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

52 - The Queen's Speech on the Prorogation of Parliament. Note by the Secretary of the Cabinet

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

54 - Reorganisation of the Docks. Memorandum by the Minister of Labour

55 - Farm Price Review. Note by the Minister of Agriculture, Fisheries and Food

56 - Legislative Programme 1966-67. Memorandum by the Lord President of the Council

57 - The Queen's Speech on the Opening of Parliament. Note by the Lord President of the Council

58 - The Queen's Speech on the Opening of Parliament. Note by the Deputy Secretary of the Cabinet

59 - Select Committees. Note by the Lord President of the Council

60 - Control of Government Expenditure Overseas. Memorandum by the Chancellor of the Exchequer

61 - Companies Bill. Memorandum by the President of the Board of Trade

62 - Doctors' and Dentists' Remuneration. Memorandum by the Secretary of State for Scotland and the Minister of Health

63 - Housing Programme 1966. Memorandum by the Minister of Housing and Local Government (this paper was withdrawn)

64 - Review Body Report on Doctors' and Dentists' Remuneration. Note by the First Secretary of State and Secretary of State for Economic Affairs and the Chancellor of the Exchequer

65 - Ministry of Social Security Bill. Memorandum by the Minister of Pensions and National Insurance

66 - Ministry of Social Security Bill. Memorandum by the Chancellor of the Exchequer


68 - Royal Commissions on Local Government: Terms of Reference and Organisation. Memorandum by the Secretary of State for Scotland and the Minister of Housing and Local Government

69 - Iron and Steel Nationalisation. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

70 - Higher Education within the Further Education System. Note by the Secretary of State for Education and Science

71 - Parliamentary Committees. Memorandum by the Lord President of the Council
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C(66) 72 - The Hospital Building Programme. Memorandum by the Minister of Health

73 - European Launcher Development Organisation and Europe: ELDO Ministerial Conference. Memorandum by the Minister of Aviation

74 - Seamen's Dispute - Report of Court of Inquiry. Note by the Minister of Labour

75 - European Launcher Development Organisation. Memorandum by the Minister of Aviation

76 - British Policy towards Latin America. Memorandum by the Secretary of State for Foreign Affairs

77 - Telecommunications and Postal Tariffs. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

78 - Local Authorities' Health and Welfare Services. Memorandum by the Minister of Health

79 - Channel Tunnel. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

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

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

82 - Prices and Incomes: Pay Review Machinery. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

83 - Arbitration and Courts of Inquiry. Memorandum by the Minister of Labour

84 - Industrial Disputes: Seamen's Strike. Note by the Secretary of the Cabinet

85 - Industrial Disputes: Seamen's Strike. Note by the Secretary of State for the Home Department

86 - European Launcher Development Organisation: Ministerial Conference in Paris on 9th/10th June, 1966. Note by the Minister of Aviation

87 - Reform of the House of Lords. Memorandum by the Lord Chancellor and the Lord Privy Seal

88 - The Concord Project. Memorandum by the Minister of Aviation

89 - Concord. Memorandum by the Secretary of State for Foreign Affairs

90 - The Concord Project. Memorandum by the Attorney-General

91 - European Launcher Development Organisation. Memorandum by the Minister of Aviation

92 - Authorisation of Immediate Increases in the Local Authority Housing Programme. Memorandum by the Minister of Housing and Local Government
C(66) 93 - Authorisation of Increase in Local Authority Housing. Programme in Wales - Houses for Miners. Memorandum by the Secretary of State for Wales

94 - Pirate Broadcasting. Memorandum by the Postmaster General

95 - The Housing Programme and Public Expenditure. Memorandum by the Chancellor of the Exchequer

96 - The Appointment of Justices of the Peace in England and Wales. Memorandum by the Lord Chancellor

97 - Transport Policy: Draft White Paper. Memorandum by the Minister of Transport

98 - A British Light Aircraft Industry. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

99 - The Growth Rate and Productivity. Memorandum by the First Secretary of State and Secretary of State for Economic Affairs

100 - Survey of Current Work on Productivity. Memorandum by the President of the Board of Trade
CABINET

FARM PRICE REVIEW

Memorandum by the Minister of Agriculture, Fisheries and Food

The Prime Minister has asked me to report the results of the discussions which he and I have had with Sir Harold Woolley. Sir Harold said that an award of £20 million was quite impossible, and that he would be bound to denounce it. He confirmed that such an award would cause great bitterness among farmers who, after all the high hopes raised by the Plan, would feel completely disillusioned.

2. Nevertheless it is clear from our discussions, and from the attached memorandum which Sir Harold left with the Prime Minister, that, unless there is an eleventh-hour change of heart by the Unions, there is no prospect of an agreed settlement at £28 million. I have always taken the view that it would only be justifiable to go above £20 million if this could secure agreement. I am, therefore, now satisfied that it is right to stand firm at £20 million.

3. I am grateful for the discretion which my colleagues gave to me and the other agricultural Ministers to vary the individual commodity prices, and we have made some changes, in particular on cattle, to achieve the balance which we think is most defensible agriculturally. I attach the schedule that has now been sent to the Farmers' Unions.

4. I have also considered with the Secretary of State for Wales whether anything could be done to give special help to farmers in Wales and elsewhere who have suffered from flooding. I am afraid that it would not be possible to do this as part of the Review. I am, however, in touch with the River Authorities concerned about the action needed to control flooding in future, and I hope that I shall have the support of my colleagues when later on I seek approval for the Government's contribution towards the cost of the necessary works.

5. Sir Harold Woolley warned the Prime Minister that he would not be able to keep his militant members in check. We must, therefore, expect that a disagreed Review at £20 million will come under very strong attack in rural constituencies. But I think that the award can be defended as a reasonable one, and will be accepted as such outside the rural areas. My agricultural colleagues and I will do our best to convince the more reasonable farming opinion that we have been fair to the agricultural industry.

T. F. P.

Ministry of Agriculture, Fisheries and Food, S. W. 1.

4th March, 1966
NOTE ON THE FINANCIAL POSITION OF BRITISH AGRICULTURE

The Government's decisions at this Review will be crucial for the future of the farming industry. The Plan sets out the positive role for agriculture; the determinations made now will undoubtedly be assessed by the industry as a significant indication of the Government's intentions as regards providing the additional financial resources required to enable the programme of selective expansion to be carried through.

Farmers have been working under an increasing financial and psychological strain. The financial strain is the struggle to maintain and increase capital investment out of prices which have been consistently held at levels out of all proportion to increasing costs. The psychological strain arises from the frustration of a situation in which the farmers' real reward bears no relation to their increased production and productivity.

Unless this state of affairs is tackled in a realistic way at this Review a widespread bitterness will develop, and however this may be expressed, the results cannot be other than bad for the country.

In limiting their submission to a figure which represents no more than an average increase of 3½ per cent on the present value of the guarantees, the Farmers' Unions have had regard to the minimum improvement required in farmers' resources to enable them to give effect to the selective expansion envisaged in the Plan.

It will be a difficult task to convince farmers that increases in the various commodity prices within the Unions' overall figure are at all adequate, but I believe we can do it provided the 1966 determinations also embody features of a longer term nature. Three matters in particular need to be covered:

1) The Government must make clear its intention to make financial determinations in the years ahead of such a nature as to enable the industry to maintain its momentum and continue to play its role in a vigorous import substitution policy.

11) It is essential that for certain key commodities there should be long term guarantees to establish confidence in farmers' minds that in committing themselves to the higher level of investment postulated by the Plan they will have a sound prospect of earning an adequate return.
The Unions attach great importance to the additional data now being collected for Annual Reviews, designed to throw light on the issue of proper remuneration and an adequate return on capital invested and seek an assurance from the Government that they, too, will regard this data as an essential relevant factor.

Additional Capital Requirements

The Farmers' Unions estimate that up to £800 mn. (at 1964/5 prices) of additional tenant type assets will be needed during the period of the Plan to enable the industry to expand in such a way as to make possible the projected additional net import saving of nearly £200 mn. per annum by 1970.

Net Income

For agricultural policy purposes farm net income is defined as the reward for the manual and managerial labour of the farmer and his wife and for the use of the occupier's investment. Out of the figure of net income as calculated, farmers have also to find the money to cover the excess of replacement cost over original cost of certain assets (slaughter stock, cultivations, growing crops, etc.) used up in the course of the year's production and trade. Thus, some £46 mn. out of the industry's estimated net income of £463¼ mn. for 1965/6 has to be appropriated for this purpose.

Related to the capital development needs postulated above, and to any reasonable objective of "proper remuneration ... and an adequate return on capital invested ..." (Section 1 Agriculture Act 1947), net income is demonstrably low.

Looking at the last five years and comparing 1965/6 forecast with 1960/1, the volume of net output has increased by 17%; net income in real terms has not risen at all. Looking at the current year, net output has increased by 2%; real net income has fallen by nearly 7%.

The additional data compiled for the 1966 Review has enabled us to make an approximate calculation of the sum remaining to remunerate full time farmers and wives after allowing varying rates of interest on their investment as occupiers. Using the Government's estimate of 220,000 full time farm businesses in the United Kingdom and making
appropriate adjustments to both the estimate of the industry's total net assets and net income for part-time farm businesses, the following figures emerge as the balance of income per full time farm business after allowing the rates of return on investment as shown:

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Balance per full time farm business</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>£ - 156</td>
</tr>
<tr>
<td>15</td>
<td>£ 411</td>
</tr>
<tr>
<td>10</td>
<td>£ 979</td>
</tr>
</tbody>
</table>

To see these figures in perspective it should be noted that on the basis of the Ministry of Labour's Earnings and Hours Enquiry (October 1965) the current earnings of an adult male industrial worker are now averaging £1,019 a year.

Cost Increases

Costs this year are up by the highest figure since 1957 - £42 mn. of which £32 mn. falls on the review commodities. Here is the sequence of cost increases on review commodities in recent years:

<table>
<thead>
<tr>
<th>Review</th>
<th>£ mn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>19</td>
</tr>
<tr>
<td>1962</td>
<td>19½</td>
</tr>
<tr>
<td>1963</td>
<td>13</td>
</tr>
<tr>
<td>1964</td>
<td>24</td>
</tr>
<tr>
<td>1965</td>
<td>29</td>
</tr>
<tr>
<td>1966</td>
<td>32</td>
</tr>
</tbody>
</table>

The rising bill of costs makes it extremely difficult to finance the maintenance, let alone expansion, of production.

Had the value of the guarantees in 1964 not been increased by some £31 mn. against costs amounting to £24 mn., the deterioration in the industry's financial position would have been considerably worse - and at that time the Government of the day had no intention of pursuing an expansion programme.

This year we have increased costs of some £32 mn. and we have an agreed policy of selective expansion.
4.

Credit Sources

Bank advances, which have more than doubled in the past ten years, have grown rapidly in relation to output and capital employed. If real income continues to decline in relation to output and productivity, there is a risk of outside finance becoming more difficult to obtain and of existing advances becoming vulnerable.

The plain fact is that unless the existing ratio of prices to costs is significantly improved the achievement of the selective expansion programme will be seriously prejudiced.

### ANNEX II

#### ANNUAL REVIEW 1966

Changes in Price Guarantees and Production Grants

<table>
<thead>
<tr>
<th>Commodity or Grant</th>
<th>Change</th>
<th>Value (£m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ILK</strong> (b)</td>
<td>Increased s.q.</td>
<td>Addition of 50m. gallons to U.K. standard quantity</td>
</tr>
<tr>
<td></td>
<td>Guaranteed Price (gal.)</td>
<td>+ ½d.</td>
</tr>
<tr>
<td><strong>APPLE</strong></td>
<td>Guaranteed Price (cwt.)</td>
<td>+ 10s. 0d.</td>
</tr>
<tr>
<td></td>
<td>Beef Cow Subsidy</td>
<td>Introduction at rate of £6. 10s. per cow</td>
</tr>
<tr>
<td><strong>SHEEP</strong></td>
<td>Guaranteed Price (lb.)</td>
<td>+ 3d.</td>
</tr>
<tr>
<td></td>
<td>Hill Sheep Subsidy</td>
<td>Increase of 1s. 0d. per ewe</td>
</tr>
<tr>
<td><strong>COW</strong></td>
<td>Guaranteed Price (lb.)</td>
<td>- 2d.</td>
</tr>
<tr>
<td><strong>EGGS</strong> (Hen)</td>
<td>Increased middle band</td>
<td>Increase of 0.4m. pigs</td>
</tr>
<tr>
<td></td>
<td>Cut in quality premiums</td>
<td>&quot;AA&quot; - 1s. 0d., &quot;AA+&quot; - 6d.</td>
</tr>
<tr>
<td><strong>HEAT</strong></td>
<td>Guaranteed Price (doz.)</td>
<td>- 1d.</td>
</tr>
<tr>
<td><strong>BARLEY</strong></td>
<td>Increased s.q.</td>
<td>Increase of 0.20m. tons</td>
</tr>
<tr>
<td></td>
<td>Guaranteed Price (cwt.)</td>
<td>- 3d.</td>
</tr>
<tr>
<td><strong>POTATOES</strong></td>
<td>Guaranteed Price (cwt.)</td>
<td>- 3d.</td>
</tr>
<tr>
<td><strong>LOUGHING GRANT</strong></td>
<td>Guaranteed Price (ton)</td>
<td>+ 5s. 0d.</td>
</tr>
<tr>
<td><strong>LIME</strong></td>
<td>Increased s.q.</td>
<td>Reduction of £2. 10s.</td>
</tr>
<tr>
<td><strong>CO-OPERATION</strong></td>
<td>CO-OPERATION</td>
<td>Extension</td>
</tr>
<tr>
<td><strong>NEW RECORDS</strong></td>
<td>NEW RECORDS</td>
<td>Extension to rest of U.K.</td>
</tr>
<tr>
<td><strong>L.I. SPECIAL GRANT</strong></td>
<td>L.I. SPECIAL GRANT</td>
<td>Increase</td>
</tr>
<tr>
<td><strong>OTHER GRANTS</strong> (Grassland renovation, Rabbit Clearance, Scottish Islands)</td>
<td>OTHER GRANTS</td>
<td>Net effect</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) No changes in price guarantees for duck eggs, rye, oats and mixed corn and sugar beet.

(b) Net increase after taking account of automatic adjustments due to changes in liquid sales.
Cabinet Office, S.W.1.

8th March, 1966
THE QUEEN'S SPEECH ON THE PROROGATION OF PARLIAMENT
THURSDAY, 10TH MARCH, 1966

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

My Husband and I would like to thank the many peoples we visited in our delightful Caribbean tour for the warmth of their hospitality.

My Ministers have participated fully in the work of the United Nations and its specialised agencies. My Government have improved and increased financial and technical aid to developing countries and have joined in international efforts to relieve the current food shortage in India.

My Ministers have constantly sought means of bringing peace to Vietnam and stability to South East Asia.

In consultation with the Government of British Guiana My Government have concluded an Agreement with Venezuela which will promote good relations between Venezuela and the future independent Guiana.

My Ministers have sought to make progress towards disarmament, and in particular an international treaty to prevent the spread of nuclear weapons.

They have continued to support the North Atlantic Treaty Organisation and other alliances for collective defence, and to work for closer interdependence in the nuclear resources of the Atlantic alliance.

My Ministers have worked for closer co-operation between the European Free Trade Association and the European Economic Community. They have developed personal contacts with the leaders of the Soviet Union and other countries of Eastern Europe.

They have concluded an Agreement establishing a Free Trade Area with the Republic of Ireland. They have actively promoted the tariff negotiations under the General Agreement on Tariffs and Trade, and the development of trade within the Commonwealth.

My Government have vigorously pursued their policy of bringing the illegal regime in Rhodesia to an end so that a peaceful and lasting constitutional settlement, based on the rule of law and acceptable to the Rhodesian people as a whole, can be achieved. This policy received general endorsement at the Meeting of Commonwealth Prime Ministers in Lagos in January.

SECRET
Progress has been made with negotiations on constitutional advances for several of our remaining dependent territories.

My Government have announced their plans for meeting the nation's defence needs in the next decade at lower cost, and for reorganising the Army Reserves,

I thank you for the provision you have made for the public services,

My Government have been carrying through with success policies designed to strengthen sterling and restore the balance of payments. The country's export trade is now greater than ever before. They have put forward proposals for a more positive system of investment incentives designed to stimulate those sectors of the economy which contribute most directly to the balance of payments and to promote expansion in the under-developed regions of Britain. They have introduced new methods of planning and control of public expenditure. They have made proposals for the establishment of an Industrial Reorganisation Corporation and have continued to encourage the use of advanced technology in industry.

My Government have published plans for the expansion of the Scottish economy. The construction of the Prototype Fast Reactor in Caithness will help to sustain the economy in the Highlands.

My Government have strongly encouraged the development of industrial training and have announced improved arrangements for training workers in the development districts.

My Government have developed, in consultation with management and unions, their policy for productivity, prices and incomes. They have introduced a system for advance notification of increases in prices and incomes and put forward proposals for legislation to strengthen it.

My Government have introduced proposals for the establishment of a Meat and Livestock Commission, for the longer term development of agriculture, and to empower agricultural wages boards to fix minimum rates of sick pay for agricultural workers. They have announced arrangements to provide investment incentives for agriculture, horticulture and fisheries.

An Act has been passed to assist the finances of the coal industry and the redeployment of its man-power.
With a view to ensuring regular employment for dock workers, My Government have put to the industry proposals for a revised statutory dock labour scheme.

Proposals have been put forward for the establishment of a Land Commission to acquire land for the community and to recover part of the development value realised in land transactions.

An Act has been passed providing for rate rebates for domestic occupiers of limited means and entitling householders to pay rates by instalments. A scheme has been put forward for progressively increasing Exchequer grants to local authorities to reduce the annual increase in rates on house property.

My Ministers have announced an enlarged housing programme and a substantial increase in housing subsidies and have further developed their plans to extend owner-occupation by bringing mortgages within the reach of more families. Proposals have been made for legislation to give greater security to occupying leaseholders in England and Wales of residential property with an original long lease and to enable them to acquire the freehold.

My Government have proposed a measure to protect consumers by prohibiting misdescriptions of goods and services and to confer power to require that consumers are given information about the goods they buy.

Proposals have been put before you for requiring the public disclosure of information by companies, including the disclosure of political contributions.

Provision has been made for supplementary national insurance benefits, related to earnings, to be paid in the early stages of sickness, unemployment and widowhood, and for additional benefits to be paid to certain war and industrially disabled pensioners. Plans have been worked out for a Ministry of Social Security and a new scheme of benefits to replace national assistance. A reciprocal Agreement with the Government of the Republic of Ireland on social security has been signed.

In consultation with the medical profession, My Ministers have drawn up proposals for reshaping the family doctor service and legislation needed to implement them has been passed.
A Public Schools Commission has been set up to advise on the best way of integrating the public schools with the State system of education.

Provision has been made for a pension scheme for teachers' widows in England and Wales.

An Act has been passed to facilitate revision of the constitution of the older Scottish universities and to provide for separate universities at St. Andrews and Dundee.

My Government have announced an increase in financial support for the arts. They have put forward proposals for protecting the beauty of the countryside and promoting its enjoyment.

Legislative proposals have been put before you to promote safety on the roads.

Proposals have been put forward for reform in the treatment of adult offenders.

Progress has been made in the systematic reform of the law.

My Government have announced that decimal currency will be introduced in 1971.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

I pray that the blessing of Almighty God may attend you.
Since I circulated my memorandum (C(66) 51) of 4th March there has undoubtedly been the eleventh hour change of heart by the Unions, the possibility of which I mentioned.

2. They have made a number of approaches, in the latest of which they have reduced their bid to some £31 million. On the beef/milk complex their proposals are virtually identical with those in our £20 million schedule.

3. This dramatic reduction of their demands is accompanied by a request that the Government should give a number of assurances all designed to reduce the stop-go element in Annual Reviews. Their ideas, as put forward, go too far, but there is a good deal to be said for the general idea.

