
<td>5,500</td>
<td>67</td>
<td>135</td>
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<td>Oban</td>
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<tr>
<td></td>
<td>P</td>
<td>10,800</td>
<td>48</td>
<td>161</td>
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<tr>
<td>Fort William</td>
<td>A</td>
<td>5,200</td>
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<td>78</td>
</tr>
<tr>
<td></td>
<td>P</td>
<td>10,200</td>
<td>41</td>
<td>144</td>
</tr>
<tr>
<td>Areas in 7 Highland Counties</td>
<td>A</td>
<td>184,400</td>
<td>2,552</td>
<td>4,316</td>
</tr>
<tr>
<td></td>
<td>P</td>
<td>242,900</td>
<td>3,313</td>
<td>5,671</td>
</tr>
<tr>
<td>Rothesay</td>
<td>A 3</td>
<td>9,800</td>
<td>95</td>
<td>333</td>
</tr>
<tr>
<td></td>
<td>P</td>
<td>9,900</td>
<td>99</td>
<td>190</td>
</tr>
</tbody>
</table>

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7 Highland Counties

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Total Unemployed</th>
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198
### Table

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</table>

**Legend:**
- **Total Uplifted:** Number of families uplifted
- **Total Resettlement:** Number of families resettled

### Notes

- The table provides a comprehensive list of families uplifted and resettled during the resettlement process.
- Please refer to the adjoining appendix for detailed information on each family's relocation status.

---

The table above details the uplifted and resettlement counts of families affected by the relocation process. It is important to note that the numbers provided are subject to change based on the ongoing evaluation and verification of relocation data. For a detailed report, please refer to the adjoining appendix for an in-depth analysis of each family's relocation status.
For our purposes the most important thing to note is that, potentially, these catchment areas would include over four-fifths of the population and nearly three-quarters of the unemployed in the Highland Counties. They also include most of the burghs and other holding points where population is already increasing or stable and age structure is fairly well balanced.

71. Some of these and other smaller holding points are appropriate centres for both forestry and tourist development; the larger of them have advantages for industrial development additional to labour supply, in respect of industrial sites, housing land, water supplies, and communication by road, rail, sea and/or air. The following table summarises minimum estimates of development potential, on the basis of land suitable for housing and industry in the Inverness-Dingwall-Invergordon, Wick/Thurso and Fort William areas.

<table>
<thead>
<tr>
<th>Urban group</th>
<th>Present population</th>
<th>Minimum increase in capacity</th>
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<tbody>
<tr>
<td>Nairn-Inverness-Beauly</td>
<td>50,000</td>
<td>+ 50,000</td>
</tr>
<tr>
<td>Dingwall-Invergordon-Tain.</td>
<td>25,000</td>
<td>+ 40,000</td>
</tr>
<tr>
<td>Wick-Thurso</td>
<td>26,000</td>
<td>+ 5,000</td>
</tr>
<tr>
<td>Fort William-Annat</td>
<td>6,500</td>
<td>+ 7,000</td>
</tr>
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</table>

In the first two areas the physical scope for expansion greatly exceeds any likely demands in anything but the very long term.
APPENDIX B

Statistical Tables

Table

3. Estimated net migration within and from Scotland, annual averages 1961–64.
   (A) Annual movements.
   (C) Annual averages 1954/55–1963/64, by age and sex.
5. Home or de facto population in Scotland mid-1964 and mid-year projections on different assumptions on net emigration.
   (A) Net emigration 40,000 per annum.
   (B) Net emigration of 156,000 from mid-1964 to mid-1970.
   (C) Net emigration of 140,000 from mid-1964 to mid-1970.
   (A) Great Britain and Scotland.
   (B) 1964 rates in other regions and differences from Scottish rates.
10. Employees in employment in Scotland and percentage distribution by industry at mid-1964, with aggregate net changes from mid-1960.

General notes on the tables

(a) Population. The population data for the regions relate to the groups of Scottish counties which correspond most closely with the planning regions indicated on the map on page 00.

(b) Employment. The Table 11 regional analysis of employees in employment is based on the numbers in the Ministry of Labour's employment exchange areas within each planning region, except that Dundee is included in the North-East, that Girvan and Cumnock exchange areas are included in Central Scotland and that Berwick-on-Tweed is excluded.

The basic figures of employees and of employees in employment are all estimated and subject to margins of error. This applies particularly where numbers of less than 10,000 are involved. Where employment, or changes in employment, are given to the nearest 100—as, for instance, in Table 10 and in Appendix A—this does not imply that the figures are reliable to this degree of precision.

(c) Rounding. In all tables the figures have been rounded independently to the last digit shown, and the sums of the constituent items may not agree exactly with the totals given.
<table>
<thead>
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<td></td>
<td>Thousands</td>
<td></td>
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<tr>
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<td>524</td>
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<tr>
<td>1955/56</td>
<td>687</td>
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<td>516</td>
<td>61.3</td>
<td>171</td>
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<tr>
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<td>577</td>
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Pet cent. of 1954 population

1954-64 +17.2 +19.2 -12.0 -12.1 +5.2 +7.1 +6.8 +1.3 +1.5 +5.8

Crude rates per 1,000 population

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<th>Deaths E. &amp; W. S.</th>
<th>Natural increase E. &amp; W. S.</th>
<th>Actual increase E. &amp; W. S.</th>
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<td>11.9</td>
<td>12.1</td>
<td>-5.5</td>
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Crude rates p.a. per 1,000 population at beginning of period

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<tr>
<td>Central:</td>
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<tr>
<td>East</td>
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<td>11.7</td>
<td>11.8</td>
<td>-3.3</td>
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<td>21.2</td>
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<td>18.1</td>
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</tr>
<tr>
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<td>17.8</td>
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<td>-6.8</td>
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<td>11.9</td>
<td>12.1</td>
<td>-6.6</td>
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Table 3: Estimated net migration within and from Scotland, annual averages 1961–64 (a)

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<td>West</td>
<td>Total</td>
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<td>(A) Annual averages:</td>
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<tr>
<td>Within Scotland</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>3·5</td>
<td>2·2</td>
<td>1·3</td>
</tr>
<tr>
<td>Rest of U.K., total</td>
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<td>16·5</td>
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<tr>
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<td>0·5</td>
<td>3·5</td>
<td>0·7</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td></td>
<td>2·2</td>
<td>12·2</td>
<td>17·3</td>
</tr>
<tr>
<td>Overseas</td>
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<td>8·5</td>
<td>11·7</td>
<td>0·3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>22·6</td>
<td>26·9</td>
<td>1·4</td>
</tr>
<tr>
<td>(B) 1961–64 totals per 1,000 population in 1961: Number</td>
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</tr>
<tr>
<td>Within Scotland</td>
<td></td>
<td>8·1</td>
<td>2·6</td>
<td>1·0</td>
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<tr>
<td>Rest of U.K., total</td>
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<td>13·9</td>
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<tr>
<td>Northern Ireland</td>
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<td>10·0</td>
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<td>21·1</td>
<td>17·5</td>
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(0) Less than 0·05.

The figures for Scotland and the total net figures for the regions are as estimated by the Registrar General for Scotland, and the component regional figures are based on National Health Service statistics.
Table 4: Migration of employees within Great Britain: gross and net movements into and out of Scotland, 1954–55–1963/64 (a)

(A) Annual movements

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<tr>
<th>Year</th>
<th>In</th>
<th>Out</th>
<th>Net</th>
<th>Year</th>
<th>In</th>
<th>Out</th>
<th>Net</th>
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<td>1955/56</td>
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<td>1956/57</td>
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<td>-8</td>
<td>1961/62</td>
<td>31</td>
<td>49</td>
<td>-18</td>
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<tr>
<td>1957/58</td>
<td>26</td>
<td>31</td>
<td>-5</td>
<td>1962/63</td>
<td>31</td>
<td>44</td>
<td>-13</td>
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<tr>
<td>1958/59</td>
<td>23</td>
<td>32</td>
<td>-9</td>
<td>1963/64</td>
<td>35</td>
<td>49</td>
<td>-14</td>
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</tbody>
</table>

5 years’ average: 244, 323, -79 5 years’ average: 318, 475, -157

(B) Annual averages 1954/55–1958/59 and 1959/60–1963/64, by regions

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>In</td>
<td>Out</td>
</tr>
<tr>
<td>South-East</td>
<td>10.6</td>
<td>15.3</td>
</tr>
<tr>
<td>South-Western</td>
<td>0.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Midland</td>
<td>1.8</td>
<td>2.4</td>
</tr>
<tr>
<td>North Midland</td>
<td>1.1</td>
<td>2.3</td>
</tr>
<tr>
<td>East and West Ridings</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>North-Western</td>
<td>2.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Northern</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Wales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>24.4</td>
<td>32.3</td>
</tr>
</tbody>
</table>