4. Unless there are further developments before our discussion in Cabinet, I would not want to vary my proposal to end up with a disagreed Review at £20 million. The Secretary of State for Scotland and I are keen, however, that, in the White Paper announcing our decisions, we should include a paragraph to the effect that the Government would be willing after the Review to discuss with the industry the provision of assurances to provide for greater stability in the level of support over the period of the Plan.

T.F.P.

Ministry of Agriculture, Fisheries and Food, S.W.1.

9th March, 1966
CABINET

RE-ORGANISATION OF THE DOCKS

Memorandum by the Minister of Labour

We have announced our intention to set up a National Ports Authority and Regional Port Authorities which would ultimately become responsible for all port operations including stevedoring. It will take time to prepare and pass the necessary legislation and for the new bodies to be set up and become effective. We must decide what to do about the docks during this period.

2. In my view we should not allow the present casual system of employment with its inefficiencies to continue. Dock workers are expecting early decisions on a new pay structure related to regular employment, and on improved pensions and a sick pay scheme. Negotiations are very far advanced on these matters. As part of the settlement it is intended that restrictive practices associated with the casual system should go.

3. Rapid improvement of welfare amenities for dock workers is needed. This cannot be secured without new legislation.

4. For these reasons we should, for the immediate future, seek to get the industry to reach the settlement referred to above and proceed with decasualisation on the basis of a revised Dock Labour Scheme and legislation on licensing and amenities, together with the Minister of Transport's proposals for improving port efficiency.

R. J. G.

Ministry of Labour, S. W. 1.

9th March, 1966
In accordance with the discussion at Cabinet on 10th March, 1966, (CC(66) 17th Conclusions, Minute 6), I circulate herewith for the information of my colleagues a copy of the final revise of the White Paper of the Annual Farm Price Review which will be published at 9.00 a.m. on Wednesday, 16th March.

T. F. P.

Ministry of Agriculture, Fisheries and Food, S. W. 1.

15th March, 1966
AGRICULTURE ACTS 1947 & 1957

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<td>20</td>
</tr>
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<td>C</td>
<td>Home Manufacture and Imports of Milk Products</td>
<td>21</td>
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<td>D</td>
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<td>22-24</td>
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<td>E</td>
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<td>25</td>
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<td>F</td>
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<td>29</td>
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<td>J</td>
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<td>30</td>
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<td>K</td>
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<td>31</td>
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I. Implementing the National Plan

1. When the National Plan (Cmnd. 2764) was published, in September 1965, the Government announced that the programme for agriculture would, like other parts of the Plan, be kept under constant review to measure the progress that was being achieved and to assess the resources required. The Government and the Farmers' Unions agreed that the Annual Reviews under the Agriculture Acts of 1947 and 1957 should be used for this purpose.* The Government made it clear that in determining guaranteed prices and production grants at future Annual Reviews they would take account of the objectives set for agriculture in the Plan, as well as of all other relevant factors.

2. These objectives are that agriculture should save imports of food that would otherwise be necessary to meet increasing demand, and release man­power to other sectors of the economy. The Government therefore wish to see a further selective expansion of agriculture, provided that this is based upon the maintenance of the rate of increase in the industry's productivity.

3. No definite production targets have been set, because the desirable rate of expansion of different products will depend on a number of factors: the technical limitations on increasing output, the development of international commercial relations, the call that expansion might make upon scarce real resources and upon Government expenditure, and the progress made in increasing productivity. But the agricultural industry should be able to meet a major part of the additional demand expected by 1970, totalling about £200 million,† for food which can be grown in this country. Particular emphasis is placed on the expansion of meat production, especially of beef. Since two-thirds of our home-produced beef comes from the dairy herd, this will require an increase in the dairy as well as the beef herd, and thus inevitably give rise to an increase in milk production. It will also mean an increased demand for cereal feed, a substantial part of which will need to be produced at home.

4. The Government have recognised that the industry will need to have the physical and financial resources required to carry out the selective expansion programme and at the same time to achieve a further increase in productivity. This increased productivity is essential if the industry is to fulfil the objectives of continuing to release manpower and of minimising its call on the Exchequer for support.

5. The programme will require increased investment by the industry, in the form both of working capital and of fixed assets. The desired expansion of output represents annual rates of increase in net output and release of

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* The progress of the horticultural industry is being kept under review at the biennial examinations held in consultation with the Farmers' Unions: see "Examination of the Horticultural Industry 1965", published by Her Majesty's Stationery Office on 9th March 1966.

† At 1964 import prices.
manpower broadly similar to those achieved in the last few years; the required increase in investment will be of the same order as in recent years and should therefore be within the industry's capacity. The Government are taking action which will help the industry to obtain the resources needed. The arrangements for guaranteeing bank loans, already available to horticulture, have been extended to agriculture. The maintenance and the increase of investment in fixed assets will be helped by the plans for continuing and extending the Farm Improvement Scheme which form part of the Government's proposals for the development of agriculture, and for which an additional £80 million is to be provided. The new investment incentives in agriculture, which the Government are introducing in place of investment allowances, are also designed to encourage investment in plant, machinery and equipment which will promote productivity and save manpower.

6. The production objectives of the Plan have been among the main considerations affecting the determinations at this Review. But the determinations also give effect to the principles of the Agriculture Acts of 1947 and 1957—to promote and maintain a stable and efficient agricultural industry, capable of producing the output desired at minimum prices consistently with proper remuneration and living conditions and an adequate return on capital. These principles and the objectives of the Plan complement each other. The Government recognise that a stable and efficient industry which is carrying out the selective expansion programme on the basis of a continued rise in productivity, deserves a fair return for its endeavours; and the determinations have been made accordingly. The Government have had in mind the assurance they have given to the Farmers' Unions, that the full-time commercial farmer who is operating at a satisfactory level of productivity should be able to earn a proper remuneration, and to improve his income, and so his standard of living, through increasing that productivity; and they have given a further assurance on this matter (paragraph 64).

7. The Government have considered the course of production in relation to the overall rate of expansion envisaged in the Plan and to the selective expansion programme for different commodities. They have also taken full account of the statements on individual commodities which they made when the Plan was published. Agricultural net output continues to increase, although the forecast increase in 1965/66 is rather below the average of recent years because of the weather. The beef breeding herd is expanding but this expansion has been confined to the hill areas. The dairy herd, which fell between 1962 and 1964, has partly recovered and is now increasing slowly. The Government announced last September that they intended at least to maintain the guaranteed price of beef at its existing level for the 1966 and two subsequent Annual Reviews, provided that there was no significant change in circumstances. They also undertook to examine jointly with the Farmers' Unions means of overcoming the problems involved in increasing the beef herd. On milk, the Government undertook that in determining the standard quantities they would take account of their talks with the industry on milk production levels and requirements, and also of the contribution which an expanded dairy herd could make to extra beef production.
8. In the light of all these considerations the Government have concluded that the main need at this year's Annual Review is to give some further stimulus to the production of beef from both the beef and dairy herds. They have decided to increase the guaranteed price for fat cattle (paragraph 27) and to introduce a beef cow subsidy to encourage beef production in those areas which do not qualify for the hill cow subsidy (paragraphs 27 and 55). They have also decided to increase the standard quantities and the guaranteed price for milk (paragraph 28).

9. In order to provide a situation favourable to an expansion of beef production over the next few years the Government give an assurance that, provided there is no significant change in circumstances, they will not reduce at any of the Reviews within the period of the present Plan either the guaranteed price for beef cattle or the rate of the beef cow subsidy as determined at this Review. The Government also recognise that if the dairy herd is expanded to meet the need for increased beef production, and the increased milk production due to this expansion of the herd has to be sold for purposes other than liquid consumption, this could result in a dilution of the pool price and they give an assurance that they will take these facts into account in the determinations on milk at future Reviews within the period of the present Plan. Further discussions on this assurance on milk will be held with the Farmers' Unions during the year.

10. On cereals, the Government announced last September that because of the expected increase in demand for cereal feed the standard quantities for wheat and barley would not be reduced below existing levels at the 1966 and two subsequent Annual Reviews but would be related to the expected growth in the market. More cereals are being used for feed and the Government have decided to increase the standard quantities for wheat and barley (paragraph 49). For pigs, sheep and potatoes, moderate encouragement is needed in order to meet the production objectives, while for eggs there is need for restraint to avoid the risk of production outrunning demand. In the determinations the level of the guarantees for these commodities has been adjusted accordingly.

11. To help in assessing the progress of the selective expansion programme, the resources required by the industry and, in particular, the level of its remuneration, the economic and financial data available at the Annual Review must be made as comprehensive and up-to-date as possible. The Government have therefore carried out jointly with the Farmers' Unions a thorough examination of the data. They have agreed that information should be provided on the physical and financial assets which are being employed for current farming purposes, i.e. the value of occupiers' capital; and also that further information should be presented on the trends of net income and profitability of full-time farm businesses, in total and for the different categories and sizes of business. This year, and in future, the annual report on "Farm Incomes in England and Wales", which gives information collected by University Departments of Agricultural Economics from farm accounts, will be published at the same time as the Annual Review White Paper. Corresponding information for Scotland and Northern Ireland will be published each spring in

* Published by Her Majesty's Stationery Office (price 10s. 0d.).
“Scottish Agricultural Economics” and in the “Statistical Review of Farming in Northern Ireland”. This information on incomes of different types and sizes of farms relates to the farming year preceding the year under consideration at the Annual Review, and the Government will examine whether the trend of income for the various types and sizes of farms could be assessed for the Annual Review year. The various changes indicated in this paragraph will necessarily take time to complete, and meanwhile much of the new data will be of a provisional character.

12. Since the 1965 Annual Review new information has become available on the structure of the industry which underlines the need, recognised at the 1965 Annual Review, to adapt support measures to meet the special problems and requirements of the different sectors of the industry. In the White Paper on that Review (Cmd. 2621) the Government drew attention to the complex and heterogeneous nature of the industry, and pointed out that most of its output was produced by about a quarter of the total of 450,000 agricultural holdings. As a result of a special survey it has now been established that there are some 220,000 full-time farms in the United Kingdom. Of these, about 112,000 are small scale farms (with fewer than 600 standard man-days). About 66,000 are small “commercial” businesses (between 600 and 1,200 standard man-days). The remaining 42,000 are large “commercial” farm businesses (over 1,200 standard man-days) and this group produces about half of the industry’s total output. It is also estimated that the number of full-time farms in the United Kingdom is falling at a rate of between two and three thousand a year.

13. New information is also available about the value to the industry of the annual gain in its efficiency. This was last assessed in 1960, when the figure of £25 million a year for Review commodities then agreed with the Farmers’ Unions was related to the level of the industry’s output in the mid-1950s. Since then the volume of output has increased substantially. It has now been agreed with the Farmers’ Unions to adopt for Annual Review purposes a revised figure of £30 million for Review commodities as an indication of the annual rate of gain in agricultural efficiency.

14. At this Review the Government have made their first assessment of the industry’s progress towards the objectives of the Plan and of the resources it needs. But the determinations which have been made in the light of this assessment must also be considered along with other Government measures to increase the productivity of the industry. The Government’s long-term proposals for the development of agriculture include improvements in the marketing of meat and livestock which, together with those already agreed with the Farmers’ Unions in the support and marketing arrangements for potatoes and eggs, will bring about a substantial advance in the marketing of farm produce. Besides the provisions already mentioned for credit facilities and for continuing and extending the Farm Improvement Scheme, the Government’s long-term proposals also provide for schemes to improve the size and lay-out of farms, to assist rural development in the hills and uplands, and to encourage co-operative activities among farmers. It is not intended that these schemes, apart from those for co-operation and credit, should be treated as relevant production grants for the purposes of the Agriculture Act
1957 and their cost will therefore not be included within the value of the guarantees. Nevertheless they represent a part of the contribution which the Government will be making towards the development of agriculture in the coming years. The Review determinations should therefore be seen as part of a comprehensive policy aimed at modernising the industry, so that its well-being can be put on a firm foundation and so that it can contribute even more effectively to the growth of the national economy.

II. Economic Condition of the Agricultural Industry

The Course of Production

15. Despite poor weather, agricultural production generally is expected to be higher in 1965/66 than in 1964/65. With a larger acreage and good yields, especially for barley, the production of cereals increased by nearly one million tons. The yield of potatoes has been exceptionally heavy and production reached a high level, in spite of a reduced acreage. The sugar beet crop was above average in tonnage but below normal in sugar content. Although home production of beef, mutton and lamb is likely to be at much the same level as in 1964/65, the numbers of beef cows and breeding ewes have again increased. The dairy herd has also shown some recovery and the output of milk is higher than ever before. Marketings of pigs in 1965/66 have been at a high level but the pig breeding herd has fallen sharply in recent months. Home supplies of eggs over the year are expected to be down by about 4 per cent. The poor hay crop has caused a more rapid increase in the consumption of animal feedingstuffs.

16. The index of agricultural net output is forecast at 139 for 1965/66 compared with 137 for 1964/65 and 127 for 1963/64 (average of 1954/55 to 1956/57 = 100. Appendix I, Table K, page 31). The relatively small increase in 1965/66 as compared with the increase in the previous year was largely due to the difference in weather.

Income

17. The actual net income of the industry in 1965/66 compared with 1964/65 is forecast to have fallen by £12 million to £463½ million. If adjusted to normal weather conditions, the forecast is raised to £472½ million, £12½ million or some 3 per cent more than the income on a normal weather basis in 1964/65. The trend of actual net income, as indicated by the three-year moving average, remains upward (Appendix II, Table A, page 32).

18. Information on output, expenses and net income is obtained each year for some 3,500 farms of different types and sizes throughout the United Kingdom. As mentioned in paragraph 11 above, the detailed results of the survey in England and Wales appear in the annual “Farm Incomes” report. Corresponding information for Scotland will appear in “Scottish Agricultural Economics” and for Northern Ireland in the “Statistical Review of Farming in Northern Ireland.” The latest survey figures relate to 1964/65 and give no indication of the industry’s income position in 1965/66. But they confirm the very substantial increase in net income which was forecast a year ago for 1964/65 in the 1965 Annual Review White Paper. They also
indicate that this improvement benefited most types and sizes of farms throughout the country. Specimen figures illustrating the changes in net income between 1963/64 and 1964/65 are given in Appendix IV, page 37.

Costs and Efficiency

19. There have been further increases in the prices of goods and services used in agricultural production. It is calculated that these price changes would, at current levels of use, add in a full year a net total of £32 million to the cost of Review commodities. The main item is a rise in agricultural wage rates (Appendix III, page 36). These increases in costs have been taken into account along with the annual gain in efficiency, which is now assessed at £30 million for Review commodities.

20. Attention was drawn in the Plan to the high rate of growth in agricultural labour productivity which has been at the average rate of 6 to 7 per cent in recent years. The number of workers employed in agriculture fell between June 1964 and June 1965 by more than 30,000 to 550,000. The increase in productivity is forecast to continue in 1965/66 but at a somewhat lower rate owing to the relatively small increase in the index of net output.

Cost of Agricultural Support

21. The Exchequer cost in 1964/65 was £264 million. In 1965/66 it is expected to fall to £244 million. This reflects substantially lower payments on barley, eggs and beef, partly offset by higher payments on pigs and potatoes. The Estimates for the coming year (which do not take into account the determinations made at this Review) show an increase to a figure of £265 million to allow for the increased quantities and rather lower prices expected. (Appendix V, Table A, page 39.)

III. Commodities and Production Grants

The Growth of Demand

22. The Plan estimates an increase in consumer expenditure on food at constant prices by over 1.3 per cent annually or by 8.4 per cent between 1964 and 1970. For those products which can be grown in this country, the total increase is of the order of £200 million at 1964 import prices. Of this total nearly £100 million is on account of increased demand for meat, including bacon and poultry meat. Home meat production has, therefore, one of the most important parts to play in the selective expansion programme.

Beef and Milk

23. The Plan states that the main emphasis must be on the expansion of beef production which will need to be increased to the full extent of the technical possibilities. The Government will promote improvements in animal health and methods of rearing to reduce the number of calves lost through disease but these improvements will take time. But an increase in beef production will require an increase in the beef herd and also in the dairy herd, which is the source of some two-thirds of home-fed beef. This will entail an increase in milk production which, after meeting our requirements of liquid milk and fresh cream, will supply a substantial part of the additional demand for milk products.
24. The beef breeding herd increased between June 1964 and June 1965 from 982,000 to 1,018,000. The increase has however been confined to the hills and the number of beef cows in other areas has been declining. Between June 1964 and June 1965 there was also an increase in the dairy herd, from 3,144,000 to 3,186,000. This increase represents a partial recovery after the decline which took place between 1962 and 1964. But at present the dairy herd is increasing only slowly despite the higher returns to dairy farmers over the past two years.

25. Home production of beef has risen, although total supplies on the home market during 1965/66 are likely to be about 5 per cent below last year’s level because of lower imports (Appendix I, Table D and Fig. II, page 22). The rise in beef production has been limited by an increase in the average age at which animals are slaughtered and by a fall in imports of Irish stores; but the number of calves retained has increased and it is expected that there will be some further rise in the production of home-fed cattle in 1966/67. Production of milk has increased, partly because of the increase in the dairy herd and partly because of the continuing, though slow, increase in milk yields.

26. Although the beef and dairy herds are now expanding again, the fall in the beef breeding herd outside the hill areas must be halted and if possible reversed. The recovery of the dairy herd must also be maintained. The Government gave an assurance when the Plan was published that, in the absence of any significant change in circumstances, the guaranteed price for beef would be at least maintained at its present level for the next three years. They have also been convinced as a result of technical talks with the industry on milk requirements that the size of the reserve needed for the liquid market merits adjustment, with a consequent increase in the standard quantity.

27. The Government’s conclusion is that the required expansion of the beef and dairy herds calls for a combination of measures. The guaranteed price for fat cattle will be increased by 10s. 0d. per cwt. In order to encourage beef production in the areas which do not qualify for hill cow subsidy, a beef cow subsidy of £6 10s. per head will be introduced for cows kept wholly or mainly for the purpose of producing calves for beef (see para. 55). The seasonal scale of standard prices for cattle will again be adjusted in line with the pattern of market prices. The scale of abatements and supplements under the graduated deficiency payments scheme will be adjusted in the light of expected market conditions.

28. At the same time the guaranteed price for milk will be increased by 3d. per gallon. In the light of the technical study, the standard quantity will be increased by 62.4 million gallons. After allowing for the automatic decrease of 12.4 million gallons due to the fact that liquid sales were below expectations, this gives a net increase of 50 million gallons which is equivalent to an additional 3d. per gallon on the guaranteed price. The arrangements for financing the Milk Boards’ schemes for improving compositional quality will continue unchanged.

29. The Government have also given the assurances on the guaranteed price for cattle, the beef cow subsidy and milk set out in paragraph 9.
30. Details of the changes in the guarantee arrangements are given in Appendix VI, Part II, page 46.

Sheep and Wool

31. The Plan envisages that home production can make a substantial contribution to our slowly increasing requirements for mutton and lamb, consistently with our commitments to our overseas suppliers.

32. The total breeding flock has continued to expand, but the expansion is only in the hills. In the lowlands the breeding flock has decreased. Both home-fed and imported supplies of mutton and lamb in 1965/66 are expected to be much the same as in the previous year. The market has remained strong, partly because of the strength of the beef market.

33. The guaranteed price for fat sheep and the hill sheep subsidy are the primary means of implementing Government policy for sheep. The returns of sheep producers are, however, affected by the prices realised for wool, which are subject to the fluctuations of the world market. To reduce the impact on United Kingdom sheep producers of such fluctuations, price stabilisation arrangements have been operated in association with the price guarantee. These arrangements will continue under the new Financial Agreement made on 1st April 1965 between the Government and the British Wool Marketing Board. Market prices for the 1965 wool clip, although somewhat firmer than for 1964, have remained well below the guaranteed price, which the Government left unchanged last year. In the Government's view, there is no reasonable prospect that market prices will exceed the guaranteed price at its present level. A situation in which the market price of wool is each year likely to be below the price paid to producers, so that continuing advances from the Exchequer are necessary to meet the deficit, is incompatible with a price stabilisation arrangement. The Government have therefore decided to reduce the guaranteed price by 2d. per lb.

34. They recognise however that a reduction in the wool price is bound to affect the overall returns from sheep, particularly in the hills where wool is of relatively greater importance in the total return from the flock. The Government do not wish to check the increase in the hill flock. The reduction in the wool price is equivalent to a reduction of about 9d. per hill ewe, but the Government have decided to increase the hill sheep subsidy by 1s. 0d. which not only offsets the reduction due to wool but provides a small incentive. In the lowlands, where flocks have been declining, the reduction on wool will be equivalent to about ½d. per lb. on a fat lamb. In order to compensate lowland producers for this reduction and to encourage the moderate rate of expansion which is desired, the Government have decided to increase the guaranteed price for fat sheep by ¼d. per lb.

35. Adjustments will be made to the scale of abatements and supplements under the graduated deficiency payments scheme. Details are given in Appendix VI, Part II, page 46.

Pigs

36. Under the Plan the objective is that home production should meet the whole of the growth in demand for pork, together with the United
Kingdom's share of the bacon market under the bacon market sharing understanding. The minimum allocation for the United Kingdom is being increased slightly in 1966/67.

37. In the fatstock year 1965/66 about 13·8 million pigs will have been certified for guarantee, about 1·2 million more than in 1964/65. In the circumstances of this year when supplies of beef have been relatively short the increase in pig production helped to stabilise meat prices. But the excess over the rise in demand resulted in substantially lower market prices for pigs over much of the year, and a rise in the Exchequer cost from £32 million to £43 million. The flexible guarantee arrangements, as intended, came into play, and as the forecast level of marketings increased, the effective guaranteed price was automatically reduced by a further 9d. in May 1965, making a total deduction of 2s. 3d. from the basic guaranteed price.

38. But the pig breeding herd is now falling from the very high level reached in 1965. A fall in the forecast level of certifications led in February 1966 to the restoration of 9d. to the effective guaranteed price. It is expected that production will be lower in 1966/67 than in the current year. Having regard to the expansion of pig production required under the Plan the Government have decided to raise the level of the middle band in the flexible guarantee arrangements by 400,000 pigs so that the new middle band will be 12·4-13·2 million. Details are given in Appendix VI, Part II, page 47. Although no change will be made in the basic guaranteed price, the immediate consequence of raising the level of the middle band will be to increase the effective guaranteed price by 9d. per score.

39. As a further step towards elimination of the quality premiums on bacon pigs, the quality premium for AA + pigs will be reduced to 1s. 6d. per score and that for AA pigs will be eliminated. The remaining premium for AA + pigs will be discontinued at the end of the 1966/67 fatstock year, thus completing the process begun at the 1965 Annual Review of letting the market decide and pay for the quality it requires in the carcase. The Government wish to support the efforts which producers and trade are making to identify and reward those characteristics which the trade requires. From 18th April 1966 the existing bacon pig grades other than the AA + grade will be replaced by carcase measurements recommended by the Pig Industry Development Authority for classifying carcases of bacon pigs. In the course of the year the Agricultural Departments will explore, in collaboration with the Authority and the industry, the practical application of the optical probe in carcase classification.

Eggs

40. The Plan requirement is that production should meet the expected increase in demand, which is rising at a lower rate than the capacity of the industry to increase production.

41. The very high level of production reached in 1964/65 resulted in surpluses and very low market prices which in turn caused a fall in production in 1965/66 estimated at about 4 per cent. (Appendix I, Table E, Figure III, page 25). Packing station throughput has also fallen and the British Egg Marketing Board's average selling price is expected to reach the indicator
price of 3s. 2d. Prices to producers have been higher and the level of Exchequer cost will be substantially lower. But these increases in prices have led producers to increase their flocks again. In the last few months chick hatchery orders for laying flocks have increased substantially compared with the same period in 1964/65 and it is expected that production will rise again in 1966/67, although not to the level of 1964/65.

42. The Board have drawn up new contract marketing arrangements under which eggs sold to them under contract will receive a premium. These arrangements, when introduced, will make for more level deliveries and help to prevent large fluctuations in supply.

43. The present guarantee arrangements for eggs were introduced at the 1963 Annual Review, and it was then announced that the working of the arrangements would be reviewed during the third year of their operation. This has been done and, to assist the Board to stabilise returns during the period before their contract arrangements can influence market prices effectively, the Government have decided to postpone for two years the reduction (which would otherwise have been made this year) from 40 per cent. to 30 per cent. in the proportion borne by the Exchequer of any amount by which the Board’s average selling price falls short of the indicator price.

44. The danger that production will outrun demand nevertheless remains and some reduction in the guaranteed price is necessary. The indicator price is being reduced to 3s. 1d. per dozen and the guaranteed price will be reduced by 1·6d. The effect will be a net reduction of 1d. in the value of the guarantee.

Eggs and Pigs—Feed Formulae

45. The feed formulae arrangements, which provide automatic adjustments to the guaranteed prices for pigs and eggs in accordance with changes in feed costs, will be considered during the coming year to ensure that the automatic price adjustments correspond more closely to the changes in feed costs borne by producers.

Cereals

46. The Plan recognises that the expansion of livestock production will increase considerably the demand for cereal feed and that, consistently with our international obligations, a substantial part of this additional requirement should be produced in this country. The Government therefore undertook, when the Plan was announced, that standard quantities for cereals would not be reduced below existing levels over the next three years, but would be related to the expected growth in the market.

47. The acreage sown to cereals in 1965 rose by some 600,000 acres, to over 9 million. The acreages both of wheat and barley increased, and there was again a fall in the oats acreage. Despite the poor weather at harvest-time, yields, except for wheat, were higher than in the previous year. Production for 1965/66 is estimated at 13½ million tons, which is nearly one million tons higher than in 1964/65, the base year of the Plan. This increase has kept pace with the abnormally big increase in consumption in 1965/66.
48. The Government are bound by the Agreements on cereals made in April 1964 with our principal overseas suppliers. In particular, there is an undertaking that effective remedial action would be taken if there was, or threatened to be, a significant reduction in imports below the level of the three year average up to 30th June 1964 (9 million tons) and this was due to insufficient restraint on the financial assistance to home producers. Although imports are again expected to fall below 9 million tons, the determinations made at the 1965 Annual Review were announced after most of the 1965 crops had been sown, and the reductions then made in the guaranteed prices for wheat and barley have not had time to exert their full effect on cereals production. The operation of the target indicator price and standard quantity arrangements will, if production continues to expand above the standard quantities, have an automatic effect on producers’ returns. The Government’s decision to reduce the ploughing grant (see para. 59) will also provide less incentive to plough up grassland for cereals.

49. In these circumstances, the Government consider that this year no change should be made in the guaranteed prices for cereals, but that having regard to the growth of demand, the standard quantity for wheat should be increased by 250,000 tons and that for barley by 600,000 tons.

Potatoes

50. Except in years of unusually low yields, the United Kingdom should be able fully to meet the home demand for main crop potatoes, including the small annual increase expected under the Plan.

51. The total acreage planted to potatoes (main crop and earlies) declined by 40,000 in 1965 to 740,000 acres. This decline was more than offset by an increase of one ton per acre in the yield, giving a record yield of 10 tons per acre. As a result there has been in 1965/66 a substantial surplus over and above requirements for human consumption, with adverse effects on market prices. Government-assisted buying programmes under the new market support arrangements introduced in August 1965 have helped to strengthen the market and to assure growers of a reasonable return for their surplus potatoes.

52. A further decline in acreage of main crop and early potatoes is expected in 1966. The outcome of the crop will depend on the yield; but although the trend of yields in recent years has been upwards, the yield in a particular year is dependent on the weather and cannot be predicted. This year's high yield was partly due to the weather. To encourage the planting of an acreage which, unless yields are unusually low, would enable home production to meet the home demand for main crop potatoes, the Government have decided to increase the guaranteed price by 5s. 0d. per ton.

Sugar Beet

53. The Plan envisages home production of sugar supplying part of the increasing demand within the existing contract acreage and factory capacity and without raising international problems. The present contract acreage
of 443,000 acres is being fully take up at the present level of the guaranteed price. The Government have decided that no change need be made in the level of the guaranteed price or the contract acreage at this Review.

Production Grants

54. The Plan says that the more the industry can reduce costs through increasing productivity, the more it will save real resources, and the less it will depend upon Government support to maintain and improve its income. For this reason the Government repeated their intention to continue to assist the industry to increase productivity through the direct farming grants. At the same time these grants must be looked at to see whether they still reflect the industry’s current needs and contribute towards the modernisation of the industry’s methods of farm management and husbandry. This has been done and the following decisions have been taken.

55. Beef Cow Subsidy. This is a new subsidy intended to help farmers engaged in livestock rearing in the uplands and on poor land elsewhere who are not eligible for the hill cow and winter keep subsidies, and to check and reverse the present downward trend in the beef herd in areas outside the hills. The subsidy will be at the rate of £6 10s. per head but will be limited by reference to the available acreage of grass and forage crops and, except for separately-managed herds of beef breeds, by reference to the quantity of milk sold off the farm. Other conditions, including the detailed application of the scheme in Scotland and Northern Ireland, will be announced later.

56. Farm Business Recording Scheme. Proper business records are an essential basis for sound decisions on farm management. In the 1965 Annual Review White Paper the Government said that they would introduce a pilot scheme to encourage record keeping in certain areas with a view to extending the scheme later. The Farm Business Recording Scheme was accordingly introduced in certain counties in Great Britain and throughout Northern Ireland on 1st November 1965. The Scheme has made a good start and about 1,500 applications have already been received. It is proposed to extend the Scheme to the whole country during 1966.

57. Northern Ireland Special Assistance Grant. In the 1965 Annual Review White Paper the Government undertook to review the level of this grant. This has been done, and, as already announced, the grant has been raised from £1 4s. to £1 3s. million with effect from 1st April 1966.

58. Fertiliser and Lime Subsidies. Fertilisers and lime are both of importance in bringing about the growth in production and productivity required under the Plan. The Government believe that encouragement to maintain the usage of fertilisers should, within reasonable limits, be continued, and as the cost to the Exchequer of the fertiliser subsidy is not expected to increase in the financial year 1965/66, the Government have decided that at this Review the subsidy arrangements should be left unchanged. In the case of lime the rate of subsidy continues to be high (it is now about 60 per cent) and the Government consider that it could be reduced without discouraging an adequate use of lime. They have therefore
decided to amend further the rates of contribution so as to reduce the total annual subsidy by an estimated £1 ½ million.

59. **Ploughing Grant Scheme.** At present, under Part I of this Scheme, a grant at the rate of £5 per acre is payable for the ploughing up of land that has been at least three years under grass. The purpose of the grant was at first to encourage the ploughing up of grassland for tillage crops and in later years to encourage ley farming. Since then methods of grassland management and arable husbandry have changed considerably, and in the Government’s view it is undesirable to provide so large an incentive for a particular form of husbandry which, while it may be suitable in some cases, is not necessarily appropriate in others. At its present level the grant encourages farmers to keep a ley for three years, in order to qualify for the ploughing grant, when it may be more economic to provide a cereal break by a shorter ley or an alternative crop. The grant will therefore be reduced to £2 10s. per acre.

60. **Grassland Renovation Scheme.** This Scheme has attracted little support since its introduction in 1963 and the Government have decided not to renew it when it expires on 31st August 1966.

61. **Silo Subsidy Scheme.** This Scheme will expire in 1966, but grant-aid for the construction of silos will be available under the proposed new Farm Improvement Scheme.

**IV. The Total Award**

62. In accordance with the Agriculture Act 1957 the present determinations must be such as to maintain the total value of the guarantees* at not less than 97 ½ per cent. of their total value in 1965/66 (£1,518 million) after allowing for the cost increase of £32 million on Review commodities. The maximum permissible reduction in the value of the guarantees is therefore about £6 million.

63. The determinations now made add £23 million to the total value of the guarantees. The Government are satisfied that these determinations take full account of the requirements of national economic policy, the economic condition of the agricultural industry and the production objectives of the selective expansion programme.

64. This programme is based upon the maintenance of an increasing rate of productivity. The Government recognise that this rising productivity must be used not only to help meet rising costs, but also to finance further investment and improve the income, and so the standard of living, of the full-time commercial farmer. The Government’s recognition of this will be a basic factor influencing their determinations at future Annual Reviews during the period of the present Plan. Further discussions on this matter will be held with the Farmers’ Unions during the year.

* The total value of the guarantees is the sum of (i) the value of the price guarantees (calculated for each commodity by multiplying the guaranteed price by the quantity of output qualifying for the guarantee) and (ii) the value of the relevant production grants.
APPENDICES

APPENDIX I

NOTE. Some of the figures given in this Appendix differ from those in previous White Papers on Annual Reviews because of later information, changes in the scope and nature of the available data and improvements in statistical methods. Forecast figures for 1965/66 are as at mid-January 1966.

**Table A**

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<th>Crop Acreages and Livestock Numbers at June in the United Kingdom (i)</th>
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<td><strong>Crop Acreages (000 acres)</strong></td>
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<td><strong>Livestock Numbers (000 head)</strong></td>
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</tr>
<tr>
<td>Beef cows</td>
</tr>
<tr>
<td>Heifers in calf</td>
</tr>
<tr>
<td>Sows for breeding</td>
</tr>
<tr>
<td>Total pigs</td>
</tr>
<tr>
<td>Ewes</td>
</tr>
<tr>
<td>Sheepings</td>
</tr>
<tr>
<td>Total sheep and lambs</td>
</tr>
<tr>
<td>Total poultry</td>
</tr>
</tbody>
</table>

(i) The Table relates to agricultural holdings exceeding one acre in extent in Great Britain and, from 1954, of one acre or more in Northern Ireland. Until 1954, figures for Northern Ireland included holdings of one quarter acre or more. Numbers of livestock in Northern Ireland are collected from all owners irrespective of the size of the holding, and also from landless stock-holders, and these numbers are included in the Table.

(ii) Owing to changes in the definition of "Temporary grass" in the Agricultural Census, figures from 1959 onwards for this item and for "Total arable" acreage are not directly comparable with those for the preceding years.
### Table B

**Output and Disposal of Milk in the United Kingdom**

<table>
<thead>
<tr>
<th>June/May Years</th>
<th>1946/47</th>
<th>1955/56</th>
<th>1956/57</th>
<th>1957/58</th>
<th>1958/59</th>
<th>1959/60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid consumption (i)</td>
<td>1,446</td>
<td>1,628</td>
<td>1,614</td>
<td>1,610</td>
<td>1,625</td>
<td>1,644</td>
</tr>
<tr>
<td>Used for butter (ii)</td>
<td>96</td>
<td>141</td>
<td>194</td>
<td>239</td>
<td>137</td>
<td>159</td>
</tr>
<tr>
<td>Used for cheese (ii)</td>
<td>47</td>
<td>172</td>
<td>251</td>
<td>251</td>
<td>200</td>
<td>225</td>
</tr>
<tr>
<td>Used for cream (ii)</td>
<td>—</td>
<td>39</td>
<td>42</td>
<td>49</td>
<td>60</td>
<td>71</td>
</tr>
<tr>
<td>Used for other products</td>
<td>64</td>
<td>185</td>
<td>210</td>
<td>181</td>
<td>184</td>
<td>192</td>
</tr>
<tr>
<td><strong>Total output for human consumption</strong></td>
<td>1,653</td>
<td>2,165</td>
<td>2,311</td>
<td>2,340</td>
<td>2,206</td>
<td>2,291</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid consumption (i)</td>
<td>1,659</td>
<td>1,691</td>
<td>1,705</td>
<td>1,726</td>
</tr>
<tr>
<td>Used for butter (ii)</td>
<td>258</td>
<td>314</td>
<td>307</td>
<td>197</td>
</tr>
<tr>
<td>Used for cheese (ii)</td>
<td>265</td>
<td>263</td>
<td>247</td>
<td>239</td>
</tr>
<tr>
<td>Used for cream (ii)</td>
<td>78</td>
<td>85</td>
<td>97</td>
<td>113</td>
</tr>
<tr>
<td>Used for other products</td>
<td>185</td>
<td>184</td>
<td>189</td>
<td>203</td>
</tr>
<tr>
<td><strong>Total output for human consumption</strong></td>
<td>2,445</td>
<td>2,537</td>
<td>2,545</td>
<td>2,478</td>
</tr>
</tbody>
</table>

(i) Including farmhouse consumption.
(ii) Including farmhouse manufacture.

### Figure I

**Output and Disposal of Milk in the United Kingdom**

- **Average producers' price as percentage of guaranteed price**
- **Total output**
- **Liquid consumption**
- **Used for manufacture**

**FORECAST**
### TABLE C

*Home Manufacture and Imports of Milk Products in the United Kingdom (i)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Butter</th>
<th>Cheese</th>
<th>Cream</th>
<th>Other products</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946/47</td>
<td>18</td>
<td>20</td>
<td></td>
<td>97</td>
<td>135</td>
</tr>
<tr>
<td></td>
<td>205</td>
<td>191</td>
<td>161</td>
<td></td>
<td>557</td>
</tr>
<tr>
<td>1953/54</td>
<td>29</td>
<td>90</td>
<td>12</td>
<td>212</td>
<td>343</td>
</tr>
<tr>
<td></td>
<td>288</td>
<td>150</td>
<td>2</td>
<td>84</td>
<td>524</td>
</tr>
<tr>
<td>1959/60</td>
<td>30</td>
<td>96</td>
<td>29</td>
<td>341</td>
<td>496</td>
</tr>
<tr>
<td></td>
<td>404</td>
<td>143</td>
<td>4</td>
<td>92</td>
<td>643</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Home</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960/61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1961/62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1962/63</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(i) June/May years for home production. July/June years for imports. Home manufacture includes farmhouse manufacture.

<table>
<thead>
<tr>
<th>Year</th>
<th>Home</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963/64</td>
<td>37</td>
<td>448</td>
</tr>
<tr>
<td>1964/65</td>
<td>103</td>
<td>139</td>
</tr>
<tr>
<td>1965/66 (forecast)</td>
<td>42</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>372</td>
<td>115</td>
</tr>
<tr>
<td></td>
<td>372</td>
<td>372</td>
</tr>
<tr>
<td></td>
<td>554</td>
<td>696</td>
</tr>
<tr>
<td></td>
<td>563</td>
<td>736</td>
</tr>
<tr>
<td></td>
<td>613</td>
<td>683</td>
</tr>
</tbody>
</table>
TABLE D

United Kingdom Meat Supplies

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
</tr>
<tr>
<td>Beef and veal...</td>
<td>550</td>
<td>398</td>
<td>645</td>
<td>336</td>
<td>717</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>135</td>
<td>427</td>
<td>172</td>
<td>314</td>
<td>198</td>
</tr>
<tr>
<td>Pork ...</td>
<td>15</td>
<td>29</td>
<td>280</td>
<td>37</td>
<td>440</td>
</tr>
<tr>
<td>Bacon and ham</td>
<td>87</td>
<td>156</td>
<td>223</td>
<td>296</td>
<td>228</td>
</tr>
<tr>
<td>Poultry meat ...</td>
<td>70</td>
<td>27</td>
<td>101</td>
<td>17</td>
<td>229</td>
</tr>
<tr>
<td>Total ...</td>
<td>857</td>
<td>1,037</td>
<td>1,421</td>
<td>1,000</td>
<td>1,812</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
</tr>
<tr>
<td>Beef and veal...</td>
<td>865</td>
<td>342</td>
<td>896</td>
<td>394</td>
<td>903</td>
<td>329</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>251</td>
<td>334</td>
<td>249</td>
<td>362</td>
<td>252</td>
<td>337</td>
</tr>
<tr>
<td>Pork ...</td>
<td>471</td>
<td>20</td>
<td>517</td>
<td>13</td>
<td>536</td>
<td>12</td>
</tr>
<tr>
<td>Bacon and ham</td>
<td>208</td>
<td>406</td>
<td>224</td>
<td>392</td>
<td>216</td>
<td>377</td>
</tr>
<tr>
<td>Poultry meat ...</td>
<td>346</td>
<td>4</td>
<td>340</td>
<td>5</td>
<td>356</td>
<td>5</td>
</tr>
<tr>
<td>Total ...</td>
<td>2,141</td>
<td>1,106</td>
<td>2,226</td>
<td>1,166</td>
<td>2,263</td>
<td>1,060</td>
</tr>
</tbody>
</table>

Note (i). Figures in the Table exclude offal. Figures are for July/June years except for home production of poultry meat, which are estimates for June/May years. All the "home-fed" figures except those for poultry meat relate to statistical periods of 52 weeks only. The "home-fed" bacon and ham figures represent commercial home-cured production. Other figures for "home-fed" are estimates of total commercial slaughter for all purposes and include meat from animals bred in the Irish Republic and fattened in the United Kingdom. Figures for imported meat include meat from animals imported fat from the Irish Republic and slaughtered on arrival, but exclude meat imported from all sources in a preserved or manufactured state (e.g. canned products).