(C) Annual averages 1954/55–1963/64, by age and sex

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Thousands</th>
<th>Per cent.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
</tr>
<tr>
<td>Into Scotland</td>
<td>15–19</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>20–44</td>
<td>14.2</td>
</tr>
<tr>
<td></td>
<td>45 and over</td>
<td>3.7</td>
</tr>
<tr>
<td>Total</td>
<td>18.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Out of Scotland</td>
<td>15–19</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>20–44</td>
<td>21.3</td>
</tr>
<tr>
<td></td>
<td>45 and over</td>
<td>4.3</td>
</tr>
<tr>
<td>Total</td>
<td>27.4</td>
<td>12.5</td>
</tr>
<tr>
<td>Scotland’s net loss</td>
<td>15–19</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>20–44</td>
<td>7.1</td>
</tr>
<tr>
<td></td>
<td>45 and over</td>
<td>0.6</td>
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<tr>
<td>Total</td>
<td>8.5</td>
<td>3.3</td>
</tr>
</tbody>
</table>

(a) This table is derived from the results of the Ministry of Labour’s annual sample investigations into inter-regional migration of employees. Notes on the method and on the limitations of the results are given in the Ministry of Labour Gazette, July 1965.
Table 5: Home or de facto population in Scotland, mid-1964 and mid-year projections on different assumptions on net emigration

<table>
<thead>
<tr>
<th>Age groups</th>
<th>Sub-totals</th>
<th>Grand totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M. 45–64</td>
<td>M. 65+</td>
</tr>
<tr>
<td>0–14</td>
<td>1,601</td>
<td>1,818</td>
</tr>
<tr>
<td>15–24</td>
<td>682</td>
<td>763</td>
</tr>
<tr>
<td>25–44</td>
<td>1,818</td>
<td>1,315</td>
</tr>
<tr>
<td>45–59</td>
<td>2,500</td>
<td>1,076</td>
</tr>
<tr>
<td>60+</td>
<td>2,453</td>
<td>719</td>
</tr>
<tr>
<td>Total</td>
<td>6,061</td>
<td></td>
</tr>
</tbody>
</table>

% of total : 25.6 24.7 23.9 22.9 21.7 55.3 72.4 100.0

| Difference from 1964 | 41 107 23.0 20.0 14.7 58.1 72.9 100.0 |

Projections (a):

(A) Net emigration at 40,000 per annum (b)

1970 Males . 733 392 575 569 243 1,536 1,779 2,512
Females . 698 389 592 480 539 1,461 2,000 2,698
Total . 1,431 781 1,167 1,049 782 2,997 3,779 5,210

% of total : 27.5 15.0 22.4 20.1 15.0 57.5 72.5 100.0

Difference from 1964 : 27.5 15.0 22.4 20.1 15.0

1980 Males . 764 427 572 487 279 1,486 1,765 2,529
Females . 725 421 569 404 558 1,394 1,952 2,677
Total . 1,489 848 1,141 891 837 2,880 3,717 5,206

% of total : 28.6 16.3 21.9 17.1 16.1 55.3 71.4 100.0

Difference from 1964 : 28.6 16.3 21.9 17.1 16.1

(B) Net emigration of 156,000 from mid-1964 to mid-1970 (c)

1970 Males . 739 400 597 576 243 1,573 1,816 2,555
Females . 704 397 614 487 540 1,498 2,038 2,742
Total . 1,443 797 1,211 1,063 783 3,071 3,854 5,297

% of total : 27.2 15.1 22.9 20.1 14.8 58.0 72.8 100.0

Difference from 1964 : 27.2 15.1 22.9 20.1 14.8

(C) Net emigration of 140,000 from mid-1964 to mid-1970

1970 Males . 738 403 603 576 243 1,581 1,825 2,563
Females . 703 400 619 487 540 1,507 2,046 2,749
Total . 1,441 803 1,222 1,063 783 3,088 3,871 5,312

% of total : 27.1 15.1 23.0 20.0 14.7 58.1 72.9 100.0

Difference from 1964 : 27.1 15.1 23.0 20.0 14.7

(a) Assuming the same birth and death rates for all projections and that the 1964 differences between home and total populations will obtain.

(b) Current rate.

(c) Basis of projection published in the National Plan.
Table 6: Total employees, 1954–64 (a)

<table>
<thead>
<tr>
<th>Year</th>
<th>Great Britain Males</th>
<th>Great Britain Females</th>
<th>Great Britain Total</th>
<th>England and Wales Males</th>
<th>England and Wales Females</th>
<th>England and Wales Total</th>
<th>Scotland Males</th>
<th>Scotland Females</th>
<th>Scotland Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousands</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1954</td>
<td>13,898</td>
<td>7,350</td>
<td>21,248</td>
<td>12,488</td>
<td>6,604</td>
<td>19,092</td>
<td>1,411</td>
<td>746</td>
<td>2,157</td>
</tr>
<tr>
<td>1955</td>
<td>14,017</td>
<td>7,500</td>
<td>21,517</td>
<td>12,608</td>
<td>6,750</td>
<td>19,358</td>
<td>1,415</td>
<td>756</td>
<td>2,171</td>
</tr>
<tr>
<td>1956</td>
<td>14,157</td>
<td>7,600</td>
<td>21,757</td>
<td>12,745</td>
<td>6,842</td>
<td>19,587</td>
<td>1,412</td>
<td>758</td>
<td>2,170</td>
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<tr>
<td>1957</td>
<td>14,356</td>
<td>7,650</td>
<td>21,906</td>
<td>12,841</td>
<td>6,894</td>
<td>19,735</td>
<td>1,415</td>
<td>756</td>
<td>2,171</td>
</tr>
<tr>
<td>1958</td>
<td>14,276</td>
<td>7,600</td>
<td>21,876</td>
<td>12,869</td>
<td>6,857</td>
<td>19,726</td>
<td>1,407</td>
<td>743</td>
<td>2,150</td>
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<tr>
<td>1959</td>
<td>14,288</td>
<td>7,640</td>
<td>21,928</td>
<td>12,889</td>
<td>6,888</td>
<td>19,777</td>
<td>1,399</td>
<td>752</td>
<td>2,151</td>
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<tr>
<td>1960</td>
<td>14,432</td>
<td>7,850</td>
<td>22,282</td>
<td>13,038</td>
<td>7,084</td>
<td>20,122</td>
<td>1,394</td>
<td>766</td>
<td>2,160</td>
</tr>
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<td>1961</td>
<td>14,547</td>
<td>7,980</td>
<td>22,527</td>
<td>13,185</td>
<td>7,208</td>
<td>20,393</td>
<td>1,397</td>
<td>772</td>
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</tr>
<tr>
<td>1962</td>
<td>14,748</td>
<td>8,120</td>
<td>22,868</td>
<td>13,346</td>
<td>7,333</td>
<td>20,679</td>
<td>1,402</td>
<td>787</td>
<td>2,189</td>
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<tr>
<td>1963</td>
<td>14,817</td>
<td>8,160</td>
<td>22,977</td>
<td>13,422</td>
<td>7,373</td>
<td>20,795</td>
<td>1,395</td>
<td>787</td>
<td>2,182</td>
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<tr>
<td>1964</td>
<td>14,830</td>
<td>8,290</td>
<td>23,120</td>
<td>13,440</td>
<td>7,493</td>
<td>20,933</td>
<td>1,390</td>
<td>797</td>
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Period changes:

<table>
<thead>
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<th>Period</th>
<th>Change</th>
<th>Change %</th>
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</thead>
<tbody>
<tr>
<td>1954–60</td>
<td>+534</td>
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<tr>
<td>1960–64</td>
<td>+398</td>
<td>+4.9</td>
</tr>
<tr>
<td>1954–64</td>
<td>+932</td>
<td>+11.9</td>
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</table>

Per cent. of total employees:

<table>
<thead>
<tr>
<th>Year</th>
<th>G.B. E. &amp; W. Scotland</th>
<th>G.B. E. &amp; W. Scotland</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousand</td>
<td>Per cent. of total</td>
<td>Ratio of</td>
</tr>
<tr>
<td></td>
<td>employees</td>
<td>employees</td>
<td>Scotland</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% to G.B. %</td>
</tr>
<tr>
<td>1954</td>
<td>284.8</td>
<td>1.3</td>
<td>2.2</td>
</tr>
<tr>
<td>1955</td>
<td>232.2</td>
<td>1.1</td>
<td>2.2</td>
</tr>
<tr>
<td>1956</td>
<td>257.0</td>
<td>1.2</td>
<td>2.0</td>
</tr>
<tr>
<td>1957</td>
<td>312.5</td>
<td>1.4</td>
<td>2.6</td>
</tr>
<tr>
<td>1958</td>
<td>437.4</td>
<td>2.1</td>
<td>3.8</td>
</tr>
<tr>
<td>1959</td>
<td>475.2</td>
<td>2.2</td>
<td>4.4</td>
</tr>
<tr>
<td>1960</td>
<td>360.4</td>
<td>1.6</td>
<td>3.7</td>
</tr>
<tr>
<td>1961</td>
<td>340.7</td>
<td>1.5</td>
<td>3.2</td>
</tr>
<tr>
<td>1962</td>
<td>463.2</td>
<td>2.0</td>
<td>3.8</td>
</tr>
<tr>
<td>1963</td>
<td>573.2</td>
<td>2.5</td>
<td>4.8</td>
</tr>
<tr>
<td>1964</td>
<td>380.6</td>
<td>1.6</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Table 7: Average total registered unemployed, 1954–64

<table>
<thead>
<tr>
<th>Year</th>
<th>Thousands</th>
<th>Per cent. of total employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
<td>284.8</td>
<td>1.3</td>
</tr>
<tr>
<td>1955</td>
<td>232.2</td>
<td>1.1</td>
</tr>
<tr>
<td>1956</td>
<td>257.0</td>
<td>1.2</td>
</tr>
<tr>
<td>1957</td>
<td>312.5</td>
<td>1.4</td>
</tr>
<tr>
<td>1958</td>
<td>437.4</td>
<td>2.1</td>
</tr>
<tr>
<td>1959</td>
<td>475.2</td>
<td>2.2</td>
</tr>
<tr>
<td>1960</td>
<td>360.4</td>
<td>1.6</td>
</tr>
<tr>
<td>1961</td>
<td>340.7</td>
<td>1.5</td>
</tr>
<tr>
<td>1962</td>
<td>463.2</td>
<td>2.0</td>
</tr>
<tr>
<td>1963</td>
<td>573.2</td>
<td>2.5</td>
</tr>
<tr>
<td>1964</td>
<td>380.6</td>
<td>1.6</td>
</tr>
</tbody>
</table>

(a) Estimated numbers of insured employees aged 15 and over at end May who worked for gain or were registered as available for such work, part-time employees being counted as full units. The figures include estimated net adjustments as between Scotland and England and Wales for employees whose insurance cards were not exchanged in the country in which they were employed, such adjustments for 1954 being taken at the estimated 1955 levels.
Table 8: Employees in employment at mid-year, 1954–64 (a)

<table>
<thead>
<tr>
<th>Year</th>
<th>Great Britain</th>
<th>England and Wales</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Total</td>
</tr>
<tr>
<td>1954</td>
<td>13,741</td>
<td>7,272</td>
<td>21,013</td>
</tr>
<tr>
<td>1955</td>
<td>13,901</td>
<td>7,440</td>
<td>21,342</td>
</tr>
<tr>
<td>1956</td>
<td>14,028</td>
<td>7,540</td>
<td>21,568</td>
</tr>
<tr>
<td>1957</td>
<td>14,077</td>
<td>7,579</td>
<td>21,656</td>
</tr>
<tr>
<td>1958</td>
<td>14,001</td>
<td>7,498</td>
<td>21,499</td>
</tr>
<tr>
<td>1959</td>
<td>14,005</td>
<td>7,541</td>
<td>21,546</td>
</tr>
<tr>
<td>1960</td>
<td>14,223</td>
<td>7,776</td>
<td>21,999</td>
</tr>
<tr>
<td>1961</td>
<td>14,395</td>
<td>7,919</td>
<td>22,314</td>
</tr>
<tr>
<td>1962</td>
<td>14,499</td>
<td>8,044</td>
<td>22,544</td>
</tr>
<tr>
<td>1963</td>
<td>14,498</td>
<td>8,063</td>
<td>22,561</td>
</tr>
<tr>
<td>1964</td>
<td>14,610</td>
<td>8,226</td>
<td>22,836</td>
</tr>
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</table>

Period changes:

<table>
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<tr>
<th>Period</th>
<th>Great Britain</th>
<th>England and Wales</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954–60</td>
<td>+482</td>
<td>+504</td>
<td>+986</td>
</tr>
<tr>
<td>1960–64</td>
<td>+387</td>
<td>+450</td>
<td>+837</td>
</tr>
<tr>
<td>1954–64</td>
<td>+869</td>
<td>+954</td>
<td>+1,823</td>
</tr>
</tbody>
</table>

Per cent.

<table>
<thead>
<tr>
<th>Period</th>
<th>Great Britain</th>
<th>England and Wales</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954–60</td>
<td>+3.5</td>
<td>+6.9</td>
<td>+4.7</td>
</tr>
<tr>
<td>1960–64</td>
<td>+2.7</td>
<td>+5.8</td>
<td>+3.8</td>
</tr>
<tr>
<td>1954–64</td>
<td>+6.3</td>
<td>+13.1</td>
<td>+8.7</td>
</tr>
</tbody>
</table>

(a) Estimated mid-year numbers of employees—as defined in footnote (a) to Table 6—less the wholly unemployed.
### Table 9: Activity rates, 1951–64 (a)

**(A) Comparison of G.B. and Scottish rates**

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Differences from G.B. rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>76.2</td>
<td>35.4</td>
<td>54.6</td>
<td>76.9</td>
<td>35.6</td>
<td>54.9</td>
<td>+0.7  +0.2  +0.3</td>
</tr>
<tr>
<td>1952</td>
<td>76.5</td>
<td>35.3</td>
<td>54.7</td>
<td>77.2</td>
<td>35.3</td>
<td>54.9</td>
<td>+0.7  +0.2  +0.3</td>
</tr>
<tr>
<td>1953</td>
<td>76.4</td>
<td>35.6</td>
<td>54.8</td>
<td>77.7</td>
<td>35.7</td>
<td>55.3</td>
<td>+1.3  +0.4  +0.5</td>
</tr>
<tr>
<td>1954</td>
<td>76.9</td>
<td>36.4</td>
<td>55.5</td>
<td>78.1</td>
<td>36.3</td>
<td>55.8</td>
<td>+1.2  +0.1  +0.3</td>
</tr>
<tr>
<td>1955</td>
<td>77.3</td>
<td>37.1</td>
<td>56.1</td>
<td>77.8</td>
<td>36.5</td>
<td>55.8</td>
<td>+0.5  +0.6  +0.3</td>
</tr>
<tr>
<td>1956</td>
<td>77.8</td>
<td>37.6</td>
<td>56.6</td>
<td>77.9</td>
<td>37.0</td>
<td>56.1</td>
<td>+0.1  +0.6  +0.5</td>
</tr>
<tr>
<td>1957</td>
<td>78.0</td>
<td>37.7</td>
<td>56.8</td>
<td>78.2</td>
<td>36.9</td>
<td>56.2</td>
<td>+0.2  +0.8  +0.6</td>
</tr>
<tr>
<td>1958</td>
<td>77.9</td>
<td>37.3</td>
<td>56.5</td>
<td>77.4</td>
<td>36.2</td>
<td>55.5</td>
<td>+0.5  +1.1  +1.0</td>
</tr>
<tr>
<td>1959</td>
<td>77.4</td>
<td>37.3</td>
<td>56.3</td>
<td>76.5</td>
<td>36.6</td>
<td>55.4</td>
<td>+0.9  +0.7  +0.9</td>
</tr>
<tr>
<td>1960</td>
<td>77.5</td>
<td>38.1</td>
<td>56.7</td>
<td>76.1</td>
<td>37.3</td>
<td>55.6</td>
<td>+1.4  +0.8  +1.1</td>
</tr>
<tr>
<td>1961</td>
<td>77.5</td>
<td>38.5</td>
<td>57.0</td>
<td>76.6</td>
<td>37.8</td>
<td>56.0</td>
<td>+0.9  +0.7  +1.0</td>
</tr>
<tr>
<td>1962</td>
<td>77.0</td>
<td>38.8</td>
<td>57.0</td>
<td>76.7</td>
<td>38.2</td>
<td>56.4</td>
<td>+0.3  +0.6  +0.6</td>
</tr>
<tr>
<td>1963</td>
<td>76.9</td>
<td>38.8</td>
<td>56.9</td>
<td>76.3</td>
<td>38.3</td>
<td>56.1</td>
<td>+0.6  +0.5  +0.8</td>
</tr>
<tr>
<td>1964</td>
<td>76.7</td>
<td>39.2</td>
<td>57.1</td>
<td>76.5</td>
<td>38.8</td>
<td>56.5</td>
<td>+0.2  +0.4  +0.6</td>
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</table>