Note (ii). The meat equivalents of animals exported live have not been included in the above Table. Exports of live animals to the continent rose from an estimated meat equivalent of about 10,000 tons in all in 1961/62 to meat equivalents in 1963/64 of 28,000 tons of beef, 3,000 tons of mutton and lamb, and 3,000 tons of pork. The corresponding estimates for 1964/65 are 49,000 tons of beef, 3,000 tons of mutton and lamb, and less than 1,000 tons of pork.
FIGURE II
United Kingdom Meat Supplies

TOTAL SUPPLIES

THOUSANDS OF TONS

IMPORTED

HOME-FED

FORECAST

BEEF AND VEAL

THOUSANDS OF TONS

IMPORTED

HOME-FED

FORECAST

1946/47 53/54 58/59 59/60 60/61 61/62 62/63 63/64 64/65 65/66

1946/47 53/54 58/59 59/60 60/61 61/62 62/63 63/64 64/65 65/66
United Kingdom Meat Supplies

MUTTON AND LAMB

FORECAST

PORK AND BACON

FORECAST
### Table E

**Home Supplies and Imports of Eggs and Egg Products in the United Kingdom (i)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Supplies (ii)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sold in shell</td>
<td>133</td>
<td>433</td>
<td>646</td>
<td>649</td>
<td>601</td>
<td>621</td>
<td>609</td>
<td>615</td>
<td>666</td>
</tr>
<tr>
<td>Processed</td>
<td>17</td>
<td>17</td>
<td>44</td>
<td>60</td>
<td>25</td>
<td>42</td>
<td>50</td>
<td>78</td>
<td>97</td>
</tr>
<tr>
<td>Other home supplies</td>
<td>318</td>
<td>314</td>
<td>330</td>
<td>360</td>
<td>417</td>
<td>430</td>
<td>433</td>
<td>453</td>
<td>456</td>
</tr>
<tr>
<td><strong>Total home supplies</strong></td>
<td>451</td>
<td>764</td>
<td>1,020</td>
<td>1,069</td>
<td>1,043</td>
<td>1,093</td>
<td>1,092</td>
<td>1,146</td>
<td>1,219</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shell eggs</td>
<td>95</td>
<td>126</td>
<td>18</td>
<td>17</td>
<td>46</td>
<td>28</td>
<td>34</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>Egg products (iv)</td>
<td>59</td>
<td>62</td>
<td>50</td>
<td>34</td>
<td>39</td>
<td>41</td>
<td>34</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total imports</strong></td>
<td>154</td>
<td>188</td>
<td>68</td>
<td>51</td>
<td>85</td>
<td>69</td>
<td>68</td>
<td>46</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total supplies</strong></td>
<td>605</td>
<td>952</td>
<td>1,088</td>
<td>1,120</td>
<td>1,128</td>
<td>1,162</td>
<td>1,160</td>
<td>1,192</td>
<td>1,266</td>
</tr>
</tbody>
</table>

(i) June/May years for home production; July/June years for imports.
(ii) Hen eggs produced for human consumption only; includes output from units under one acre.
(iii) Includes second quality eggs. No information is available on the utilisation of such eggs before 1964 but it has been assumed that about 40-50 per cent of them were processed each year.
(iv) Whole dried, frozen and liquid egg as shell egg equivalent. Excludes albumen and yolk. (Figure for 1946/47 includes some imports of yolk which were not separately distinguishable).

#### Figure III

**Home Supplies and Imports of Eggs and Egg Products in the United Kingdom**

![Graph showing home supplies and imports](image-url)
### Table F

**Home Production and Imports of Crops in the United Kingdom (i)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat (ii)</td>
<td>1,967</td>
<td>4,575</td>
<td>2,664</td>
<td>3,853</td>
<td>2,711</td>
<td>5,216</td>
<td>2,785</td>
<td>4,397</td>
<td>3,064(iii)</td>
<td>4,630</td>
</tr>
<tr>
<td>Rye</td>
<td>39</td>
<td>2</td>
<td>66</td>
<td>1</td>
<td>21</td>
<td>8</td>
<td>13</td>
<td>9</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Barley</td>
<td>1,963</td>
<td>83</td>
<td>2,521</td>
<td>1,255</td>
<td>3,170</td>
<td>1,123</td>
<td>4,016</td>
<td>815</td>
<td>4,241</td>
<td>950</td>
</tr>
<tr>
<td>Oats</td>
<td>2,903</td>
<td>166</td>
<td>2,821</td>
<td>82</td>
<td>2,138</td>
<td>182</td>
<td>2,187</td>
<td>25</td>
<td>2,058</td>
<td>47</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>350</td>
<td>—</td>
<td>845</td>
<td>—</td>
<td>275</td>
<td>—</td>
<td>259</td>
<td>—</td>
<td>219</td>
<td>—</td>
</tr>
<tr>
<td>Maize</td>
<td>—</td>
<td>280</td>
<td>—</td>
<td>1,413</td>
<td>—</td>
<td>2,771</td>
<td>—</td>
<td>3,086</td>
<td>—</td>
<td>3,044</td>
</tr>
<tr>
<td>Sorghum</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>28</td>
<td>—</td>
<td>630</td>
<td>—</td>
<td>555</td>
<td>—</td>
<td>352</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,222</td>
<td>5,106</td>
<td>8,917</td>
<td>6,632</td>
<td>8,315</td>
<td>9,930</td>
<td>9,260</td>
<td>8,887</td>
<td>9,600</td>
<td>9,032</td>
</tr>
<tr>
<td><strong>Potatoes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earlys (iv)</td>
<td>1,031</td>
<td>16</td>
<td>895</td>
<td>179</td>
<td>632</td>
<td>347</td>
<td>682</td>
<td>317</td>
<td>818</td>
<td>264</td>
</tr>
<tr>
<td>Main crop</td>
<td>9,135</td>
<td>98</td>
<td>7,365</td>
<td>4</td>
<td>4,924</td>
<td>402</td>
<td>6,234</td>
<td>9</td>
<td>6,340</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,166</td>
<td>114</td>
<td>8,260</td>
<td>183</td>
<td>5,556</td>
<td>749</td>
<td>6,916</td>
<td>326</td>
<td>7,158</td>
<td>279</td>
</tr>
<tr>
<td><strong>Sugar</strong> (v)</td>
<td>593</td>
<td>1,570</td>
<td>783</td>
<td>3,253</td>
<td>761</td>
<td>2,596</td>
<td>816</td>
<td>2,433</td>
<td>939</td>
<td>2,247</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat (ii)</td>
<td>2,573</td>
<td>4,609</td>
<td>3,911</td>
<td>4,182</td>
<td>2,998</td>
</tr>
<tr>
<td>Rye</td>
<td>18</td>
<td>6</td>
<td>17</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Barley</td>
<td>4,974</td>
<td>531</td>
<td>5,773</td>
<td>292</td>
<td>6,599</td>
</tr>
<tr>
<td>Oats</td>
<td>1,822</td>
<td>42</td>
<td>1,747</td>
<td>53</td>
<td>1,438</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>169</td>
<td>—</td>
<td>154</td>
<td>—</td>
<td>118</td>
</tr>
<tr>
<td>Maize</td>
<td>—</td>
<td>3,938</td>
<td>—</td>
<td>3,831</td>
<td>—</td>
</tr>
<tr>
<td>Sorghum</td>
<td>—</td>
<td>549</td>
<td>—</td>
<td>394</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,556</td>
<td>9,675</td>
<td>11,602</td>
<td>8,757</td>
<td>11,175</td>
</tr>
<tr>
<td><strong>Potatoes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earlys (iv)</td>
<td>681</td>
<td>394</td>
<td>632</td>
<td>296</td>
<td>723</td>
</tr>
<tr>
<td>Main crop</td>
<td>5,777</td>
<td>151</td>
<td>6,026</td>
<td>193</td>
<td>5,853</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,258</td>
<td>545</td>
<td>6,658</td>
<td>489</td>
<td>6,576</td>
</tr>
<tr>
<td><strong>Sugar</strong> (v)</td>
<td>800</td>
<td>2,283</td>
<td>723</td>
<td>2,170</td>
<td>778</td>
</tr>
</tbody>
</table>

(i) Crop years for home production: July/June years for imports.
(ii) Imports include flour as wheat equivalent.
(iii) Based on known sales through the guarantee scheme. The corresponding estimate based on average yield was 2,992,000 tons.
(iv) Imports of potatoes include shipments from Channel Islands.
(v) Raw equivalent basis.
FIGURE IV
Home Production and Imports of Grain in the United Kingdom

WHEAT AND RYE

FORECAST

HOME-GROWN

FORECAST

IMPORTED

INCLUDING FLOUR AS WHEAT EQUIVALENT

HOME-GROWN

HOME-GROWN

OTHER

BARLEY

FORECAST

IMPORTED

OTHER

IMPORTED

MAIZE

IMPORTED

BARLEY

FORECAST

FORECAST

HOME-GROWN

FORECAST

FORECAST
FIGURE V

*Estimated Crop, Milk and Egg Yields in the United Kingdom*

The graph for sugar shows sugar-in-beet per crop acre. The graph for milk shows the yield of milk per dairy type cow per annum; figures in this series are not available before 1954/55. The graph for eggs up to 1962/63 shows the number of eggs produced per adult fowl per annum (all flocks) and from 1963/64 the number of eggs produced per laying bird.
Estimated Purchases and Consumption of Concentrated Feedingstuffs on Farms in the United Kingdom (i)

<table>
<thead>
<tr>
<th>June/May years</th>
<th>1961/62</th>
<th>1962/63</th>
<th>1963/64</th>
<th>1964/65</th>
<th>1965/66 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Farmers' purchases ... ...</td>
<td>11.3</td>
<td>11.9</td>
<td>11.3</td>
<td>12.2</td>
<td>12.7</td>
</tr>
<tr>
<td>2. Home-grown concentrated feeds retained on farm of origin ... ...</td>
<td>3.2</td>
<td>3.2</td>
<td>3.5</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>3. Total consumption on farms</td>
<td>14.5</td>
<td>15.1</td>
<td>14.8</td>
<td>15.9</td>
<td>16.5</td>
</tr>
<tr>
<td>4. Current home crop production for feed (ii) ... ...</td>
<td>7.2</td>
<td>8.7</td>
<td>8.6</td>
<td>9.7</td>
<td>10.5</td>
</tr>
<tr>
<td>5. Balance of farmers' purchases to be met mainly from imported supplies (iii) ... ...</td>
<td>7.3</td>
<td>6.4</td>
<td>6.2</td>
<td>6.2</td>
<td>6.0</td>
</tr>
</tbody>
</table>

(i) Purchases and consumption, by occupiers of holdings of over one acre, of concentrated feeds, including purchases of home-grown cereals, pulse, etc., previously sold off farms to manufacturers and merchants. In trade terms, concentrated feeds consist of compounds, provenders, mixtures and straights. The quantities shown exclude the weight of minerals and other supplements, and sacks.

(ii) Including by-products from home-grown grains, dried sugar beet pulp, etc.

(iii) Including by-products from imported grains, etc., and from the fishing industry. The quantities shown for this item differ from actual production of by-products and supplies of imports as shown in Table H mainly because of (a) the exclusion from Table G of quantities consumed on holdings of less than one acre; (b) the inclusion of home-produced fish meal and meat and bone meal; (c) wastage and other losses in the course of processing and distribution; (d) changes in the level of stocks held by processors, distributors and other agents.

Imports of Concentrated Feedingstuffs and Production of By-Products from Imported Grains and Seeds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Imports of concentrated feedingstuffs (i) ... ...</td>
<td>6.9</td>
<td>6.2</td>
<td>5.9</td>
<td>5.7</td>
<td>5.6</td>
</tr>
<tr>
<td>2. By-products from imported grains and seeds ... ...</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.7</td>
<td>1.8</td>
</tr>
</tbody>
</table>

(i) Including feed wheat and molasses but excluding imports of coarse grains for human consumption and industrial purposes.
### TABLE J

**Numbers of Agricultural Workers at June in the United Kingdom**

<table>
<thead>
<tr>
<th>Year</th>
<th>Full-time (i)</th>
<th>Part-time (ii)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
</tr>
<tr>
<td>1946</td>
<td>599</td>
<td>96</td>
<td>197</td>
</tr>
<tr>
<td>1947</td>
<td>611</td>
<td>91</td>
<td>201</td>
</tr>
<tr>
<td>1948</td>
<td>625</td>
<td>90</td>
<td>139</td>
</tr>
<tr>
<td>1949</td>
<td>645</td>
<td>85</td>
<td>135</td>
</tr>
<tr>
<td>1950</td>
<td>639</td>
<td>79</td>
<td>136</td>
</tr>
<tr>
<td>1951</td>
<td>621</td>
<td>70</td>
<td>129</td>
</tr>
<tr>
<td>1952</td>
<td>594</td>
<td>70</td>
<td>132</td>
</tr>
<tr>
<td>1953</td>
<td>578</td>
<td>68</td>
<td>128</td>
</tr>
<tr>
<td>1954</td>
<td>563</td>
<td>64</td>
<td>121</td>
</tr>
<tr>
<td>1955</td>
<td>535</td>
<td>60</td>
<td>119</td>
</tr>
<tr>
<td>1956</td>
<td>510</td>
<td>56</td>
<td>113</td>
</tr>
<tr>
<td>1957</td>
<td>502</td>
<td>55</td>
<td>116</td>
</tr>
<tr>
<td>1958</td>
<td>488</td>
<td>50</td>
<td>114</td>
</tr>
<tr>
<td>1959</td>
<td>480</td>
<td>47</td>
<td>112</td>
</tr>
<tr>
<td>1960</td>
<td>462</td>
<td>43</td>
<td>111</td>
</tr>
<tr>
<td>1961</td>
<td>439</td>
<td>41</td>
<td>107</td>
</tr>
<tr>
<td>1962</td>
<td>420</td>
<td>39</td>
<td>103</td>
</tr>
<tr>
<td>1963</td>
<td>407</td>
<td>37</td>
<td>98</td>
</tr>
<tr>
<td>1964</td>
<td>381</td>
<td>34</td>
<td>97</td>
</tr>
<tr>
<td>1965</td>
<td>355</td>
<td>33</td>
<td>94</td>
</tr>
</tbody>
</table>

(i) Comprises regular whole-time workers and includes members of the Women’s Land Army and Prisoners of War in earlier years.

(ii) Comprises workers returned in the Agricultural Censuses as regular part-time, seasonal or temporary workers.

### FIGURE VI

**Numbers of Agricultural Workers at June in the United Kingdom**

- **MALES**
  - Full-time (including Prisoners of War and members of the Women’s Land Army in earlier years)
- **FEMALES**
  - Part-time

![Graph showing the numbers of agricultural workers from 1946 to 1965](image-url)
### TABLE K

**Index of Agricultural Net Output in the United Kingdom (i)**

*Average 1954/55–1956/57 = 100*

<table>
<thead>
<tr>
<th>Years beginning 1st June</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1953/54</td>
<td>103</td>
</tr>
<tr>
<td>1954/55</td>
<td>95</td>
</tr>
<tr>
<td>1955/56</td>
<td>98</td>
</tr>
<tr>
<td>1956/57</td>
<td>107</td>
</tr>
<tr>
<td>1957/58</td>
<td>105</td>
</tr>
<tr>
<td>1958/59</td>
<td>102</td>
</tr>
<tr>
<td>1959/60</td>
<td>112</td>
</tr>
<tr>
<td>1960/61</td>
<td>119</td>
</tr>
<tr>
<td>1961/62</td>
<td>116</td>
</tr>
<tr>
<td>1962/63</td>
<td>125</td>
</tr>
<tr>
<td>1963/64</td>
<td>127</td>
</tr>
<tr>
<td>1964/65 (provisional)</td>
<td>137</td>
</tr>
<tr>
<td>1965/66 (forecast)</td>
<td>139</td>
</tr>
</tbody>
</table>

**Note (i).** Includes estimated production from units under one acre.

**Note (ii).** The index measures year to year changes in the value added at constant prices by farmers, landowners and farmworkers to all the goods and services purchased from outside the agricultural sector. It is based on the average of the years 1954/55 to 1956/57. Details of the method of calculation of this index were given in the March 1960 issue (No. 77) of “Economic Trends”, published by Her Majesty’s Stationery Office.

### FIGURE VII

**Index of Agricultural Net Output in the United Kingdom**

*Average 1954/55–1956/57 = 100*
APPENDIX II

Aggregate Farming Net Income in the United Kingdom

NOTE. The revised figures given in this Appendix for the "Departmental" calculation of aggregate net income in the year 1964/65 replace the forecasts which were published in last year's White Paper when the outcome for the latter part of that year was not known. In addition new statistical information which has become available affects the figures for 1964/65 and some earlier years. Forecasts for 1965/66 are as at mid-January 1966.

<table>
<thead>
<tr>
<th>Year</th>
<th>&quot;Departmental&quot; Calculation</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Three Year Moving Average of Actual</td>
</tr>
<tr>
<td>1946/47</td>
<td>196(\frac{3}{4})</td>
<td>—</td>
</tr>
<tr>
<td>1947/48</td>
<td>231(\frac{3}{4})</td>
<td>243</td>
</tr>
<tr>
<td>1948/49</td>
<td>301</td>
<td>283</td>
</tr>
<tr>
<td>1949/50</td>
<td>316(\frac{3}{4})</td>
<td>299(\frac{3}{4})</td>
</tr>
<tr>
<td>1950/51</td>
<td>280(\frac{3}{4})</td>
<td>312</td>
</tr>
<tr>
<td>1951/52</td>
<td>338(\frac{1}{4})</td>
<td>323</td>
</tr>
<tr>
<td>1952/53</td>
<td>349(\frac{3}{4})</td>
<td>345</td>
</tr>
<tr>
<td>1953/54</td>
<td>347</td>
<td>337</td>
</tr>
<tr>
<td>1954/55</td>
<td>314</td>
<td>337</td>
</tr>
<tr>
<td>1955/56</td>
<td>350(\frac{3}{4})</td>
<td>335</td>
</tr>
<tr>
<td>1956/57</td>
<td>341</td>
<td>356</td>
</tr>
<tr>
<td>1957/58</td>
<td>377</td>
<td>351</td>
</tr>
<tr>
<td>1958/59</td>
<td>334(\frac{1}{4})</td>
<td>358(\frac{3}{4})</td>
</tr>
<tr>
<td>1959/60</td>
<td>364(\frac{1}{4})</td>
<td>365</td>
</tr>
<tr>
<td>1960/61</td>
<td>396</td>
<td>396</td>
</tr>
<tr>
<td>1961/62</td>
<td>428</td>
<td>425</td>
</tr>
<tr>
<td>1962/63</td>
<td>451</td>
<td>429(\frac{1}{4})</td>
</tr>
<tr>
<td>1963/64</td>
<td>409(\frac{3}{4})</td>
<td>445(\frac{3}{4})</td>
</tr>
<tr>
<td>1964/65</td>
<td>475(\frac{1}{4}) (460)</td>
<td>449(\frac{3}{4})</td>
</tr>
<tr>
<td>1965/66 (forecast)</td>
<td>463(\frac{3}{4}) (472(\frac{1}{4}))</td>
<td>(not yet available)</td>
</tr>
</tbody>
</table>

Note (i). The "Departmental" calculation is for years beginning 1st June.
Note (ii). The figures in brackets for 1964/65 and 1965/66 are adjusted to normal weather conditions.
Note (iii). The "Departmental" and "raised sample" estimates of aggregate farming net income in Table A are arrived at after making provision for depreciation. Net income can be defined as the reward for the manual and managerial labour of the farmer and his wife, and for the use of the occupier's investment.