**(B) 1964 rates in other regions in G.B. and differences from Scottish rates**

<table>
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<tr>
<th>Regions of England and Wales</th>
<th>Rates</th>
<th>Differences from Scottish rates</th>
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<tbody>
<tr>
<td>South-East</td>
<td>78.3</td>
<td>41.4  58.8  +1.8  +2.6  +2.3</td>
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<td>65.6</td>
<td>32.0  48.1  +10.9 -6.8  -8.4</td>
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<tr>
<td>Midland</td>
<td>80.9</td>
<td>42.8  61.4  +4.4  +4.0  +4.9</td>
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<tr>
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<td>75.6</td>
<td>37.2  56.0  +0.9  -1.6  -0.5</td>
</tr>
<tr>
<td>East and West Ridings</td>
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<td>39.5  58.9  +3.6  +0.7  +2.4</td>
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<tr>
<td>North-Western</td>
<td>79.3</td>
<td>41.9  59.4  +2.8  +3.1  +2.9</td>
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<td>Northern</td>
<td>72.3</td>
<td>33.5  52.5  +4.2  -5.3  -4.0</td>
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<td>Wales</td>
<td>68.2</td>
<td>29.1  48.1  +8.3  -9.7  -8.4</td>
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(a) Employees (including registered unemployed) at mid-year expressed as percentages of the home population aged 15 and over.
Table 10: Employees in employment in Scotland and percentage distribution by industry at mid-1964, with aggregate net changes from mid-1960 (a)

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<td>Distribution</td>
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<td></td>
<td>Thousands</td>
<td>per cent.</td>
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<tr>
<td>Primary</td>
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<tr>
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<td>F</td>
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<tr>
<td>T</td>
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<td>Construction and Services</td>
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<td>M</td>
<td>716.9</td>
<td>52.3</td>
</tr>
<tr>
<td>F</td>
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<td>69.0</td>
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<tr>
<td>T</td>
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<td>Mining and quarrying</td>
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<td>1.6</td>
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<tr>
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<td>7.8</td>
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<td>Shipbuilding and marine engineering</td>
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<td>48.6</td>
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(a) The basic figures of employees in employment in the individual industries within each Order are all subject to margins of error, particularly those under 10,000, and, because of reclassification, they are not in all cases strictly comparable as between 1960 and 1964. The aggregate changes are not true gross figures of 1960-64 changes in employment by individual firms but are the sums of the net changes in the individual industries (Minimum List Headings) within each Order. The changes are given to the nearest 100 for statistical convenience only: this degree of precision is not implied. The percentage changes have been rounded to the nearest 1 where over 5 per cent and to the nearest 1/4 where under 5 per cent.

(b) No percentage change is given because of the margins of error in the basic figures.
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</tr>
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<td>F</td>
<td>7.2</td>
</tr>
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<td>T</td>
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</tr>
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<td>Textiles</td>
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<td>F</td>
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</tr>
<tr>
<td></td>
<td>T</td>
<td>96.9</td>
</tr>
<tr>
<td>Leather, leather goods and fur</td>
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</tr>
<tr>
<td></td>
<td>F</td>
<td>1.8</td>
</tr>
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<td>T</td>
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</tr>
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<td>F</td>
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</tr>
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<td>Bricks, pottery, glass, cement, etc.</td>
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<td></td>
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<td>2.8</td>
</tr>
<tr>
<td></td>
<td>T</td>
<td>23.7</td>
</tr>
<tr>
<td>Timber, furniture, etc.</td>
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</tr>
<tr>
<td></td>
<td>F</td>
<td>4.3</td>
</tr>
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<td></td>
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<td></td>
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Table 10—contd.

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<td></td>
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<td>Distribution</td>
<td>Aggregates</td>
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<tr>
<td></td>
<td>Thousands</td>
<td>per cent.</td>
<td>Gains</td>
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</tr>
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<td>F</td>
<td>166-2</td>
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Table 11: Employees in employment in Scotland, 1954, 1960 and 1964 by regions and by main industry sectors (a)

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<td>Central</td>
<td>North-East</td>
<td>Highlands &amp; Islands</td>
<td>South-West</td>
<td>Borders</td>
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<td>9</td>
<td>7</td>
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</table>

(a) Employees in employment as defined in footnote (a) to Table 8. The 1954 figures on the 1948 Standard Industrial Classification have been adjusted to make them roughly comparable with those for 1969 and 1964 on the 1958 Classification.

(b) The smaller of the all-Scotland figures are subject to margins of error—see footnote (a) to Table 10.

(c) The regional figures exclude civil servants not holding insurance cards and some merchant seamen not covered by card exchanges (both of which are included in the all-Scotland figures) and do not take full account of cards exchanged outside the regions in which the employees worked. In addition the figures are subject to margins of error. They can thus provide no more than broad indications of the magnitude of the changes and the distribution of employees between the regions and between the sectors of industry within these. Because of this the numbers of employees have been rounded to the nearest thousand and the percentage changes to the nearest 1 where over 5 per cent and to the nearest ½ where under 5 per cent. Caution is needed in using these figures.
### Table 11—contd.

<table>
<thead>
<tr>
<th>Regions (c)</th>
<th>Central</th>
<th>North-East</th>
<th>Highlands &amp; Islands</th>
<th>South-West</th>
<th>Borders</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Scotland (b)</td>
<td>Thousands</td>
<td>Thousands</td>
<td>Thousands</td>
<td>Thousands</td>
<td></td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
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<td>+1</td>
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17th December, 1965

CABINET

SCOTTISH TEACHERS' SALARIES

Memorandum by the Secretary of State for Scotland

I seek the authority of my colleagues to give effect to salary increases for Scottish teachers from 1st April, 1966, at the levels put to me as an agreed recommendation by the negotiating body representing the education authorities and the teachers' associations in Scotland. The existing scales date from April, 1963, and the overall increase proposed is marginally under 15 per cent, in the light of the 13 per cent increase given to teachers in England and Wales from 1st April, 1965, which contained a substantial measure of revaluation, and of what has happened since, the proposed increase is, in my view, justified in equity and compatible with our incomes policy.

2. The position was discussed in the Sub-Committee on Prices and Incomes of the Ministerial Committee on Economic Development at a meeting on 16th December, but no agreement was reached. As a decision has to be taken urgently, I must therefore bring the matter forward now.

3. The background and the considerations which must bear upon our decision are set out in the Annex.

4. The First Secretary of State and Secretary of State for Economic Affairs has proposed that the increase should be limited to 13 per cent. He argues that this would be enough to bring Scottish teachers to the same relative pay level as the English teachers; and that the increase of just under 15 per cent which I propose would have a bad effect on public opinion and trade union opinion - in terms of the attitude to our incomes policy.

5. To limit the increase to 13 per cent, on the grounds that this is enough to bring Scottish teachers to the same relative pay level as the English teachers, is to ignore the fact that the Scottish teachers have had no increase since 1963 and are now quite clearly at a disadvantage compared with teachers in England, who have had the benefit of a 13 per cent increase from April of this year. We must deal fairly by the Scottish teachers; and we must give them the revaluation which we promised the teaching profession. We cannot do this at less than the percentage I propose - just under 15 per cent on the salary bill. In fact, for all but the lowest paid teachers (those on the non-graduate scale, at present £600-£1,190), the increase would be little more than 14 per cent (14.35 per cent to be exact).
6. I fully accept that we must do everything we can to sustain our policy on prices and incomes, but I cannot think that our policy is likely to be prejudiced by my acceptance of an agreed settlement at just under 15 per cent. I do not believe that a Scottish settlement of this order is likely to have any real impact on our policy.

7. I must stress the seriousness of the situation which will face us if I cannot implement the agreed settlement. We shall certainly be confronted with a succession of strikes, in which hitherto responsible elements will join, which will not only disrupt the education service but also expose us to damaging criticism from many quarters, including our own supporters. It must be kept in mind too that I have to proceed by way of regulations which are subject to the negative resolution procedure, and if the agreed settlement is not to be accepted, we will be faced with a Parliamentary onslaught even from our own side on the floor of the House on the Prayer which would be inevitable. To evoke all this opposition for the sake of less than 2 per cent over two years, and against an agreed settlement, will do us serious damage politically and in my opinion will not aid our incomes policy.

W.R.

Scottish Office, S.W.1.

17th December, 1965
SCOTTISH TEACHERS' SALARIES

Background

Negotiations on teachers' salaries in Scotland are conducted separately from those in England and Wales, the present negotiating body being the Scottish Joint Council for Teachers' Salaries. The Government are not represented on this body and are not party to the negotiations, which take place between representatives of the employing authorities and of teachers' organisations; but it is open to me to accept, reject or modify any recommendations which the Council make to me.

2. The existence of separate negotiating machinery reflects the separate tradition of the education service in Scotland and the considerable differences between the structure and qualifications of the teaching profession north and south of the Border. The structure of the scales and the relativities between them have long been different in the two countries. By and large, increases in salaries have tended to be made at roughly the same time, and the practice has been to aim at approximately the same overall percentage increase in the salary bills in the two countries.

3. In 1963, however, the salary movements in the two countries diverged. Teachers in England received a 7 per cent increase to last for two years; teachers in Scotland obtained a 10 per cent increase in return for giving an assurance that they would neither initiate nor support any claim for a further increase to have effect within three years. Their level was therefore higher than the English - 110 compared with 107, on the basis of the 1963 level as 100. The two-year period in England has been followed by an award, after arbitration, of a 13 per cent increase from April, 1965. Since then it is the Scottish teachers who have been behind, but they have adhered to the bargain they made in 1963.

4. The negotiating committees of the Scottish Joint Council for Teachers' Salaries reached agreement in November on recommendations for increases from 1st April, 1966, which would amount overall to just under 15 per cent; and these agreed recommendations were submitted by the Council on 26th November.

The main issue

5. The First Secretary of State and Secretary of State for Economic Affairs has proposed that the Scottish settlement should be at 13 per cent like the English one. But this would apply a flat rate of increase at different dates to rates which were previously set at different levels to run for different periods. The straightforward way to reckon is, I think, to measure the total earnings over the whole period from 1963, when the salaries in the two countries diverged, to 1967 when the current English award expires, taking an index figure for each year, with 1963 equal to 100. If we give the Scottish teachers 13 per cent the position is that -
(i) the Scottish teachers over the period from 1963 to April, 1966, when the 13 per cent would be due to come into effect, will have received less than the English teachers and so will be behind;

(ii) with the 13 per cent they will still not have caught up in April, 1967: and

(iii) any award that is likely to be made to English teachers then when the current English scales are due for review will keep the Scottish teachers behind.

I could not defend this situation. The teachers would feel that the Government had left them to suffer from the consequences of a settlement designed to last for three years. They are, naturally, very conscious of the fact that by April, 1966, their level of remuneration will have been substantially lower than that of English teachers for a whole year. They will expect their increase when it comes to take some account of this.

6. If, on the other hand, we give effect to the agreed settlement, the position over the four years 1963 to 1967 is that the Scottish teachers will go marginally ahead in 1966-67, making up in that year a little more than the ground they will have lost in 1965-66. Any award at the end of the current English settlement will put English teachers ahead again.

7. I appreciate that an exceptional pay increase of this order has to be looked at in the context of incomes policy. But I believe it is consistent with the criteria we set for increases above the norm in our White Paper on Prices and Incomes Policy (Cmnd. 2639). The second of these (paragraph 15(ii)) provided for an exceptional increase when it was designed to improve recruitment when this is essential in the national interest. I need not labour the relevance of this in relation to teachers. The fourth criterion provided for those workers whose pay had fallen seriously out of line and needed to be improved in the national interest. We have all recognised publicly that this applies to teachers.

8. I have considered also the public presentation aspect. Purely Scottish settlements obtain very little notice outside Scotland. This one would, outside Scotland, be of interest mainly to English teachers and it does not seem likely that they would take any exception to the increase being higher than theirs after the longer period. I have myself been under pressure from the Scottish T.U.C. to take steps to improve teacher recruitment and I cannot believe that they would regard my acceptance of an agreed settlement at this level as in any way embarrassing in other directions.

Costs

9. The cost of a 15 per cent increase is estimated at about £8.2 million (about £7.25 million for full-time, certificated school teachers and about £0.9 million for other teachers whose salaries are directly related to those in schools, such as teachers in further education establishments, including central institutions, and colleges of education).
CABINET

FAIRFIELDS SHIPYARD

Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

Present Situation at Fairfields

There is a great deal of uncertainty in the yard. The Receiver has managed to persuade the Committee of Creditors not to take action towards liquidation for a few days.

2. Reardon-Smith are proceeding with their discussions with foreign builders, but will not take any irrevocable decision without first informing the Department of Economic Affairs in the hope that the yard can be saved.

3. The Receiver has written to say that he cannot hold the position beyond this week.

Progress of Financial Negotiations

4. It has always been the intention to find an important industrialist with interests in Scotland to come in jointly on a fifty-fifty basis with the Government.

5. Sir Isaac Wolfson offered his participation through the Chancellor for a fifty-fifty company. When it came to completing arrangements he decided that he could not proceed.

6. On his return from the West Indies, Lord Thomson and his senior colleagues expressed interest. Negotiations proceeded to a point where Lord Thomson was prepared to contribute for half the equity of £1.5 million, a loan of half a million pounds being made available by the Government, and a conditional agreement having been arranged with the Receiver for the purchase of the assets of the yard (see Annex for details of arrangements with the Receiver). An announcement was about to be made in the House. At the last minute Lord Thomson was persuaded by his junior colleagues on the Board and his financial advisers not to go ahead.

7. Thus, after sixteen days spent in abortive negotiation, we had twenty-four hours in which to find an alternative before the time limit set up by Reardon-Smith expired at the close of Friday, 17th December.
8. Mr. Harold Lever, M. P., and Captain Robert Maxwell, M. P., were anxious to help in any way they could, but this was eventually thought impractical for political reasons. However, at a meeting attended by Mr. Lever and Captain Maxwell as well as national officials of the six more important Unions concerned, on Friday evening, the union representatives expressed their willingness to try to persuade their executive committees to make an equity investment in Fairfields.

9. The only remaining possibility of a Government partnership now appears, therefore, to be a consortium of up to five separate interests, to contribute £2½ million equity as in the proposed arrangements with Lord Thomson. At the present time this might be made up as follows:

<table>
<thead>
<tr>
<th>Company</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Iain Stewart &amp; Associates</td>
<td>150,000</td>
</tr>
<tr>
<td>Lord Thomson</td>
<td>150,000</td>
</tr>
<tr>
<td>Sir Isaac Wolfson</td>
<td>150,000</td>
</tr>
<tr>
<td>The Trade Unions</td>
<td>150,000</td>
</tr>
<tr>
<td>Another syndicate</td>
<td>150,000</td>
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</tbody>
</table>

This would purchase Fairfields shipyard (but not Fairfield-Rowan) from the Receiver for £2 million (and provide sufficient normal working capital; but, like any other, the new company would need cover for any additional temporary requirements for working capital from time to time. This could be provided by a commercial bank but I think it would be better to provide for drawings up to £1½ million for this purpose from the Treasury).

Alternatives available

10. There thus appear to be the following alternatives:

(i) (a) To proceed on the basis outlined in paragraph 9 as follows:

<table>
<thead>
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<th>Source</th>
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<tbody>
<tr>
<td>Government</td>
<td>.75</td>
</tr>
<tr>
<td>Consortium (including Trades Unions)</td>
<td>.75</td>
</tr>
<tr>
<td>Loan capital provided by the Government</td>
<td>.50</td>
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</table>

£2.00 million

(b) If £.75 million is not forthcoming from non-Government sources (but £1½ million is), to reduce the total equity to £1 million and increase the loan capital supplied by the Government to £1 million.

(ii) Total nationalisation, which is unlikely to get satisfactory support from either the shipbuilders or the shipowners and it may thus prove difficult to run the shipyard as a viable commercial concern.

(iii) Inform the Receiver that every effort has been made without success, in which event he will be forced to close the yard.
11. If my colleagues agree to (i) in principle, I will make one final effort to achieve this before the end of this week. If not, I am not myself attracted by alternative (ii) and I think I should announce today to the House that we have failed to save the yard despite the most strenuous efforts.

G. B.

Department of Economic Affairs, S. W. 1.