Note (iv). These two series of aggregate farming net income are calculated in fundamentally different ways. The "Departmental" estimate is built up from the statistics of income and expenditure for the whole "national" farm, whereas the "raised sample" is based on some 3,500 actual farm accounts, which are expanded or "raised" to give an aggregate for all farms in the United Kingdom. There are a number of reasons why the levels of aggregate net income shown in these two series should vary but it is difficult to make a quantitative assessment of the individual causes. Both series are of value in indicating the general trend in the level of income.

Note (v). The "Departmental" estimates for aggregate net income include as profit in recent years about £8 million on the production of food for consumption in the farm household. In other industries the corresponding sums are not treated as profit and are relatively much smaller (in many cases non-existent).

Note (vi). From the "Departmental" figures for aggregate net income certain sums should have been appropriated by farmers to cover the excess of replacement cost over original cost of certain assets (slaughter stock, cultivations, growing crops, etc.) used up in the course of the year's production and trade. These sums are:

<table>
<thead>
<tr>
<th>Year</th>
<th>£ million</th>
<th>Year</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946/47</td>
<td>23</td>
<td>1956/57</td>
<td>30</td>
</tr>
<tr>
<td>1947/48</td>
<td>23⅓</td>
<td>1957/58</td>
<td>11⅔</td>
</tr>
<tr>
<td>1948/49</td>
<td>17</td>
<td>1958/59</td>
<td>21</td>
</tr>
<tr>
<td>1949/50</td>
<td>29⅓</td>
<td>1959/60</td>
<td>20⅔</td>
</tr>
<tr>
<td>1950/51</td>
<td>41⅔</td>
<td>1960/61</td>
<td>27⅔</td>
</tr>
<tr>
<td>1951/52</td>
<td>40</td>
<td>1961/62</td>
<td>25⅔</td>
</tr>
<tr>
<td>1952/53</td>
<td>21⅔</td>
<td>1962/63</td>
<td>28</td>
</tr>
<tr>
<td>1953/54</td>
<td>14</td>
<td>1963/64</td>
<td>28</td>
</tr>
<tr>
<td>1954/55</td>
<td>18⅔</td>
<td>1964/65</td>
<td>31</td>
</tr>
<tr>
<td>1955/56</td>
<td>27</td>
<td>1965/66</td>
<td>46 (forecast)</td>
</tr>
</tbody>
</table>

**Figure I**

*Aggregate Farming Net Income in the United Kingdom: "Departmental" Calculation*
<table>
<thead>
<tr>
<th></th>
<th>1964/65 (revised)</th>
<th>1965/66 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Farm Sales</strong></td>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td>Milk and milk products</td>
<td>401</td>
<td>416</td>
</tr>
<tr>
<td>Fatstock</td>
<td>550½</td>
<td>563</td>
</tr>
<tr>
<td>Cattle</td>
<td>266</td>
<td>270½</td>
</tr>
<tr>
<td>Sheep</td>
<td>86½</td>
<td>84</td>
</tr>
<tr>
<td>Pigs</td>
<td>198</td>
<td>208½</td>
</tr>
<tr>
<td>Eggs</td>
<td>167</td>
<td>181½</td>
</tr>
<tr>
<td>Poultry</td>
<td>81½</td>
<td>86½</td>
</tr>
<tr>
<td>Grain</td>
<td>211</td>
<td>219</td>
</tr>
<tr>
<td>Other farm crops</td>
<td>127½</td>
<td>129</td>
</tr>
<tr>
<td>Horticultural products</td>
<td>184</td>
<td>178½</td>
</tr>
<tr>
<td>Other</td>
<td>52</td>
<td>49½</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,774½</td>
<td>1,823</td>
</tr>
<tr>
<td>Production grants, sundry receipts and other credits</td>
<td>112½</td>
<td>112½</td>
</tr>
<tr>
<td>Increase in the value of farm stocks and work in hand</td>
<td>52½</td>
<td>60½</td>
</tr>
<tr>
<td><strong>Farm Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td>307</td>
<td>312</td>
</tr>
<tr>
<td>Rent and interest</td>
<td>140½</td>
<td>149</td>
</tr>
<tr>
<td>Machinery</td>
<td>233</td>
<td>250</td>
</tr>
<tr>
<td>Feedingstuffs</td>
<td>445½</td>
<td>471½</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>122</td>
<td>125</td>
</tr>
<tr>
<td>Other</td>
<td>216</td>
<td>225</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,464</td>
<td>1,532½</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>475½</td>
<td>463½</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,939½</td>
<td>1,996</td>
</tr>
</tbody>
</table>
 FIGURE II

Farm Sales and Expenses for 1965/66 in the United Kingdom
(Based on the "Departmental" forecast for 1965/66 shown in Table B opposite)

Sales £1,823 million

Expenses £1,532 ½ million
## APPENDIX III

Aggregate Cost Increases Taken into Account at the Annual Review

<table>
<thead>
<tr>
<th></th>
<th>All Products £ million</th>
<th>Review Products £ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>19·50</td>
<td>15·00</td>
</tr>
<tr>
<td>Rent and Interest</td>
<td>2·84</td>
<td>2·18</td>
</tr>
<tr>
<td>Machinery expenses</td>
<td>4·90</td>
<td>3·77</td>
</tr>
<tr>
<td>Feedingstuffs</td>
<td>6·51</td>
<td>4·65</td>
</tr>
<tr>
<td>Seeds</td>
<td>1·16</td>
<td>0·89</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>1·50</td>
<td>1·15</td>
</tr>
<tr>
<td>Haulage and Marketing</td>
<td>3·76</td>
<td>2·46</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1·70</td>
<td>1·84</td>
</tr>
<tr>
<td></td>
<td><strong>41·87</strong></td>
<td><strong>31·94</strong></td>
</tr>
</tbody>
</table>

**Note (i).** These estimates are made on the assumption that any increase (or decrease) in the cost of an item of expenditure will continue for a full year and that there will be no change from the current usage of that item. As pointed out in paragraph 13 on page 8, the annual rate of gain in the industry's efficiency is estimated to be of the order of £30 million for Review products.

**Note (ii).** The figures given above exclude an increase of approximately £7·31 million in respect of changes in feedingstuffs costs which are dealt with automatically by the feed formulae relating the guarantees for pigs and eggs to the cost of standard rations.

**Note (iii).** The expression "Review Products" means the commodities, of the grades and descriptions for which guaranteed prices are provided, listed in Tables A and B in Part I of Appendix VI.
### Specimen Net Incomes for Different Types of Farming (i)

<table>
<thead>
<tr>
<th></th>
<th>Average size of farm</th>
<th>Average net income per farm (for an identical sample in the two years)</th>
<th>Average net income per farm 1964/65 (ii)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(acres of crops and grass)</td>
<td>1963/64</td>
<td>1964/65</td>
</tr>
<tr>
<td><strong>England and Wales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dairying</td>
<td>130</td>
<td>1,365</td>
<td>1,887</td>
</tr>
<tr>
<td>Livestock</td>
<td>160</td>
<td>1,154</td>
<td>1,828</td>
</tr>
<tr>
<td>Arable</td>
<td>250</td>
<td>2,874</td>
<td>3,585</td>
</tr>
<tr>
<td>Crops and livestock</td>
<td>262</td>
<td>3,139</td>
<td>3,654</td>
</tr>
<tr>
<td>Mixed</td>
<td>263</td>
<td>2,371</td>
<td>2,892</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Small (under 600 standard man-days)</th>
<th>Medium (600–1,199 standard man-days)</th>
<th>Large (1,200 and over standard man-days)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scotland</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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(i) These figures are a selection of those examined at the Annual Review. The average size of the sample farms for each type-group illustrated is rather larger than the average size of all farms of that type in the country as a whole.

(ii) Size groups based on total farm acreage (including rough grazing).

(iii) Figures for England and Wales were also available at the Annual Review on the basis of a new classification of the sample by types of farming and standard man-day size groups. A summary of these figures is given below.
## APPENDIX V

### TABLE A

**Estimated Cost of Exchequer Support to Agriculture**

Financial years beginning 1st April

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39
Note (i). The figures for years up to and including 1964/65 represent actual expenditure recorded in the Appropriation Accounts. The figures for 1965/66 are the latest estimates (Hansard, 7th February 1966, Written Answers, cols. 25–26) of cash expenditure in the United Kingdom (Civil Estimates Class V, Votes 3, 4, 5 and 6). The figures for 1966/67 are based on the Civil Estimates for that year and do not take account of the determinations in this White Paper (see however Note (viii)).

Note (ii). Payments in respect of cereals, potatoes and wool relate partly to the crops or clip of the year indicated and partly to the crops or clips of the preceding year or years.

Note (iii). Figures for milk exclude expenditure on school and welfare milk. Following the 1962 Annual Review the retail price of milk was arranged so that neither a deficiency nor a surplus will arise, taking one year with another, from the implementation of the price guarantee.

Note (iv). Expenditure on tuberculosis eradication relates to bonus payments under the Attested Herds Scheme only and excludes compensation payments for slaughtered reactors.

Note (v). The item “other grants” includes in 1965/66 grants to producers in the Scottish Islands, grassland renovation, rabbit clearance societies, improvement of livestock, bracken eradication and machinery syndicates.

Note (vi). Of the grants made in 1965/66 the following are relevant production grants for the purposes of the Agriculture Act 1957, and the 1966 Annual Review:

- Fertilisers subsidy.
- Lime subsidy.
- Ploughing grants.
- Grassland renovation.
- Field drainage grants for ditching and moling (estimated cost £0.6 million in 1965/66; figure in the Table includes expenditure on tiling schemes).
- Bonus payments under the Tuberculosis (Attested Herds) Scheme.
- Calf subsidy.
- Hill cattle and hill cow subsidies.
- Hill sheep subsidy.
- Winter keep.
- Silo subsidies.
- Grants to small farmers.
- Grants for farm business recording.
- Grants to producers in the Scottish Islands.
- Grants to rabbit clearance societies.
- Arrangements for the benefit of agricultural producers in Northern Ireland financed from the U.K. Exchequer.
- Grants for agricultural marketing development.
- Grants for agricultural co-operation.
- Grants for agricultural credit.

Note (vii). The Table excludes the cost of grants for agricultural marketing development, agricultural co-operation and agricultural credit mentioned in Note (vi) above. The estimated cost of these grants is £0.2 million in 1965/66 and £0.4 million in 1966/67. Grants for horticulture are also excluded. The estimated cost of them, including horticultural co-operation and credit, is £2.1 million in 1965/66 and £2.6 million in 1966/67.

Note (viii). On the basis of the original assumptions as to output and market prices the estimated effect of the determinations set out in this White Paper, together with the proposed increases in the retail price of milk, is a net increase of about £15m. in the total estimated cost (£265m.) of agricultural support by the Exchequer in 1966/67. This net increase is the result broadly of increases of £1m. on wheat, £3m. on barley, £124m. on cattle, £14m. on sheep, £2m. on pigs and decreases of £3m. on eggs, £1m. on wool and £1m. on production grants.

The figures do not include the effect on deficiency payments of any changes in output during the year which may be ascribed to Review changes.

The net effect of the determinations on the Estimates differs from the effect on the value of the guarantees for several reasons; the more important are that the price guarantee arrangements for some commodities do not involve Exchequer payments and that the payment periods for some items do not correspond with the financial year.
FIGURE I

Estimated Cost of Exchequer Support to Agriculture

Other commodities
Cereals
Fatstock and wool

PRICE GUARANTEES
PRODUCTION GRANTS
ADMIN. EXPENSES

£ MILLION

1957/58  58/59  59/60  60/61  61/62  62/63  63/64  64/65  65/66 FORECAST
### Table B

Fatstock Guarantee Schemes and Cereals Deficiency Payments Schemes: Relationship between Unit Subsidy and Total Returns

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<tbody>
<tr>
<td><strong>Fat Cattle</strong> (per live cwt.)</td>
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<tr>
<td>Market value</td>
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<td>153 5</td>
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<td>18 4</td>
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<tr>
<td>Total return</td>
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<td>162 1</td>
<td>165 4</td>
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<td>166 1</td>
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<tr>
<td><strong>Fat Sheep</strong> (per lb. est. d.c.w.)</td>
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<td>Total return</td>
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<tr>
<td><strong>Fat Pigs</strong> (per score deadweight)</td>
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<tr>
<td><strong>Wheat</strong> (per cwt.)</td>
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<td><strong>Barley</strong> (per cwt.)</td>
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<td>Market value</td>
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<tr>
<td><strong>Oats</strong> (per cwt.)</td>
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<td>Market value</td>
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<tr>
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<tr>
<td>Total return</td>
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</tr>
</tbody>
</table>

**Note (i).** The figures for fatstock relate to animals certified under the Fatstock Guarantee Schemes. The unit subsidy for fat pigs includes quality premiums and adjustments under the flexible guarantee and feed price arrangements.

**Note (ii).** The figures for cereals are in respect of grain taken into account in the Cereals Deficiency Payments Schemes and relate to crop years.

**Note (iii).** The figures for unit subsidy do not include agricultural production grants nor administrative expenses.
Fatstock Guarantee Schemes and Cereals Deficiency Payments Schemes: Relationship between Unit Subsidy and Total Returns

**FAT CATTLE**

**WHEAT**

**FAT SHEEP**

**BARLEY**

**FAT PIGS**

**OATS**

<table>
<thead>
<tr>
<th>Unit subsidy</th>
<th>Average market value</th>
<th>TOTAL RETURN</th>
</tr>
</thead>
</table>

Years: 57/58, 58/59, 59/60, 60/61, 61/62, 62/63, 63/64, 64/65, 65/66
## APPENDIX VI

Guaranteed Prices determined in the light of the Annual Review 1966

### PART I. PRICE TABLES

For the bases of the prices given in the tables and other particulars of the guarantee arrangements see Part II of this Appendix.

### TABLE A

**Guaranteed Prices for Livestock and Livestock Products**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Guaranteed Prices 1965/66 determined after the Annual Review 1965</th>
<th>Price change</th>
<th>Guaranteed Prices 1966/67 determined after the Annual Review 1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fat Cattle (per live cwt.)(a)</td>
<td>174s. 0d.</td>
<td>+10s. 0d.</td>
<td>184s. 0d.</td>
</tr>
<tr>
<td>Fat Sheep and Lambs (per lb. estimated dressed carcass weight)(a)</td>
<td>3s. 2d.</td>
<td>+0·75d.</td>
<td>3s. 2·75d.</td>
</tr>
<tr>
<td>Fat Pigs (per score deadweight)(a)((b))</td>
<td>44s. 9d. related to a feed price of 27s. 11d. per cwt. On the basis of the current feed price of 28s. 7d. per cwt. this guaranteed price is equivalent to 45s. 3d.</td>
<td>No change</td>
<td>45s. 3d. related to a feed price of 28s. 7d. per cwt.</td>
</tr>
<tr>
<td>Eggs—hen (per dozen)(c)</td>
<td>3s. 8·36d. related to a feed price of 27s. 5d. per cwt. (The current feed price is also 27s. 5d. per cwt.)</td>
<td>-1·6d.</td>
<td>3s. 6·76d. related to a feed price of 27s. 5d. per cwt.</td>
</tr>
<tr>
<td>Eggs—duck (per dozen)(c)</td>
<td>2s. 6·29d. related to a feed price of 27s. 5d. per cwt. (The current feed price is also 27s. 5d. per cwt.)</td>
<td>No change</td>
<td>2s. 6·29d. related to a feed price of 27s. 5d. per cwt.</td>
</tr>
<tr>
<td>Wool (per lb.)</td>
<td>4s. 7·25d.</td>
<td>-2d.</td>
<td>4s. 5·25d.</td>
</tr>
<tr>
<td>Milk (average per gallon)(d)</td>
<td>3s. 5·85d.</td>
<td>+0·5d.</td>
<td>3s. 6·35d.</td>
</tr>
</tbody>
</table>

\(a\) denotes that prices have been increased or decreased in relation to the prices of livestock feed. \(b\) denotes that prices have been related to a feed price of 27s. 11d. per cwt. \(c\) denotes that prices have been related to a feed price of 27s. 5d. per cwt. \(d\) denotes that prices have been related to a feed price of 27s. 5d. per cwt.
### Guaranteed Prices for Crops

<table>
<thead>
<tr>
<th>Commodity</th>
<th>(i) Guaranteed Prices for 1965 Harvest determined after the Annual Review 1965</th>
<th>(ii) Price change compared with the 1965 Annual Review Guarantee</th>
<th>(iii) Guaranteed Prices for 1966 Harvest determined after the Annual Review 1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat (per cwt.)</td>
<td>25s. 5d.</td>
<td>No change</td>
<td>25s. 5d.</td>
</tr>
<tr>
<td>Barley (per cwt.)</td>
<td>25s. 4d.</td>
<td>No change</td>
<td>25s. 4d.</td>
</tr>
<tr>
<td>Oats (per cwt.)</td>
<td>27s. 5d.</td>
<td>No change</td>
<td>27s. 5d.</td>
</tr>
<tr>
<td>Rye (per cwt.)</td>
<td>21s. 7d.</td>
<td>No change</td>
<td>21s. 7d.</td>
</tr>
<tr>
<td>Potatoes (per ton)</td>
<td>285s. 0d.</td>
<td>+5s. 0d.</td>
<td>290s. 0d.</td>
</tr>
<tr>
<td>Sugar Beet (per ton, 16·0 per cent. sugar content)</td>
<td>130s. 6d.</td>
<td>No change</td>
<td>130s. 6d.</td>
</tr>
</tbody>
</table>

**Notes on Price Tables**

(a) The guaranteed prices for fat cattle, fat sheep and wheat are average prices subject to variation seasonally; the guarantee payments for some fat pigs are subject to variation according to quality; and the method of calculating the fat pigs guarantee payments involves an element of estimation. Because marketings and prices of fatstock and wheat may vary from those forecast, producers' average returns under the guarantees for those products in any year may differ slightly from the guaranteed prices.

(b) The guaranteed price for pigs is subject to the flexible guarantee and feed formula arrangements.

(c) The guaranteed prices for hen and duck eggs are subject to the indicator price and feed formula arrangements.

(d) The guaranteed price for milk includes 0·25d. per gallon special assistance for compositional quality. The guaranteed price is subject to the standard quantity arrangements.

(e) The guaranteed prices for wheat and barley are subject to the standard quantity/target indicator price arrangements.

(f) The guaranteed price for barley is subject to arrangements whereby, to encourage a more even spread of marketings over the season, the deficiency payments are subject to premiums for barley delivered, after sale, in the later months of the cereal year and deductions for barley delivered in the early months of the year.
PART II. ADDITIONAL DETAILS OF GUARANTEES

1. The guaranteed prices shown in Part I of this Appendix for livestock and livestock products in 1966/67 and for crops of the 1966 harvest will be on a similar basis to those for the previous year except as stated in the following paragraphs.