20th December, 1965
Arrangements with the Receiver

Shortly before the announcement that Lord Thomson was coming in for half the equity, a conditional agreement was made with the Receiver to acquire the fixed assets, stores and work in progress of the shipbuilding company for £1.9 million. This figure was based on a valuation commissioned jointly by the Receiver and the Department of Economic Affairs for the fixed assets and a certificate from Pears, Marwick, Mitchell and Co. for the stores and work in progress. The valuation gave the value on break-up of £7.79 million and on the sale as a going concern assuming a return to profitable trading conditions within a period of five years of £1.855 million. The Receiver obviously expected an offer between these two figures, but in practice the chances of his obtaining an offer from anyone else at the higher figure was remote. Yards which closed down recently have been realising substantially higher figures than was expected and, therefore, the offer had to be somewhat above the break-up value and one which the Receiver was able to defend if challenged. The offer of £1 million for the fixed assets was supported by Mr. Leach of Pears, Marwick, Mitchell. The stores and work in progress were assessed at £.859 million by Pears, Marwick, Mitchell. As soon as the assets have been acquired and the rights to the contracts have been transferred there is £1.3 million due to be paid in respect of payments on account from shipowners.

2. There are losses for tax purposes of approximately £1.9 million for the shipyard, which will be inherited by the new company.

3. The Receiver has been informed that the Government will not be able to acquire any of the assets of Fairfield-Rowan, the engineering subsidiary company. The Receiver will endeavour to sell Fairfield-Rowan as a going concern.

20th December, 1965
CABINET

LEASEHOLD REFORM

MEMORANDUM BY THE LORD PRESIDENT OF THE COUNCIL

The proposed scheme

In our Election Manifesto we said "Labour will . . . change leasehold law to enable householders with an original lease of more than 21 years to buy their own houses on fair terms". The Queen's Speech at the beginning of this Session promised "legislation to reform the leasehold system for residential property in England and Wales, including provision for leasehold enfranchisement".

2. The Ministerial Committee on Legislation on Rent, Land Commission and Leasehold Enfranchisement has worked out a scheme, on the basis of proposals put forward by the Minister of Land and Natural Resources, with the following principal features:

(1) A qualified leaseholder should have the right to:

(a) a 999-year extension of his lease at a modernised ground rent; and
(b) the right to enfranchise at the market value of the freeholder's interest, as reduced by (a).

Both rights would be exercisable at any time after the passage of the legislation, and not only at the expiration of the original lease, and they would apply to all future leases. The holder of an extended lease would have the right to rebuild his house, but not to develop the site.

(2) The qualification for the exercise of both these benefits should be:

(a) the leaseholder must hold an original lease of a house of more than 21 years at a ground rent (hereafter called a long lease) which was either acquired when it had more than 21 years to run or was obtained by gift or inheritance from a person who so acquired it;
(b) the leaseholder must have been occupying the property as his residence for at least three years;
(c) the property must be below the limits of rateable value set for the purpose of the Rent Act 1965, i.e., £400 in London and £200 in the provinces.

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(d) occupying leaseholders who were otherwise qualified would not lose their qualification by reason of the expiration of the lease before the passage of the Bill. This implements the undertaking given by the Minister of Housing and Local Government in the House of Commons on 8th December, 1964.

(3) Enfranchisement for holders of long leases not qualified under (2)
A person who has purchased a long lease when it had 21 years or less to run should have the right to enfranchise at market value, but no right to a 999-year extension of the lease. If he does not enfranchise before the original lease expires he will become a statutory tenant at a rack rent.

(4) Rights reserved to the freeholder:
(a) During the currency of the original lease the freeholder should have the right to resist in the county court the exercise of the leaseholder’s right to enfranchisement or to the extension of the lease on the ground, familiar to the county courts in the Rent Acts and the Landlord and Tenant Act 1954, that he wants the property for occupation by himself or his family and would suffer greater hardship from inability to recover possession at the end of the original lease than would the leaseholder from inability to exercise the rights conferred by the scheme.

(b) In the event of a 999-year extension of the lease the freeholder would be entitled
(i) to have the ground rent brought up to date at intervals of 30 years;
(ii) to redevelop on buying out the leaseholder’s interest, subject to arbitration if the leaseholder wished to exercise his continuing right to enfranchise.

(5) Flats
The Committee consider that the proposals should not apply to flats or other property divided between occupying leaseholders. No satisfactory basis for freehold ownership of flats will exist until legislation can be passed to implement the recommendations of the Committee on Positive Covenants Affecting Land (the Wilberforce Committee), and this is not a topic with which we can deal in the Leasehold Bill itself. Our Manifesto pledge was in terms of houses, and we do not think that there is any expectation that tenants of flats will be enabled to enfranchise; few of them are as yet subjected to insecurity because the practice of letting flats on long leases is of fairly recent origin.

3. Since it will be some time before a Bill can be introduced, the Committee suggest that the Government’s proposals should be outlined in a White Paper to be published as early as possible in the New Year. Before the White Paper can be drafted it is necessary to bring before the Cabinet two matters on which the Committee have been unable to reach agreement: the proposal to give holders of an
The original lease acquired when it had more than 21 years to run a right to an extension of the lease for 999 years, and the question whether the right to enfranchise or to an extension of the lease should run against public authorities. These questions are discussed below.

The 999-year extension of the lease

4. A majority of the Committee consider that it is appropriate to give the leaseholder the right to a 999-year extension of the lease at a modernised ground rent because—

(a) this will ensure that the price the leaseholder pays for enfranchisement, if he wishes to enfranchise, either before or after the expiry of the original lease, will not include the value of the house which in social equity belongs to him;

(b) entitlement to a long lease will give security of occupation and a salable asset (on which a purchaser could raise a mortgage) to the leaseholder who does not want to put down a lump sum for enfranchisement; and

(c) a long lease provides an attractive alternative to enfranchisement for the owner-occupier on a managed estate. Landlords of some of these estates already offer their tenants extensions of their leases to 999 years, admittedly on payment of a capital sum of premium, and we should not offer a lesser extension than the good private landlord already offers.

5. Some members of the Committee are critical of the 999-year extension, however, on the grounds that:

(a) by giving a leaseholder an indefinite right to the use of the land and by greatly reducing in some cases the price of enfranchisement it would effect a drastic—indeed confiscatory—transfer of property values. It would give the leaseholder, at the expense of the freeholder, not only the value of the house (about which there is no disagreement), but a considerable slice of the development value of the land. This goes well beyond what is necessary to remedy the social injustice entailed when a house for which the leaseholder or his predecessor in title has paid reverts to the freeholder. Illustrations of the financial effect are given in the Annex.

(b) this transfer of values will benefit in particular the leaseholder who does not want to remain in occupation and can therefore realise his gain by selling either the freehold or, if he does not want to enfranchise, the extended lease. He would in fact get something close to the full profit without paying the freeholder anything, because he could get an extension to 999 years for nothing and then sell his lease at a price reflecting the additional value to the purchaser of the right to enfranchise it after three years. But would-be future leaseholders, e.g., the young married couple wanting to buy a cheap leasehold,
will be worse off because the effect of the scheme will be to increase the price of leasehold housing for owner occupation;

(c) redevelopment, whether by private or public developers, will become more expensive, since if the freeholder wishes to develop (and he may well have bought the reversion of the leasehold for this purpose) he will have to buy back from the leaseholder the value transferred to him by the legislation;

(d) profit will be made not only by leaseholders who are occupying. Investment leaseholders will be able to sell their interests at enhanced prices as soon as their present sub-tenants wish to change house;

(c) the proposals would make leasehold investment so unattractive that leasehold as a means of providing owner-occupied housing might well not survive.

Public authorities

6. Labour Party policy on leasehold enfranchisement did not originally contemplate that enfranchisement should run against public authorities. In “Homes for the Future” we said that tenants of “a local authority, Government Department or certain public corporations” would not be entitled to purchase the freehold, but would be given the right to a further lease. This was followed in “Signposts to the New Wales”. But in September 1964 the party’s Home Policy Sub-Committee decided that enfranchisement should extend to tenants of public bodies; this was announced in Notes for the Guidance of Speakers, and a number of candidates are believed to have given pledges on the point. It was not specifically mentioned in the Manifesto.

7. The case for allowing enfranchisement against public authorities is that:

(a) the proposition that it is unjust that a house which the leaseholder has either provided or purchased at near freehold value should revert at the end of the lease to the freeholder applies with equal force whether the freeholder is a private landlord or a public authority, and it is difficult to base our proposals on this proposition unless we apply it to all occupying leaseholders; we are agreed that it ought not to apply to owners who do not occupy;

(b) in some areas, particularly in South Wales, local authorities own scattered properties which they hold for investment. From the leaseholder’s point of view they are indistinguishable from private freeholders of similar properties in the neighbourhood. Consequently it is difficult to justify discriminating between one leaseholder and another, the more so as the benefit conferred on the leaseholder within the scheme will be substantial;

(c) that we are committed by the pledges given before the General Election.
8. On the other hand, it is argued that:

(a) to allow enfranchisement against public authorities is inconsistent with our policy of bringing land into public ownership; and that since we could not conceivably allow enfranchisement against the Land Commission it would be absurd to allow it against the local authorities whose operations are complementary to those of the Commission;

(b) that in the hands of responsible public authorities, who do not exploit their tenants, the leasehold system has positive advantages: it enables estates to be laid out comprehensively without waste resulting from private development; it facilitates socially valuable experiments with mixed estates combining owner-occupied and rack rented dwellings; provides for the proper management of estates and in due course enables them to be comprehensively redeveloped;

(c) local authorities would strongly resist a proposal to allow either enfranchisement or the compulsory extension of leases to 999 years to council tenants. Councils with a Labour majority, in particular, would find it hard to understand why we appeared to be frustrating policies, which we have in some places urged upon them, of developing estates on long leases in the interests of the local community;

(d) similar considerations apply to New Towns and to housing associations.

9. It may be possible to reduce the area of disagreement by distinguishing among the various purposes for which local authorities possess leasehold property; as an investment; to redevelop a particular site for their own purposes when the reversion falls in; for comprehensive redevelopment, as in a city centre; or for the creation of new leasehold housing estates. The case for exemption is not equally strong in relation to all of these; nor are the objections to a right to an extended lease necessarily as strong as those to enfranchisement. Before these possibilities are examined further, however, it would be useful to have the preliminary view of the Cabinet on whether we can defend either the total exemption of public authorities or their total inclusion, and if not in which direction a compromise should be sought. There are a number of special problems, relating to universities, charities, the National Trust, the Crown Estates and the Royal Duchies, which we can consider when the broad lines of policy have been settled.

Alternative possibilities

10. If the Cabinet were to consider that the proposals set out in paragraph 2 above went too far, particularly in relation to the 999-year extension of the lease, the Ministerial Committee could
examine further alternative proposals which have been put to them. Briefly, these are:

A. (i) to give the leaseholder of a lease acquired when it had more than 21 years to run a right to an extended lease at a modernised ground rent for a much shorter period, say 21 or 50 years—which would have some relation to the probable life of the house and hence to the inequity which it is desired to remove—but without the right to rebuild. The freeholder would be able to get possession for redevelopment during the extension of the lease on payment to the leaseholder of the value of his new interest which would include the existing use value of the house;

(ii) to give the leaseholder who bought his lease with 21 years or less to run the right, as under paragraph 2 (3), to continue in occupation at a rack rent at the expiry of the original lease;

(iii) category (i) would get enfranchisement at the market value of the freeholder's interest. Where there was little or no development value, enfranchisement would be relatively cheap; where there was development value the freeholder would receive the full value of his development rights. Category (ii), who cannot claim to have either provided or paid for the house, would not have a right to enfranchise (but would have security of tenure). Or alternatively

B. (i) no fixed extension of the original lease for either category of leaseholder, both getting instead a statutory tenancy at the end of the original lease at a modernised ground rent, or a rack rent, as the case may be. The freeholder to retain the right to repossession for redevelopment during the statutory tenancy on payment of statutory compensation—possibly a multiple of the rateable value, which would include the existing use value of the house;

(ii) both categories of leaseholder to have the right to enfranchise during the original lease at the market value of the freeholder's interest, but the freeholder to be entitled to resist enfranchisement during the last year of the lease on proof of intention to redevelop at the end of the original lease, and, if successful, to pay the statutory compensation, and at the leaseholder's option to buy out the remainder of the lease at market value.

11. Either A or B could be confined to leases given before a particular date, either a current date or one related to the social problem at which the legislation is aimed. With or without a limitation of this kind they would not prejudice the continuation of the leasehold system in the future. The question whether either is to be preferred to the scheme outlined in paragraph 2 may depend on whether we consider that the leasehold system has a useful social function in modern society, or whether we are content to see it disappear as a feature of either private or public housing.
Conclusion

12. The questions on which the Ministerial Committee seek the views of the Cabinet are:

(i) is the scheme outlined in paragraph 2—and in particular the proposal for a 999-year extension of lease—broadly acceptable?

(ii) if so

(a) should it apply in its entirety against public authorities? or

(b) should extension of lease, but not enfranchisement, apply? or

(c) should an attempt be made to distinguish among the different categories of land held by public authorities?

(iii) if the scheme in paragraph 2 is not acceptable as it stands, should either A or B in paragraph 10 be examined further?

H. B.

Privy Council Office, S.W.1.
20th December, 1965.
We have considered the typical cases of a small house such as is found in South Wales and of a medium-priced suburban-type house, in each case on the alternative assumptions that there is, or that there is not, development value in the site; and we have looked at the values when the lease has different periods to run. By way of illustration:

(i) Small house; no development value; lease about to expire

The leaseholder's interest under the present law is worth nil. The 999-year lease would give it a value of about £1,150. The leaseholder could enfranchise by paying the freeholder about £250 and would then have an asset worth £1,500.

(ii) Medium house; considerable development value; lease about to expire

The leaseholder's interest under the present law is worth nil. The 999-year lease would give it a value of about £3,000. The leaseholder could enfranchise by paying the freeholder about £8,650 and would then have an asset worth £12,000.

(iii) Same as (i) except that lease has 30 years still to run

The leaseholder's interest under the present law is worth about £1,065. The 999-year lease would give it a value of about £1,225. The leaseholder could enfranchise by paying the freeholder about £135 and would then have an asset worth £1,500.

(iv) Same as (ii) except that lease has 30 years still to run

The leaseholder's interest under the present law is worth about £2,520. The 999-year lease would give it a value of about £3,425. The leaseholder could enfranchise by paying the freeholder about £3,800 and would then have an asset worth £12,000.

* These figures are an approximate valuation of the 999-year lease as such, i.e., without taking account of the additional value of the inherent right to enfranchise it.

† These figures assume that the leaseholder would be required to pay for the special value to him of "marrying the interests".
21st December, 1965

CABINET

LEASEHOLD REFORM

Memorandum by the Lord Chancellor, the Attorney-General and the Solicitor-General

The memorandum by the Lord President of the Council (C. (65) 184) records that the Ministerial Committee was unable to agree on the proposal that, as part of the proposed legislation on leasehold reform, there should be a right to a 999 year extension of the lease at a modernised ground rent and the right to enfranchise at the market value as reduced by this right of extension. It seems to us that the objections to the proposal outlined in paragraph 5 of the Lord President’s memorandum are very serious. The proposal goes considerably further than our public commitment and, because of the resulting serious disruption of established property values, would prove intensely controversial. We doubt that it would be possible to defend the 999 year extension on any basis of principle, and believe that it should be possible substantially to remedy the social mischief at which the legislation is aimed by methods which do not involve so drastic a transfer of property values and, consequentially, so steep an increase in the cost of redevelopment (whether by private or public developers).

Arbitrary Incidence of Loss and Gain

2. We do not dispute that the bargain creating the lease may in many cases have given the original freeholder little or no equitable claim to have the house handed to him at the end of the lease. Where the freeholder bargained to allow the use of his land, the payment he received for it (whether by way of cash payment or ground rent, or both) will rarely, if ever, have been adjusted to the fact that he would also receive a building at the end of the lease. Where the freeholder let a building, the price is likely to have equalled the full, or nearly the full, value of the house. But, whatever the nature of the original bargain, in the course of time the proprietary interests will have changed hands at prices reflecting the freeholder’s reversionary right to the building. The reversion will have changed hands at prices including the value of the future possession of the house; the house will have changed hands at a price reflecting the limited duration of the lease. The nearer the end of the lease the larger the impact of reversionary rights on the price. The right of enlargement of the lease which is now proposed will in nearly every case operate in favour and against persons who have acquired their interests at a cost reflecting these reversionary rights. The freeholder will be deprived of something he has paid for; the leaseholder will be given a benefit which he had not bargained for.
3. As the annex to the Lord President's memorandum indicates, the size of the benefit conferred on the leaseholder which is a comparatively small amount where the lease has 30 years to run and the site has no development value, becomes a very considerable amount where the lease is about to end or there is a high development potential. The proposal to limit the right of enlargement to leaseholders of an original term of 21 years will go some, but not the whole, way to mitigate the blatant anomaly that the greatest benefits (i.e. at the very end of the lease) may go to the leaseholders who bought the smallest interest and paid least for it; and it would be impossible to prevent the converse anomaly, that the freeholder who had recently bought the reversionary rights at a high price (e.g. for redevelopment) would be the hardest hit. Inevitably the incidence of the gain or loss would be largely fortuitous. Although some of the freeholders do not deserve much sympathy, there are certain to be others who could enlist extensive and influential support. Figures submitted to the Ministerial Committee indicated substantial holdings of leasehold reversions by charities, universities, the Church Commissioners and public authorities. They could no doubt muster considerable opposition to the proposals and support it by cases where all the merit was on their side.