Milk

2. The provisional standard quantity for each area in 1966/67 has been calculated as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Provisional Standard Quantity 1965/66</th>
<th>Adjustments for Changes in Liquid Sales</th>
<th>Adjustments in Light of Technical Study</th>
<th>Provisional Standard Quantity 1966/67</th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Wales</td>
<td>1,792.2</td>
<td>-11.8</td>
<td>+52.9</td>
<td>1,833.3</td>
</tr>
<tr>
<td>Main Scottish Area</td>
<td>188.6</td>
<td>-13.3</td>
<td>+5.6</td>
<td>192.9</td>
</tr>
<tr>
<td>Aberdeen and District</td>
<td>20.1</td>
<td>No change</td>
<td>+6.0</td>
<td>20.7</td>
</tr>
<tr>
<td>North of Scotland</td>
<td>9.9</td>
<td>+0.1</td>
<td>+0.3</td>
<td>10.3</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>100.2</td>
<td>+0.6</td>
<td>+3.0</td>
<td>103.8</td>
</tr>
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</table>

2,111.0 - 12.4 + 62.4 = 2,161.0

3. The final figures for the standard quantities for 1965/66 for each of the five milk marketing areas are as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Million gallons</th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Wales</td>
<td>1,779.9</td>
</tr>
<tr>
<td>Main Scottish Area</td>
<td>187.0</td>
</tr>
<tr>
<td>Aberdeen and District</td>
<td>20.0</td>
</tr>
<tr>
<td>North of Scotland</td>
<td>9.9</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>100.4</td>
</tr>
</tbody>
</table>

2,097.2

Fat Cattle

4. Adjustment of Seasonal Scale. With effect from 28th March, 1966, the seasonal scale of weekly standard prices will be adjusted so as to reduce the level of prices by up to 2s. 6d. per live cwt. over the period December to May. Compensating increases will be made over the rest of the year so as to maintain a guaranteed price of 184s. 0d. per live cwt.

5. Graduated Deficiency Payments Scheme. With effect from 28th March, 1966, the scale of abatements and supplements will be adjusted to take account of the expected market situation for the year. If the average market price for a week is below the standard price for the same week, and the deficiency is within the range 10s. 0d.-14s. 0d. per live cwt., a guarantee payment of the amount of this deficiency will be paid in respect of the week: but if the deficiency in the week exceeds 14s. 0d. per cwt., or is less than 10s. 0d. per cwt., the guarantee payment will be subject to abatement or supplement in accordance with scales determined at the Review, which are being published separately.

Fat Sheep

6. Graduated Deficiency Payments Scheme. With effect from 28th March, 1966, the scale of abatements and supplements will be adjusted to take account of the expected market situation for the year. If the average market price for a week is below the standard price for the same week, and the deficiency is within the range 2·75d.-4·25d. per lb. estimated dressed carcase weight, a guarantee payment of the amount of this deficiency will be paid in respect of the week: but if the deficiency in the week exceeds 4·25d. per lb. or is less than 2·75d. per lb., the guarantee payment will be subject to abatement or supplement in accordance with scales determined at the Review, which are being published separately.
Fat Pigs

7. Flexible Guarantee Scale. The flexible guarantee scale (set out in paragraph 9 of Appendix VI, Part II of the 1965 Annual Review White Paper) will be modified and with effect from 28th March, 1966, the scale will be as follows:

<table>
<thead>
<tr>
<th>Forecast level of certifications</th>
<th>Adjustment to the basic guaranteed price</th>
</tr>
</thead>
<tbody>
<tr>
<td>10·8 million or more but less than 11·2 million</td>
<td>... + 3s. 6d.</td>
</tr>
<tr>
<td>11·2</td>
<td>... + 2s. 3d.</td>
</tr>
<tr>
<td>11·6</td>
<td>... + 1s. 6d.</td>
</tr>
<tr>
<td>12·0</td>
<td>... + 9d.</td>
</tr>
<tr>
<td>12·4</td>
<td>Basic guaranteed price</td>
</tr>
<tr>
<td>12·8</td>
<td>... 9d.</td>
</tr>
<tr>
<td>13·2</td>
<td>... 1s. 6d.</td>
</tr>
<tr>
<td>13·6</td>
<td>... 2s. 3d.</td>
</tr>
<tr>
<td>14·0</td>
<td>... 3s. 6d.</td>
</tr>
</tbody>
</table>

There will be a further adjustment of 1s. 3d. for each complete 0·4 million or part thereof by which the forecast annual level of certifications falls below 10·8 million or exceeds 14·8 million.

8. Quality Premium. With effect from 28th March, 1966, quality premium will be paid only on pigs graded AA+. The rate will be 1s. 6d. per score.

Eggs

9. In 1966/67 the indicator prices provided for by Article 4 of the Eggs (Guaranteed Prices) Order 1963 (1963 No. 569) as amended by the Eggs (Guaranteed Prices) (Amendment) Order 1964 (1964 No. 462) will be 3s. 1d. per dozen for hen eggs and 2s. 2d. per dozen for duck eggs. If, during 1966/67 and 1967/68, the British Egg Marketing Board’s average selling price for hen or duck eggs is below the appropriate indicator price, the proportion of the difference to be met by the Exchequer will remain at 40 per cent. instead of being reduced to 30 per cent. in accordance with the arrangements introduced at the 1963 and 1964 Annual Reviews and set out in the Orders referred to above. The Government intend to reduce the proportion met by the Exchequer by 10 per cent. a year from 1968/69 onwards.

Cereals

10. Standard Quantities. The standard quantities for wheat and barley will be as follows:

<table>
<thead>
<tr>
<th>thousand tons</th>
<th>Change</th>
<th>Standard Quantity for 1966 Harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>+ 250</td>
<td>3,650</td>
</tr>
<tr>
<td>Barley</td>
<td>+ 600</td>
<td>7,350</td>
</tr>
</tbody>
</table>

11. Target Indicator Prices. The target indicator prices will be 20s. 6d. per cwt. for wheat and 19s. 0d. per cwt. for barley. If a change should be made in the course of the cereal year in the relevant minimum import prices, an identical change would be made in the target indicator price, and an average target indicator price for the cereal year would be used throughout the calculations.

12. Escalator Arrangement. The escalator arrangement will operate within a range of production of 3·45 to 3·65 million tons for wheat and 6·90 to 7·35 million tons for barley (subject to any adjustments consequent on the crop adjustment formula).

Sugar Beet

13. For the 1966 crop the maximum acreage to which the guarantee will apply will be 427,400 acres in England and Wales and 15,600 acres in Scotland. The maximum acreage for the 1967 crop will be the same as in 1966.
CABINET

LEGISLATIVE PROGRAMME 1966-67

Memorandum by the Lord President of the Council

The Future Legislation Committee and, subsequently, the Committee on The Queen's Speech, have considered the Bills suggested by Ministers for inclusion in the legislative programme for 1966-67. In the lists annexed the Bills have been provisionally classified under the following heads:

A. 1 Essential Bills - that is, Bills which must be obtained by a particular date.
A. 2 Contingent Bills - that is, Bills which may become essential
B Main Programme Bills for the 1966-67 Session
C Bills in Reserve - that is, Bills which might be brought forward if gaps develop in the programme, but which cannot have any priority in drafting.
S Bills suitable for the proposed Second Reading Committee
D Other Bills
P Bills suitable for Private Members

2. Far more Bills have been put forward for inclusion in next Session's programme than could be fitted even in a long Session into the time available for Government legislation. I have had representations from many of the Ministers concerned in favour of Bills which it has not been possible to include in the main programme for next Session, and I recognise the weight of their arguments. I am anxious, however, that Members should not be asked to work during the coming Session under as much pressure as was necessary during the last two Sessions, and it would not be possible to include any more Bills in the main programme without postponing others with equal, or greater, claims.

3. Now that we are in a position to look ahead, I propose that the Future Legislation Committee should draw up provisional lists of the principal Bills for the 1967-68 and 1968-69 Sessions so that we can plan a series of coherent programmes which will achieve a proper balance between our economic and social policies and will maintain impetus and interest during the lifetime of the Parliament. Ministers are being asked to put forward long-term plans for legislation, so far as they can at present foresee them, and proposals will be submitted to the Cabinet when these have been considered.

4. The Future Legislation Committee will also need to consider priorities within List S, which contains more Bills than we are likely to be able to pass by means of the Second Reading Committee procedure.

5. At present we seek the approval of the Cabinet only for the provisional programme set out in Lists A.1, A.2 and B and C of the Annex.

Privy Council Office, S.W.1.
5th April, 1966
Note: The right hand column shows the estimated length, where possible in number of clauses, of the Bill.

A.1 Essential Bills

Finance I
- Military Loans (Aircraft) (short)
- Post Office (Subway) (9)
- Asian Development Bank (short)
- British Guiana Independence (short)
- Basutoland Independence (short)
- Bechuanaland Independence (short)
- Railway etc. Finances (short)
- Public Works Loans I (short)
- Armed Forces (36)
- Expiring Laws Continuance (as usual)
- Indus Basin Development (short)
- Mauritius Independence (short)
- Singapore (short)
- Malawi Republic (short)
- Tanzania (short)
- Commonwealth Settlement (short)
- New Towns (Money) (2)
- Post Office Borrowing Powers (short)
- Films (5)
- Finance II

A.2 Contingent Bills
- Constitution of Canada (Quebec) (short)
- Bermuda (Constitution) (short)
- Barbados Independence (short)
- Leeward and Windward Islands (shortish)
- Gambia Republic (short)
- Sierra Leone Republic (short)

Southern Rhodesia I (?)
Southern Rhodesia II (?)
Atlantic Nuclear Force (?)
Nuclear Test Ban Treaty (long)
Commonwealth Telegraphs (short)
Development of Inventions (?)

These Bills will not be needed if Overseas Territories (List B) is passed early in the Session.
Export Credit Guarantees (short)
European Coal and Steel Community (short)
Public Works Loans II (short)

B. Main Programme Bills
(Bills introduced last session are marked with an asterisk).

*Agriculture (63)
*Building Control (11)
*Housing Subsidies (medium)
*Housing (Financial Provisions) (Scotland) (22)
*Land Commission (83)
*Parliamentary Commissioner (12)
*Prices and Incomes (24)
*Protection of Consumers (Trade Descriptions) (43)
Criminal Appeal (11)
Criminal Justice (40)
Countryside (Scotland) (20)
Docks (medium)
Education (Voluntary Schools) (short)
Export Marketing Corporation (short)
Fugitive Offenders (3)
Industrial Development (30)
Industrial Reorganisation Corporation (12)
Iron and Steel (43)
Local Government Finance (60)
Local Government Finance (Scotland) (60)
Ministry of Social Security (medium)
National Insurance (Uprising) (medium)
Overseas Territories (Colonial Enabling Powers) (22)
Remuneration of Teachers (Scotland) (10)
Reserve Forces (25)
Water (Scotland) (40-50)
Wireless Telegraphy (?)

C. Bills in Reserve

Aircraft Industry (Finance) (?)
Consular Privileges (12)
Dangerous Drugs (Amendment) (6-10)
Miscellaneous Health Services (35-40)
Overseas Aid (medium)
Road Safety (29)
8 Bills which may be suitable for Second Reading Committee Procedure

(Bills already introduced are marked with an asterisk)

*Criminal Law (Felonies and Misdemeanours) (12)
*Family Provision (5)
*Misrepresentation (6)
*Tribunals and Inquiries (3)
*Veterinary Surgeons (29)
Land Registration (2 or 3)
Law Reform (Miscellaneous Provisions) (medium)
Fertilisers and Feedingstuffs (30)
Theft (30)
Juries (50)
Matrimonial Affiliation and Guardianship Proceedings (Miscellaneous Provisions) (6-8)
Imputed Intent in Murder (2)
Obsolete Crimes (if not included in Law Reform (Miscellaneous Provisions)) (4)
Appointed Factory Doctors (short)
Enforcement of Judgments (3)
Age of Majority (9)
International Sale of Goods (short)
Load Line (20-30)
Bankruptcy and Winding up Fees (6)

D - Other Bills - not included in the 1966/67 Programme

(Bills marked with an asterisk were introduced last Session)

*Companies (4-5)
*Law Reform (Miscellaneous Provisions) (Scotland) (11)
Leasehold Reform (3)
House of Lords (Powers) (short)
Local Government Commission (short)
London Taxicabs (short)
Nationalised Industries (Manufacturing Powers) (medium)
Public Records Act (Amendment) (short)
Agriculture (Animal Welfare) (10-15)
Salmon and Freshwater Fisheries (30-40)
Land Drainage (medium)
Civil Aviation (Miscellaneous Provisions) (15)
Greenvich Hospital (2)
Territorial Army Property (short)
Investment disputes (4)
European Coal and Steel Community Act and International Organisations (Immunities and Privileges) Act (Amendment) (2)
Baltic Claims (10)
Education (Inner London) (2)
National Theatre (2)
Medicines (up to 100)


SECRET

Registration (Births, Deaths and Marriages) Fees (2-3)
Radiological Health Services (6-10)
Children (20-25)
Fire Precautions (40)
Gambling (6)
Licensing (Amendment) (15)
Justices of the Peace (Allowances) (2-3)
Retail Trading Hours (10)
Experiments on Animals (20-25)
Genocide Convention (4)
Representation of the People (Amendment) (10ng)
Planning (60-70)
New Towns (Ownership and Management) (short)
Employment Agencies (20)
Water Supply Industry (medium)
National Parks and access to the countryside (medium)
Matrimonial Causes (8)
National Insurance, etc. (short?)
Marine etc. Broadcasting (Offences) (12)
Stamp Duties Management (Amendment) (short)
Compulsory Purchase (short)
Broadcasting (?)
Post Office (Status) (very long)
Electricity Supply (Amendment) (30-50)
Petroleum Exploration and Production (Safety) (30)
British Museum Library Site (short)
Redundant Churches (short)
Building Regulation (40-50)
Sewerage and Trading Effluent (Scotland) (40)
Erskine Bridge (15)
Law Reform (Miscellaneous Provisions) (Scotland) II (10)
Slaughterhouses and Slaughter of Animals (Scotland) (14)
Industrial Designs (60-70)
Patents (20-30)
Anchors and Chain Cables (6)
Transport (medium)
Inland Waterways (medium)
Channel Tunnel (long)
Road Traffic (medium)
Vehicle Registration and Licensing and Driver Licensing (medium)
Highways (Amendment) (35)
Motorway Offences Procedure (medium)
Compensation of Victims of Untraced Drivers (medium)
Building Societies (medium)
Government Contracts (6)
Welsh Language (6)
P - Bills suitable for Private Members

Matrimonial Homes (4)
Slaughter of Poultry (8)
Slaughter of Animals (Scotland) (short)
Teachers of Nursing (2)
Road Traffic Act (Amendment) (short)
Protection of Birds (medium)
Farm and Garden Chemicals (6)
Estate Agents (Registration) (26)
Merchant Navy Officers (Certificates of Competency) (short)
Milk (3)
Civil Aviation (Crimes in Aircraft) (7-8)
Antarctic Treaty (5)
Marriage with Foreigners (5)
Government of Colleges of Education (4)
Sunday Entertainments and Sport (10)
Juvenile Music and Dancing Clubs (8)
Adoption (10)
Vehicle Engine and Chassis Numbers (1)
Local Government (Electoral Divisions and Wards) (2)
Protection of Works of Art etc. (2)
Burial and Cremation (35)
Refuse Collection (short)
Licensing (Certificates in Suspense) (Scotland) (4)
Burial and Cremation (Scotland) (29)
Registration of Driving Instructors (short)
Motor Vehicles (Passenger Insurance) (short)
Road Transport (Lighting) (short)
Road Traffic (Vehicle Tests) (short)
Approved Auditors (short)
Industrial and Provident Societies (short)
5th April, 1966

CABINET

THE QUEEN’S SPEECH ON THE OPENING OF PARLIAMENT

Note by the Lord President of the Council

I circulate herewith a draft of The Queen’s Speech on the Opening of Parliament.

H. B.

Privy Council Office, S. W. 1.

5th April, 1966
OPENING SPEECH

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. My husband and I look forward with pleasure to our visit to Belgium.

2. My Government, in co-operation with the other members of the Commonwealth and with our allies, will continue to work for peace and security in all parts of the world through support for the United Nations. They will sustain efforts to achieve disarmament, and, especially, agreements on the non-proliferation of nuclear weapons and on the extension of the Nuclear Test Ban Treaty.

3. A particular concern of My Ministers will be to use all available means to achieve a negotiated settlement of the conflict in Vietnam. They will continue to assist Malaysia and Singapore in their defence against Indonesia, and will not relax their efforts to bring peace to this whole area.

4. My Government will continue to give full support to the maintenance of the North Atlantic Treaty and its Organisation, which they regard as a necessary basis from which to promote greater stability in East-West relations. They will continue to work for nuclear interdependence in the West.

5. They will also support Britain's other alliances for collective defence, and press forward with policies designed to enable Britain to play her full part in the promotion of peace throughout the world, without overstraining her military or economic resources. A Bill will be introduced to reorganise the Army Reserve and Auxiliary Forces.

6. My Government will continue to promote the economic unity of Europe and to strengthen the links between the European Free Trade Association and the European Economic Community. They would be ready to enter the European Economic Community provided essential British interests were safeguarded. They will work for tariff reductions under the General Agreement on Tariffs and Trade and for an expansion of Commonwealth trade.

7. Further steps will be taken to assist My peoples in the remaining Colonial territories to reach independence or some other status which they have freely chosen.
8. My Government will pursue the policy of bringing the illegal regime in Rhodesia to an end, so that a peaceful and lasting constitutional settlement, based on the rule of law and acceptable to the Rhodesian people as a whole, can be achieved.

MEMBERS OF THE HOUSE OF COMMONS

9. Estimates for the public services will be laid before you.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

10. A prime aim of My Government's policy will be to secure a further improvement in the external balance of payments so as to restore equilibrium and provide for the repayment of debt. They are determined to maintain the strength of sterling. They will continue to work for increased liquidity for financing world trade.

11. In consultation with industry, the National Economic Development Council and the regional Economic Planning Councils, My Government will take action to stimulate progress in implementing the National Plan and in securing balanced growth in all parts of Great Britain.

12. My Government will promote a more positive system of investment incentives to improve the efficiency of those parts of the economy which contribute most to the balance of payments and to encourage development where it is most needed. Legislation will be introduced to create an Industrial Reorganisation Corporation to promote greater efficiency in British industry and to develop projects of special importance.

13. My Government will continue to develop, in consultation with management and unions, the agreed policy for productivity, prices and incomes. Proposals for legislation to reinforce this policy, while preserving the voluntary principle on which it is based, will be laid before you.

14. My Government will continue to promote modernisation and increase productivity in farming, horticulture and fishing, and will introduce measures for the longer term development of agriculture and the establishment of a Meat and Livestock Commission.

15. A Bill will be introduced to restore public ownership and control of the main part of the steel industry.
16. My Government will press ahead with the formulation of their policies for the aircraft and shipbuilding industries.

17. Legislation will be introduced and other measures taken to improve efficiency and industrial relations in the docks.

18. A Bill will be introduced to strengthen the law on misleading trade descriptions and to provide power to require that consumers are given information about the goods they buy.

19. Bills will be introduced to relieve the domestic ratepayer and reorganise Exchequer grants to local authorities; to establish a new system of Exchequer subsidies for local authority housing, and to assist those of modest means in buying their homes.

20. Legislation will be brought before you to provide for the establishment of a Land Commission to acquire land for the community and recover part of the development value realised by land transactions. My Ministers will press on with the detailed formulation of their proposals for leasehold reform.

21. A Bill will be introduced to regulate privately sponsored construction.

22. My Government will bring forward Bills to reorganise the arrangements for water supply in Scotland, and for the conservation of the Scottish countryside and the development of facilities for its enjoyment.

23. Legislation will be introduced to implement the agreed arrangements for increased grants to voluntary schools in England and Wales.

24. My Government will promote further progress in the development of comprehensive secondary education.

25. Further steps will be taken to increase the supply of teachers. New machinery will be proposed for settling the remuneration of teachers in Scotland.