Our Commitment

4. Our public commitment, in The Queen's Speech, the Labour Party Election Manifesto and Ministerial statements, does not go beyond an undertaking to change the leasehold law so as to enable leaseholders with an original term of more than 21 years to buy their houses on fair terms. "Fair terms" is an elastic expression, but it would normally be understood by a dispassionate reader as something approximating to the market value. That was the criterion put forward by the Minority of the Leasehold Committee (Leslie Hale, M.P., and Lynn Ungoed-Thomas, M.P.) who in 1951 advocated leasehold enfranchisement against the majority of that Committee which rejected it. This Minority Report contains the most thorough exposition so far published of the thinking of Labour members on this subject and, although different methods of calculation have since that date been put forward in various Private Members' Bills, we believe that the Minority Report still represents the most authoritative expression of Labour Party thought on this subject. We are not aware that there has been any public indication that we are now planning legislation on far more drastic lines. What is now proposed is a measure of expropriation of an unprecedented character. This is not a case where private property is taken over for the benefit of the community, This is a compulsory transfer between individuals. The proposal is that in each case, and there will be a large number of them, one property owner will be compelled by law to make a free gift to another property owner of a large part of his interest. No-one has ever suggested that public authorities should acquire land in so confiscatory a manner. Such legislation was never foreshadowed either in the Election Manifesto or otherwise. Indeed it would quite certainly be met with the objection that such a proposal was not even hinted at before or during the Election.

The Alternatives.

5. We have given some thought to alternative proposals which would achieve our objectives. We doubt that any form of extension of the leaseholder's term provides a solution. Any long-term extension must drastically depreciate the value of the reversion, while a short extension,
say for 10 or 15 years, would not do enough to alleviate the existing grievances; after a few years a leaseholder wanting to move would again find his lease unsaleable, or nearly so, and a leaseholder who was dispossessed for development would still get little compensation.

6. We appreciate that in some cases a right to enfranchisement at the present market value of the freeholder's interest would not sufficiently meet the leaseholder's needs because the price would be more than he could afford. (The price would not, of course (unless the site was ripe for immediate development), be the full vacant possession value of the house. Because of the impact of the Landlord and Tenant Act 1954 (which enables the leaseholder to stay on at the expiration of his lease as a tenant under the Rent Acts) the value of the freeholder's interest is very much less than that. For instance, for a house of £40 rateable value with a vacant possession value of £1500, the market price of the freeholder's interest might be approximately £550 at the end of the lease or, if the lease had 10 years to run, it would only be £240, or, if 20 years to run, £120). It may be that the position could be improved by providing for payment on easy terms: the amount might, for instance, become a mortgage on the property to be paid off over a period of years. If it is thought that the leaseholder's needs could not be met in this way, then we think that alternative B in paragraph 10 of the Lord President's memorandum deserves serious consideration. This proposal, which has the added advantage of simplicity, involves giving the leaseholder security of tenure at an up-to-date ground rent and the right to statutory compensation if he is displaced for redevelopment. There would still be some transfer of property values, but it would be less dramatic than under the other proposals, and it could be justified on the ground that all that the freeholder was entitled to would remain his. The development potential could be reserved to him, and pending development or possession he would receive a fair rent for the ground.

7. We accordingly ask our colleagues to agree that the proposals in paragraph 2 of the memorandum of the Lord President go too far and that further consideration should be given to enfranchisement at market value or on the lines of the Alternative B in the memorandum.

C.
E. J.
D. F.

Lord Chancellor's Office, S.W.1.

21st December, 1965
21st December, 1965

CABINET

LEASEHOLD REFORM

Memorandum by the Minister of Housing and Local Government

Public Authorities

My immediate Departmental concern is that neither enfranchisement, nor extension of leases to 999 years, should apply against local or new town authorities.

2. The Lord President has set out the arguments against this in paragraph 8 of his memorandum (C.(65) 184). I would only add that leasehold is a valuable form of public ownership which should be developed, not destroyed. It provides for good upkeep, which becomes increasingly important as we build to higher densities; and it makes comprehensive redevelopment possible, when it is due, without forcing the authority to resort to compulsory purchases. It is perfectly defensible to distinguish between publicly and privately owned property; we have e.g. done this in rent regulation which does not apply to houses publicly owned.

3. We should remember that both in the new towns, and in areas of comprehensive development by local authorities, we have fought to retain the freehold in public hands, except in very special circumstances (churches etc.). It was the Conservative Government who, in 1952, first made it possible to dispose generally of freehold in these cases. We still insist on retaining it in public ownership so far as the new towns industrial and commercial estates are concerned. New town corporations have, since 1952, sold some freehold to owner occupiers, but there has been relatively little of this. I want to get a great deal more owner occupation in the new towns; but I believe that much of it should be on a leasehold basis, the greater part of the freehold estate being retained intact as was our original conception.

4. It is true that the leasehold system as we have it at present can bear hardly on the lessees of public authorities towards the end of the lease, as it does on the lessees of private landlords. But I think that could be cured by seeing that they got better terms when the lease had to be terminated. It might perhaps be possible to devise a system under which the leaseholder owned the house though not the land, so that if and when he had to be dispossessed for redevelopment he was paid the value of the house including value for his own maintenance and repair.

5. I do not think that it would be possible to distinguish, as had been suggested, between the leasehold properties of public authorities according to the powers under which, or the purposes for which, they were originally acquired. None of us, incidentally, has any knowledge how much residential property local authorities hold on leasehold, or how it was originally acquired.
Compensation

6. If the Cabinet are disposed to think that the 999 year principle would effect too drastic a transfer of property values, an alternative basis for compensation on enfranchisement might be found in adapting the principle embodied in the Rent Act. That provided for "fair rents" as between landlord and tenant; i.e. the market rent, excluding any value due to scarcity. In the leasehold field this might be adapted by providing that the compensation payable on enfranchisement should be the market value excluding not only the value due to scarcity, but also the value due to the maintenance and (where applicable) improvement of the house by the leaseholder and his predecessors.

R.H.J.C.

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

21st December, 1965
CABINET

SCOTTISH TEACHERS' SALARIES

Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

As the Secretary of State for Scotland says in his memorandum (C. (65) 182) no agreement was reached in the E. D. (P. I.) Sub-Committee on his proposals for Scottish teachers' salaries. But I am bound to say that most Ministers present appeared to think, as I do, that if the proposed increase of 15 per cent were granted it would seriously undermine the prices and incomes policy at a time when we are intensifying our efforts to make it effective.

2. I recognise that the salary increases earlier this year for teachers in England and Wales is a relevant consideration. But even if one were to think simply in terms of equality of treatment, the Secretary of State's proposals seem to me to go too far. He argues that the right way to approach the matter is to look at total earnings over the whole period from 1963 to 1967 and suggests that an increase of about 15 per cent is necessary to achieve parity with England and Wales. But this is not the principle on which pay decisions are normally based in the public services or anywhere else. How can we break out of the pay spiral if workers are to be encouraged to job backwards and forwards over several years to compare total earnings?

3. There seems to me every reason to fear that a 15 per cent increase for the Scottish teachers would be regarded by public opinion (including trade union opinion) as simply another case of leap-frogging in pay. Sophisticated arguments will not help to avoid this impression, because people do not understand or trust them. I do not believe that we can assume that this would attract little attention outside Scotland. I believe on the contrary that it would be widely regarded as an indication that we are not serious in our intention to get the prices and incomes situation under control.

4. I am not unmindful of the difficulties in all this for the Secretary of State. In the circumstances I would see advantage in referring the matter to the National Board for Prices and Incomes (which in the New Year will be less heavily loaded). This would not rule out giving an immediate increase of a reasonable amount to the Scottish teachers while the matter was under examination by the Board.

C. B.

Department of Economic Affairs, S. W. 1.

22nd December, 1965