26. Technical and other further education will be expanded to meet increasing demand, and, in England and Wales, reorganised. The development of higher education and of science will be continued. My Ministers will pursue their aim of a fully comprehensive policy for the arts to make the best of our cultural heritage available to all.
27. My Ministers will complete their major review of social security. While continuing to ensure to pensioners and other beneficiaries a fair share of the country's rising living standards, they will seek further means of dealing with special areas of poverty which still exist. Legislation will be introduced to create a Ministry of Social Security and to replace National Assistance by a new system of non-contributory benefits.

28. My Government will continue to develop the health and welfare services and will pay special attention to the development of the family doctor service.

29. A Bill will be introduced for the appointment of a Parliamentary Commissioner for Administration with powers to investigate individual grievances.

30. My Government intend to reform the criminal and civil law and to modernise the administration of justice, where necessary by appropriate legislation. They will introduce legislation to make further reforms in the penal system; and to amend the law relating to the return of fugitive offenders to other Commonwealth countries.

31. Other measures will be laid before you.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

32. I pray that the blessing of Almighty God may rest upon your counsels,
CABINET

THE QUEEN’S SPEECH ON THE OPENING OF PARLIAMENT

Note by the Deputy Secretary of the Cabinet

I circulate a copy of The Queen’s Speech on the Opening of Parliament, revised in the light of discussion at the meeting on Thursday, 7th April, 1966 (CC(66) 16th Conclusions, Minute 5).

(Signed) P. ROGERS

Cabinet Office, S.W.1.

12th April, 1966
MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. My husband and I look forward with pleasure to our visit to Belgium, and to the State Visits which His Majesty King Hussein of the Hashemite Kingdom of Jordan and the Federal President of the Republic of Austria will pay to this country.

2. My Government, in co-operation with the other members of the Commonwealth and with our allies, will continue to work for peace and security in all parts of the world through support for the United Nations. They will sustain efforts to achieve disarmament, and, especially, agreements on the non-proliferation of nuclear weapons and on the extension of the Nuclear Test Ban Treaty.

3. A particular concern of My Ministers will be to use all available means to achieve a negotiated settlement of the conflict in Vietnam. They will continue to assist Malaysia and Singapore in their defence against Indonesia, and will not relax their efforts to bring peace to this whole area.

4. My Government will continue to give full support to the maintenance of the North Atlantic Treaty and its Organisation, which they regard as a necessary basis from which to promote greater stability in East-West relations. They will continue to work for nuclear interdependence in the West.

5. They will also support Britain's other alliances for collective defence, and press forward with policies designed to enable Britain to play her full part in the promotion of peace throughout the world, without over-straining her military or economic resources. A Bill will be introduced to reorganise the Army Reserve and Auxiliary Forces.

6. My Government will continue to promote the economic unity of Europe and to strengthen the links between the European Free Trade Association and the European Economic Community. They would be ready to enter the European Economic Community provided essential British and Commonwealth interests were safeguarded. They will work for tariff reductions under the General Agreement on Tariffs and Trade and for an expansion of Commonwealth trade.

7. Further steps will be taken to assist My peoples in the remaining Colonial territories to reach independence or some other status which they have freely chosen.
8. My Government will pursue the policy of bringing the illegal regime in Rhodesia to an end, so that a peaceful and lasting constitutional settlement, based on the rule of law and acceptable to the Rhodesian people as a whole, can be achieved.

MEMBERS OF THE HOUSE OF COMMONS

9. Estimates for the public services will be laid before you.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

10. A prime aim of My Government's policy will be to restore equilibrium in the external balance of payments. They are determined to maintain the strength of sterling. They will continue to work for increased liquidity for financing world trade.

11. In consultation with industry, the National Economic Development Council and the regional Economic Planning Councils, My Government will take action to stimulate progress in implementing the National Plan and in securing balanced growth in all parts of Great Britain. They will renew their efforts, in co-operation with trade unions and employers' organisations, to increase the productivity and competitive power of British industry.

12. To this same end, My Government will promote a more positive system of investment incentives to improve the efficiency of those parts of the economy which contribute most to the balance of payments and to encourage development where it is most needed. Legislation will be introduced to create an Industrial Reorganisation Corporation to promote greater efficiency in British industry and to develop projects of special importance.

13. My Government will continue to develop, in consultation with management and unions, the agreed policy for productivity, prices and incomes. Proposals for legislation to reinforce this policy, while preserving the voluntary principle on which it is based, will be laid before you.

14. My Government will continue to promote modernisation and increase productivity in farming, horticulture and fishing, and will introduce measures for the longer term development of agriculture and the establishment of a Meat and Livestock Commission.

15. A Bill will be introduced to restore public ownership and control of the main part of the steel industry.

16. Legislation will be introduced and other measures taken to improve efficiency and industrial relations in the docks.

SECRET
17. Bills will be introduced to relieve the domestic ratepayer and reorganise Exchequer grants to local authorities; to establish a new system of Exchequer subsidies for local authority housing, and to assist those of modest means in buying their homes.

18. Legislation will be brought before you to provide for the establishment of a Land Commission to acquire land for the community and recover part of the development value realised by land transactions. My Ministers will present a Bill on leasehold reform.

19. A Bill will be introduced to regulate privately sponsored construction.

20. My Government will bring forward Bills to reorganise the arrangements for water supply in Scotland, and for the conservation of the Scottish countryside and the development of facilities for its enjoyment.

21. Legislation will be introduced to implement the agreed arrangements for increased grants to voluntary schools in England and Wales.

22. My Government will promote further progress in the development of comprehensive secondary education.

23. Further steps will be taken to increase the supply of teachers. New machinery will be proposed for settling the remuneration of teachers in Scotland.

24. Higher and further education will be expanded to meet increasing demand. The development of science will be continued. In the Arts, My Ministers will pursue their aim of making our cultural heritage available to all.

25. My Ministers will complete further stages of their major review of social security. While continuing to ensure to pensioners and other beneficiaries a fair share of the country's rising living standards, they will seek further means of dealing with the poverty that still exists. Legislation will be introduced to create a Ministry of Social Security and to replace National Assistance by a new system of non-contributory benefits.

26. My Government will continue to develop the health and welfare services and will pay special attention to the development of the family doctor service.

27. You will be invited to approve a measure designed to promote greater safety on the roads.
28. My Government will carry forward, where necessary, by introducing legislation, the process of reforming the criminal and civil law and modernising the administration of justice. They will introduce legislation to make further reforms in the penal system; and to amend the law relating to the return of fugitive offenders to other Commonwealth countries.

29. Other measures will be laid before you.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

30. I pray that the blessing of Almighty God may rest upon your counsels.
CABINET

SELECT COMMITTEES

Note by the Lord President of the Council

I attach a copy of a paper on the wider use of Select Committees which I have circulated to the Ministerial Committee on Parliamentary Procedure for consideration at a meeting on Monday, 18th April. The paper proposes that as an experiment we should set up one or more Select Committees to inquire into particular matters, with power to send for persons and papers and to make recommendations.

I propose to report the Committee's views to the Cabinet orally at the meeting on Wednesday, 20th April.

H. B.

Privy Council Office, S.W.1.

15th April, 1966
SELECT COMMITTEES

Memorandum by the Lord President of the Council

1. The Prime Minister has asked me to consider whether there would be advantage in the new Parliament in conducting an experiment by which Select Committees, composed of backbenchers, would be set up to investigate matters within the purview of certain selected Departments - starting, for example, with the Home Office or the Department of Education and Science, since both of these Departments deal with issues affecting family life and welfare and human rights which are all matters on which Members would feel able to contribute. The Prime Minister envisages that the new Select Committees would work on the lines of the Estimates Committee or the Nationalised Industry Committee, where on the whole a very constructive job has been done and divisions and arguments have rarely been on Party lines.

2. There is a strong case for a wider use of Select Committees. It is desirable to show that the Government, so far from being arrogant in its relations with Parliament, wishes to give more work and authority to the House. A measure designed to revive the influence of Parliament on the formulation of policy, though in substance a restoration of a position that has been lost, would be welcomed at present as a step towards modernising Parliamentary institutions. Select Committees could provide useful and educative employment for the backbenchers and would encourage them to do a constructive job; and in the long run the Committees would produce more informed debates on the floor of the House.

3. There are various forms of Select Committee that might be used:

   (a) a Select Committee to inquire into such matters relating to the work of a particular Department as might be referred to them by the House;

   (b) a Select Committee to inquire into matters referred to them, but not confined to a particular Department;

   (c) an ad hoc Select Committee set up to inquire into a single specified topic.

Any of these could be given power to send for persons and papers.
4. In considering which of these would be the most valuable, it is relevant to bear in mind the kind of work that can usefully be done and the amount of activity that we want to stimulate. We do not want to stimulate a demand for specialist committees on the American model operating in every field of government, including foreign affairs and defence; nor should we want to refer to Select Committees matters which are subject to acute party controversy; to do so would merely transfer to the Select Committee the controversy which would otherwise take place on the floor and would be likely to impoverish the debates of the House without producing worthwhile recommendations from the Committee. We shall therefore need to maintain control of matters referred to a Select Committee and, at least until we have some experience of the ability of Select Committees to do on other topics the constructive job that has been done by the Committee on Nationalised Industries, we should avoid exposing ourselves to pressure to refer a large number of topics. It should be sufficient for our purposes to have one or at the most two subjects under consideration at a time. The number of Government backbenchers who are not involved in Standing Committees (assuming five Committees and the Scottish Grand Committee) is only about sixty, and not all of these will be anxious to find the time for Committee work.

5. We must also recognise the amount of work which an active Committee, particularly one specialising in the affairs of a single Department, could throw on the Ministers and officials who would be called upon for evidence and information; the possibility of embarrassment resulting from permitted encroachment on the field of policy; and the danger that, if the Select Committee were investigating a matter of current interest, this would prolong the process of deciding policy, since the Government would have to avoid, so far as possible, the charge that they had arbitrarily ignored the fact that the Select Committee was currently considering the matter. The current pressure on accommodation and the services of clerks and shorthand writers, none of which can be augmented rapidly, are also relevant. Nevertheless, the advantages of the proposal appear to override these considerations.

6. It would clearly be right to start with an experiment, and my own inclination would be to experiment with a form of committee which left us plenty of room for manoeuvre. I should prefer not to start with a committee specialising in the work of a particular Department because this would both restrict our choice of subjects which could usefully be referred and concentrate the burden of work on the selected Department. It might also lead to unwelcome pressure for similar committees on foreign affairs and defence. The choice seems to me to lie between -

(a) a Committee appointed to inquire into such matters as shall be referred to them by the House; and

(b) one or more Committees appointed to inquire into particular matters. We already contemplate a Joint Select Committee on Theatre Censorship; we might select one other topic for a Select Committee of the House of Commons.
Of these alternatives, I slightly prefer the second, because the first
might expose us to pressure to refer several topics at a time and to
empower the Committee to work through sub-committees, or at least to keep
up a steady supply of work for a Committee working as a single unit. But
I recognise that if we chose an ad hoc Committee as the subject of the
experiment we should need to give an assurance that if the experiment were
a success we should be prepared to make regular use of this procedure.

7. On matters of detail, I suggest –

(i) that the Select Committees should not be authorised to produce
draft Bills as an end-product of their work. It is extremely
difficult for a Select Committee without the resources available
to a Department and without the assistance of Parliamentary
Counsel to draft Bills which would be readily acceptable. On
the other hand, if the resources of Parliamentary Counsel were
to be made available, this could have the effect of disrupting
the Government's legislative programme. Further, the Government
must be free to consider any report which is produced and on the
basis of its decisions to draft a Bill. I suggest, therefore,
that the functions of the new Select Committees be limited to
producing reports making recommendations for the consideration
of the Government.

(ii) that Ministers should not be members of the new Select
Committees. It would be very difficult for a Minister to
keep control of a Select Committee as a Member, and once
there was Government representation it would be impossible
to disclaim some responsibility for the Report when it is
produced. There is, however, a case for permitting the new
Select Committees to call Ministers (preferably Junior
Ministers) to give evidence on matters of policy; and I
suggest that the Select Committees should also be empowered
to take evidence from officials with specialised knowledge,
e.g., the Head of the Prison Department or some specialised
official dealing with children's administration. It would
also be open to the Select Committee to call for evidence from
outside witnesses, such as members or staff of local authorities
and recognised experts in the field under consideration.
8. We shall need to have in mind at the outset two or three topics which it would be appropriate to refer to a Select Committee. Current possibilities that occur to me are reform of the law on abortion, where we have a considerable body of opinion in favour of amending the law, but considerable disagreement on how far it is desirable, medically and socially, to go; the law on gaming; educational priorities; and perhaps some aspect of road safety. My colleagues may have other suggestions.

9. If it is agreed in principle that we should experiment with the wider use of Select Committees, the Prime Minister will wish to say something on the subject in the Debate on the Address. Since we may want to give further thought to details, this might be to the effect that the Government are anxious that Members should be given greater opportunities to contribute to the formulation of policy, that the best way of achieving this appears to be through the wider use of Select Committees; that the Government propose to discuss with the Opposition Parties an experiment which, if it proved successful, could be made the basis of a regular practice for using the Select Committee procedure to investigate and make recommendations upon problems of current interest and importance on which Parliament might subsequently be asked to consider legislation.

10. I should welcome the views of my colleagues on the proposal to initiate an experiment and the form it might take; and on the recommendation which might be made to the Prime Minister on the terms of a reference to the subject during the Debate on the Address.

H.B.

Privy Council Office, Whitehall, S.W.1.

14th April, 1966
CABINET

CONTROL OF GOVERNMENT EXPENDITURE OVERSEAS

Memorandum by the Chancellor of the Exchequer

The total of Government expenditure overseas is very large. It has been increasing steadily over the years; it has more than doubled in ten years. Most of it places strain on the balance of payments. We must ensure that it is brought under control.

2. The following summary of the Table in Annex A indicates the growth since 1955 of the major Government expenditures in the balance of payments.

Table I

United Kingdom Government Transactions in the Balance of Payments
(excluding imports and exports)

<table>
<thead>
<tr>
<th>Expenditure - Receipts +</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1955</td>
</tr>
<tr>
<td>Military (net)</td>
<td>-54</td>
</tr>
<tr>
<td>Overseas Aid</td>
<td>-33</td>
</tr>
<tr>
<td>Administrative, Diplomatic, etc. (net)</td>
<td>-25</td>
</tr>
<tr>
<td>Other Grants (mainly military)</td>
<td>-15</td>
</tr>
<tr>
<td>Other Official Long-Term capital (net)</td>
<td>-24</td>
</tr>
<tr>
<td>TOTAL (net)</td>
<td>-201</td>
</tr>
</tbody>
</table>

Defence

3. Some of the elements in the total of Government expenditure overseas have been brought under scrutiny. The considerable overseas defence expenditure (on the cost of stationing troops abroad and the purchase of arms from abroad) has been considered as part of the Defence Review, where decisions have been taken which affect not only
present costs, but expenditure over a long period of years ahead. It has been necessary, as part of the reshaping of our defence policy and programmes, for aircraft purchases abroad to increase for a period; though the impact which this represents is mitigated by the arrangements made with the United States for deferred payments. The United States has also agreed, as part of the arrangements under which we buy United States aircraft, to purchase defence equipment in the United Kingdom to the value of $325 million over the next 12 years, and to help the United Kingdom to secure arms sales to other countries to the value of $400 million over the same period. Our current Agreement with Germany provides for offsetting payments over the three years 1964-67 averaging about £55 million a year, or 60 per cent of the foreign exchange cost of our troops in Germany. A substantial (but incalculable) proportion of these payments would however have accrued as normal export earnings even had there been no Agreement. All these receipts are not reflected in the Defence Budget, but will benefit the balance of payments. We have made it clear that we are only prepared to maintain our ground forces in Germany at about their present level providing some means is found of meeting the foreign exchange costs of these forces. I regard it as of the utmost importance that we achieve this objective, and intend to bring proposals before the Cabinet. We can then look forward to a reduction of our foreign exchange costs in that area. The forecasts assume that there will be a substantial reduction in foreign exchange costs in the Far East, as a result of political developments and the implementation of our policy of closer interdependence. In this connection the Prime Minister made it clear last December to the President that there was a limit (he had in mind a maximum of £185 million a year) to the expenditure we could contemplate for the Indo-Pacific area. We decided in the course of our discussions on the Defence Review that we should hold to this figure.

4. The figures now forecast for future years in the light of these policies and decisions are as follows:

Table II

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stationing costs</td>
<td>271</td>
<td>195</td>
<td>195</td>
<td>195</td>
</tr>
<tr>
<td>Other costs</td>
<td>29</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Less receipts</td>
<td>30</td>
<td>26</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Imports by M/Defence</td>
<td>47</td>
<td>103</td>
<td>133</td>
<td>92</td>
</tr>
<tr>
<td>Less</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports by M/Defence</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>TOTAL</td>
<td>295</td>
<td>278</td>
<td>303</td>
<td>252</td>
</tr>
</tbody>
</table>

*The difference between this figure and the £281 million shown in Table I is attributable to the periods covered and the different price bases used (Estimates figures are taken for Table II).

#These figures are based on Defence Review assumptions (OPD(66) 31) and are at March, 1965, prices.
5. We must keep the decisions we have taken continually before us in order to ensure that we actually implement them and so achieve the reductions we have planned for. In addition it will be necessary in my view to make further reductions in the foreign exchange burden.

Aid

6. The overseas aid programme is also already subject to control. We decided last summer that it should be contained for the next five years within a total of £225 million (in money terms, subject to a review of the implications of the maintenance of a cash basis). Nothing has happened since then to suggest we can afford more: indeed there is a strong possibility that I shall have to ask for some reduction. In any event we must be careful to arrange our affairs and our policy decisions so that everything which is "aid", with the sole exception of military aid, is brought within that ceiling. The continued control of aid will remain within the summer Public Expenditure Survey Committee (PESC) exercise.

Other Overseas Government Expenditure

7. This brings me to the rest of the field, including overseas representation and information, subscriptions to the International Organisations and Military Aid. It is true that within our expenditure on these items (and indeed on overseas aid), there is some element which does not affect the balance of payments. We could refine the figures but this would make them unrecognisable. It seems to me better to consider them in the terms where they are real to Departments - in Vote terms. If the total is reduced, the foreign exchange element will be reduced also; and the reverse also is surely true. So it must be our aim to secure reductions.

8. Expenditure on these items as reflected in the Estimates in 1966-67 is expected to be:-

Table III

<table>
<thead>
<tr>
<th>Item</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Aid</td>
<td>24.5</td>
</tr>
<tr>
<td>Diplomatic Service Vote (less oversea information content) net</td>
<td>35.1</td>
</tr>
<tr>
<td>Embassy and other Government Buildings Abroad</td>
<td>8.7</td>
</tr>
<tr>
<td>Subscriptions to International Organisations</td>
<td>36.6</td>
</tr>
<tr>
<td>Overseas Information Services</td>
<td>31.6</td>
</tr>
<tr>
<td></td>
<td>136.5</td>
</tr>
</tbody>
</table>

9. The Cabinet has already asked for an examination to take place of some aspects of these programmes. But I propose that we should, in addition, bring these smaller blocks of expenditure which have a direct impact on our balance of payments into a comprehensive annual review, to take place in the early Autumn (a few weeks after the PESC exercise), first in the Committees on Public Expenditure and then in the Defence and Overseas Policy Committee. In preparation for the Ministerial review, officials would meet as appropriate:-
(a) to establish the prospective level of Government overseas expenditure as a whole in the forthcoming year on the basis of existing policies and programmes;

(b) against this background to examine in detail the items on the "third group" listed in Table III;

(c) to recommend, looking at the field as a whole, what relief could be secured to the balance of payments, and in which fields the reduction should take place.

10. We ourselves would take our decisions on the basis of the material disclosed in these discussions. But I ask that it should be understood between us that officials are free and under a duty to review existing policies and established practices in a far-reaching way in order to bring out all the possibilities of economy. By way of illustration I refer in the following paragraphs to the sort of points which may have to be brought into consideration if we are to achieve real and effective economies.

11. (a) Some parts of "military aid", such as training of officers at British establishment or military training missions, are really a form of technical assistance. Would it not be better to treat these as aid within an adjusted aid ceiling?

(b) What justification is there for any additional military aid beyond this technical assistance save in the most serious emergencies?

(c) Could the Diplomatic Service Vote be reduced for example by increasing substantially the number of cases in which our representation is on a non-resident basis covering a group of countries?

(d) Could the cost of Embassies etc., abroad be reduced by adjusting the present standards of accommodation?

(e) Are we doing all we can by co-operating with other countries to keep down the increasing budgets of international organisations? Do we take too much upon ourselves by way of voluntary contributions? Can we adjust the formulae for assessment of contributions? Are there not cases where our interest would best be served by getting out altogether?

(f) Should the level of overseas information expenditure be further pressed down and formulated into a programme at a modified level, to be maintained over an agreed period ahead?

Conclusion

12. I ask my colleagues:

(a) To note that the continuing gravity of the balance of payments position requires further measures to control Government overseas expenditure, which has played a highly significant part in the deterioration of our balance of payments over recent years and its present unsatisfactory state.

(b) To agree that there should be a review by Ministers annually in the early autumn of Government expenditure overseas as a whole, covering

(i) Defence, where our purpose would be to ensure that we are at least implementing the decision summarised in the table in paragraph 4 above.

(ii) Aid, where we would put the decisions we had taken earlier in PESC into this general picture.

(iii) Other (as set out in paragraph 8 above).

(c) To agree that in selecting possibilities for examination in such a review, officials should not be restricted within existing policies or established practice.

L. J. C.

H. M. Treasury, S. W. I.  SECRET
18th April, 1966
## United Kingdom Government Transactions in the Balance of Payments (excluding imports and exports of military equipment and interest paid and received)

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
<th>1960</th>
<th>1965</th>
<th>1966</th>
<th>Forecast</th>
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<tbody>
<tr>
<td><strong>Expenditure - Receipts +</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Military</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Expenditure (a)</td>
<td>-153</td>
<td>-209</td>
<td>-266</td>
<td>-309</td>
<td></td>
</tr>
<tr>
<td>Receipts (b)</td>
<td>+59</td>
<td>+65</td>
<td>+26</td>
<td>+23</td>
<td></td>
</tr>
<tr>
<td>Military, net</td>
<td>-94</td>
<td>-144</td>
<td>-260</td>
<td>-281</td>
<td></td>
</tr>
<tr>
<td><strong>Administrative/Diplomatic, etc.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Expenditure (c)</td>
<td>-31</td>
<td>-50</td>
<td>-65</td>
<td>-94</td>
<td></td>
</tr>
<tr>
<td>Receipts (d)</td>
<td>+46</td>
<td>+44</td>
<td>+20</td>
<td>+14</td>
<td></td>
</tr>
<tr>
<td>Administrative/Diplomatic etc., net</td>
<td>-25</td>
<td>-46</td>
<td>-76</td>
<td>-80</td>
<td></td>
</tr>
<tr>
<td><strong>Aid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic grants (e)</td>
<td>-45</td>
<td>-64</td>
<td>-99</td>
<td>-108</td>
<td></td>
</tr>
<tr>
<td>Loans, net of capital repayments (f)</td>
<td>-36</td>
<td>-55</td>
<td>-57</td>
<td>-75</td>
<td></td>
</tr>
<tr>
<td>Subscriptions to the International Development Association</td>
<td>-11</td>
<td>-12</td>
<td>-12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid, net</td>
<td>-83</td>
<td>-130</td>
<td>-166</td>
<td>-195</td>
<td></td>
</tr>
<tr>
<td><strong>Other grants (mainly military)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-15</td>
<td>-12</td>
<td>-22</td>
<td>-23</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other, net (g)</strong></td>
<td>-24</td>
<td>-36</td>
<td>-13</td>
<td>+55</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL, NET</strong></td>
<td>-201</td>
<td>-308</td>
<td>-528</td>
<td>-524</td>
<td></td>
</tr>
</tbody>
</table>

(a) Cost of maintaining bases overseas (net of local receipts, notably direct contributions (in 1955 and 1960) by the Federal German Government to the support of the FAAE), research and development, NATO, infrastructure and subscriptions to international organisations.

(b) Mainly research and development, NATO infrastructure receipts from United States Forces in the United Kingdom and (in 1955) United States defence aid.

(c) Mainly information, representation, subscriptions to international organisations (including ELDO in 1965 and 1966) and pensions (which amounted to about £20 million in 1965).

(d) Mainly receipts from ELDO in 1965 and 1966.
(e) Including contributions to international organisations.

(f) Including advances, net, to Colonial Development Corporation.

(g) Mainly inter-government loans by Her Majesty's Government and repayments by and to Her Majesty's Government (other than those included in Group III). The low figure in 1965 reflects the deferment of the capital repayment of North American Loans. The net credit forecast for 1966 includes £100 million from the United States Export/Import Bank in connection with the purchase of United States aircraft for defence purposes.
The following notes give the sources of the figures in the Tables in the text and in Annex A.

**Table I and Annex A**

The figures for 1955 and 1960 are a re-grouping of those published in Tables 1 and 6 of "United Kingdom Balance of Payments, 1965". Most of the figures in Annex A appear in Table 6 except that:

1. Subscriptions and contributions to international organisations, in Table 6, are divided in Annex A, between military, administrative/diplomatic and economic grants.

2. Administrative/Diplomatic in Annex A also includes "Other transfers" in Table 6.

The remainder of the figures in Annex A (i.e. Loans, net; Subscriptions to International Development Association; and Other, net) correspond in total to the "Balance of long-term capital", less private investment, in Table 1 of the balance of payments publication.

The figures for 1965 are based on those published in the March issue of Economic Trends. Those for 1966 are included in Economic Forecasts Committee paper EF(66) 4, Annex II.

**Table III**

**Military Aid** This includes the Special Services items in the Foreign Services Vote, the Military Assistance items in the Commonwealth Services Vote, and some items in the Special Services section of the Colonial Office Vote.

**Diplomatic Services Vote** This corresponds with the Class II.1 Estimate, reduced by the amount (£3.2 million net) attributable to Overseas Information.

**Embassy and other Government Buildings** This is the total of the Public Buildings Overseas Vote, Class IX.3.

**Subscriptions to International Organisations** This corresponds with the total of what will be the equivalent for 1966-67 of the second table on page 29 of the Financial Secretary's Memorandum on the Estimates, 1965-66.

**Overseas Information Services** This corresponds with the total of what will be the equivalent for 1966-67 of the second table on page 29 of the Financial Secretary's Memorandum on the Estimates, 1965-66.
19th April, 1966

CABINET

COMPANIES BILL

Memorandum by the President of the Board of Trade

At their meeting on 7th April (CC(66) 18th Conclusions, Minute 4) Ministers excluded the Companies Bill from the programme of legislation for the 1966-67 Session. The minutes implied that it was possible to introduce a much more ambitious Bill next Session. It was also suggested that the present Bill was no longer urgent, and that it had been criticised for implementing the more conservative proposals of a generally conservative Report.

2. I have informed the Prime Minister that I am unhappy about this decision and he has commented that the matter would have to be brought back to Cabinet. I set out below my reasons for suggesting reconsideration.

3. We have, in my view quite rightly, represented the Bill with its provisions for much more extensive disclosure of information and for elimination of the exempt private company as one of our main measures for the modernisation of industry. To defer it even until the 1967-68 Session would mean that this new information might not be published until 1969 or 1970.

4. Without the Companies Bill the legislative programme for the first Session could be criticised as containing little which contributed to the aim of making industry more efficient.

5. I cannot accept the statement (see paragraph 1 above) that the Bill was conservative in any sense other than that it was limited in scope in order not to occupy an excessive amount of Parliament’s time. Within these limits it was far-reaching; and the scope has now been widened. The main purpose of the Bill was to provide for more disclosure of information for which there is a great deal of expert support; and in this field it goes a long way beyond the proposals in the Jenkins Report on company law reform both in the range of companies affected and in the subjects covered. In particular, by abolishing all the exemptions hitherto accorded to private companies it is much more radical than the Jenkins Report. It also lays obligation for greater disclosure, including the disclosure of export figures (which is a wholly new provision) on about 200,000 companies. It also includes an urgent amendment of the law relating to the assignment of rights under export credit insurance policies.

6. Criticism about omissions from the Bill will have already been largely met by our decision to add to the Bill provisions for the disclosure of the beneficial owners of 10 per cent or more of shares of a company held through nominees and for the strengthening of the existing provisions for the disclosure of directors’ share-deals.
7. I am all in favour of continuing to look beyond the recommendations of the Jenkins Report. I have already asked officials to consider such wider issues as the proper place of the company in the modern economy, the right balance between shareholders, directors and employees, and whether there are lessons to be learnt from recent developments in other countries. I should prefer to wait until conclusions have been reached on these wider issues before embarking on a further Companies Bill. Consideration of these wider issues will take some considerable time. I am advised that it could not be done properly by next Session. I am sure that it would be wrong, and indefensible publicly, to defer legislation on disclosure of information until consideration of the wider issues had been completed. It probably means not legislating on the more urgent issues at all for up to three years.

8. I suggest, therefore, that we should proceed with the present Bill, with the additions mentioned in paragraph 6 above, and that we should introduce it in the first Session, as soon as the Bill about investment grants is out of the way, i.e. at the end of the year. We should proceed meanwhile with the far more ambitious preparation for a Bill wider than the Jenkins Report in a later Session. We would explain that it would necessarily be some time before we could follow up the immediate Bill with further legislation, and that we were using the interval to examine wider issues not considered by the Jenkins Committee such as the proper place of the company in the modern economy.

9. The further legislation which I have in mind would, of course, also deal with the other recommendations of the Jenkins Committee; but these, though numerous, are either not of the first importance or (e.g. non-voting shares) call for further examination as part of the wider study to which I have referred above.

10. I feel strongly that the omission of the Companies Bill from the programme for the first Session would be wrong as a matter of policy and would be widely and legitimately criticised.

11. I hope, therefore, that my colleagues will agree to reconsider their earlier decision, to include the Companies Bill in the programme of legislation for the later part of the first Session and to consider what reference should be made to this in the Debate on the Address.

D. P. T. J.

Board of Trade, S.W.I.

16th April, 1966
25th April, 1966

CABINET

DOCTORS’ AND DENTISTS’ REMUNERATION

Memorandum by the Secretary of State for Scotland and the Minister of Health

General

The Review Body on Doctors’ and Dentists’ Remuneration have reported to the Prime Minister on the remuneration to be paid to doctors and dentists in the National Health Service during the two year period from 1st April, 1966. A copy of the report is attached. The main salary scales and fees recommended are listed in its Appendices II and III. We ask the Cabinet to agree that the Government should accept the recommendations as a whole.

2. The increased annual cost to the National Health Service, comparing the new gross remuneration with the old, is estimated at about £35 million (excluding consequential increases in employers’ superannuation contributions), or 15 per cent. Details are given in Annex A. This compares with an estimated increased cost of about £77½ million or 33½ per cent for the proposals submitted by the professions.

3. The total increase in net income involved is difficult to assess because of uncertainties regarding practice expenses and doubt whether all the new payments to general practitioners should be regarded as additional, but it is likely to amount to a minimum of a little under 18 per cent, reflecting general economic developments over a period of about three years. Different assumptions from those we have used about the uncertain factors (see paragraph 14 below) would lead to a higher percentage.

4. The report comes at a time of unease in the professions and at a critical stage in their relationship with the Health Service. This crisis of confidence has been most apparent among family doctors, but hospital doctors too, especially those in junior posts, have recently brought to public notice their discontent with current conditions and the dentists have asked for a complete review of the conditions of dental practice under the National Health Service. Too many doctors are emigrating because they cannot see a satisfying future in this country as things stand, and those who remain are suffering the strain of providing services for a growing and increasingly health conscious population in physical conditions which are often inadequate or worse, and which, as regards general practitioners, could under present arrangements often be improved only through financial sacrifice on the part of the individual doctor himself. All this goes well beyond remuneration, as the Review Body themselves recognise, but remuneration is part of it and none of it can be ignored when remuneration is considered.
The Review Body's Approach

5. Present remuneration of doctors and dentists is based on recommendations contained in the First Report of the Review Body made in 1963, as adjusted by intermediate reports. The Review Body explain that because of the difficulty of foreseeing trends so far ahead and particularly because of the new basis adopted for the remuneration of general medical practitioners, they have now made recommendations to take effect from 1st April, 1966 and applicable, as suggested by the Government, for a two year and not a three year period.

6. The Review Body state that the factors taken into account to establish the appropriate levels of remuneration for the two years from 1st April, 1966, include all the evidence (both the professions' and their own information) on comparability, man-power, workload and the distribution of doctors between hospital and medical practice, as well as the considerations of prices and incomes policy. They consider that their previous recommendations were overtaken by events sooner than they had allowed for, so that the increase now recommended covers more than the two and a half years between the mid points of the previous and the present review periods.

7. They emphasise the difficulties of adopting comparability as a basis for settling doctors' and dentists' remuneration and, although they have not ignored it as a factor, state that major considerations are the man-power situation in the professions and the weight of work and responsibility carried by doctors and dentists.

8. As to man-power needs the Review Body conclude that whilst young people are still attracted to medicine as a career, the National Health Service is failing to hold the number of trained doctors required. Although there is no evidence that a career as a consultant in the hospital service is unattractive far too many junior doctors are being lost. A cause for still greater anxiety is the failure of the general medical service to attract enough young doctors and in particular the serious losses among those in the early years of a career in general practice.

9. As to workload in the hospital service the Review Body refer to the fact that the turnover of in-patients has risen faster than the total number of hospital medical staff since 1957 and conclude that the workload must have increased at all levels and particularly among junior grades (who are required to work for very long hours). In the general medical service they draw attention to the falling ratio of principals to total population, the fall in the number of assistants and the growth in the number of very young and elderly patients. They conclude that the average workload has increased in recent years and that for many doctors it has increased considerably.

10. The Review Body emphasise that their recommendations are intended to recognise:

(i) the immediate need to reduce the loss of newly qualified doctors from the hospital service, to improve the attractiveness of the service in the junior grades and to reward increases of workload in these grades;
the longer-term need to maintain the attractiveness of the hospital service as a career and to obtain the expansion envisaged;

(iii) the immediate need to increase admissions to and stem withdrawals from the general medical service and to reward increasing workload;

(iv) the longer-term need to promote and support remedies designed to make general practice an attractive and satisfying career.

General Medical Practitioners

11. The recommendations on general medical practitioners must be considered against the background of the Government's direct negotiations with this section of the profession over the last year. After the uproar touched off by the Review Body's report of 25th January, 1965, which led to the presentation of the Charter for the Family Doctor Service, and the sending in of undated notices of resignation, still in existence, from over 80 per cent of family doctors, the profession were with difficulty persuaded to limit the scope of direct negotiations with the Government to methods of payment and conditions of service, and to leave levels of payment for consideration by the Review Body. It was only possible to achieve this by referring again and again to the independent status of the Review Body, the quality of its members, and the weight that any Government must be bound to give to their views. While the profession of course know that the final decision is for the Government we emphasised our full confidence in the Review Body and reminded the profession more than once that no Government had failed to accept their advice. In a letter to the Chairman of the General Medical Services Committee on 16th March, 1965, the draft for which was approved by the Cabinet (CC(65) 16th Conclusions), the Minister of Health said "I am sure we must continue to look to the Review Body for advice on levels of remuneration".

12. In the ensuing year the arrangements for general practice in the Health Service have been completely recast, in an intensive series of meetings between representatives of both Health Departments and the profession. We have worked out proposals not only for a new system of remuneration which will be much more sensitive than the present system to differences in circumstances and standards of practice but for assisting and encouraging doctors in other ways to give the best possible service to their patients, including a finance corporation to make loans for the provision of practice premises. These proposals represent a great step forward in general practice, constituting as they do a significant reshaping, on the lines proposed by the Government, of the proposals originally put forward in the Charter. The negotiations have engendered among the leaders of the profession a belief in the Government's good faith and good intentions towards general practice. This new-found confidence, which could lead at last to a genuine partnership between Government and the medical profession, is as yet a fragile thing and could all too easily be shattered. It could never be re-established. The profession as a whole has been unwilling to decide whether to accept the new arrangements until the contract has been priced, and it is indeed reasonable that the Government should first say what remuneration would attach to the new contract. Acceptance of the Review Body's recommendations on this, even though they fall well short
of what the profession themselves have claimed, is likely to satisfy the
great majority of family doctors and thus to open the way to the
revitalised general practice which is essential not only to the future
of the National Health Service but also to the future of general practice
itself. Rejection or even substantial modification would certainly lead
to mass resignations from the service and to emigration of many more
young doctors, and thus totally nullify our efforts of the past year and
lose us this opportunity, perhaps the last, of putting general practice
on the right road. It would in fact probably mean the end of general
practice as we know it: at best, recovery would be a long, bitter and
costly business and the Government would be faced meanwhile with
the almost impossible task of finding a means of providing alternative
services for the public.

13. This is the background for consideration of the Review Body's
recommendations. As requested by the Government and the
profession the Review Body have expressed these in terms of the actual
fees and allowances to be paid to practitioners instead of fixing, as
previously, the average net income to be earned by all practitioners
taking part in the Service and leaving it to the Health Departments and
representatives of the profession to agree upon the size of the 'pool' of
remuneration thus to be made available and the level of fees and allow­
ances which this pool would sustain.

14. Any assessment of the increase in pay implicit in the Review
Body's recommendations must thus rest in part on estimates of the
number of fees and allowances to be paid in the future and, since some
of these are entirely new items of payment and it is not possible to
forecast precisely how many practitioners will qualify for them, the
calculations may be subject to a substantial margin of error. On the
best estimates possible it appears that the new fees and allowances
would give practitioners collectively in 1966/67 nearly £24 million
more than they would receive under the present pool system if the target
net income were unchanged.

15. Not the whole of this sum should properly be reckoned as a pay
rise. For such a reckoning, a more appropriate figure to take would
be about £16 million. This represents 25 per cent of the estimated
collective net income under the present system. As explained in
Annex B, this is the figure arrived at after allowing for estimated under­
reimbursement of expenses under the present system, for estimated
abnormal growth of expenses under the new system, and for the fact
that some of the new payments cover aspects of general practice not
previously recognised. If these latter payments were included (other
than merit awards, for which both the Review Body and the Royal
Commission on Doctors' and Dentists' Remuneration have previously
envisaged extra payments), the percentage would be 29.

16. The Review Body make it clear that they consider a pay increase
well above the norm to be justified for family doctors because of the
increasing workload and the alarming loss of man-power which has
recently begun to occur. They consider that the increase they have
recommended is within what can be regarded as reasonable and
consistent with incomes policy. We agree, and can see no justification
for a contrary view, quite apart from the disastrous consequences of
rejection to which we have already referred. Presentationally the
difficulty of making comparisons both with the past and with other
professions and the fact that the Review Body have made a complete
reassessment of the situation should minimise any difficulties with other workers and the public. The high increases will be directed to those whom it has been decided to single out for special treatment, many of whom have for years been subsidising a high standard of general practice out of their own net income. Indeed a considerable number of doctors are likely to receive comparatively little additional remuneration.

17. The net additional cost to Votes in 1966/67 of implementing the Review Body's recommendations for general medical practitioners is estimated at about £21½ million (including just under £2 million for increased employment of ancillary staff, which is not part of the increased pay of the doctors themselves). This is less than the figure mentioned in paragraph 14 because some of the payments would be made quarterly in arrears.

Hospital Doctors and Dentists

18. The overall increase in salaries, including certain increases in the number and value of distinction awards, proposed for hospital doctors and dentists is about 13½ per cent, but there is considerable variation among grades. For consultants - who number over two thirds of the staff - the increase is broadly 10 per cent. For those holding maximum distinction awards, the increase is only 9 per cent.

19. Larger increases are, however, recommended for junior hospital medical staff, ranging from 10 per cent for the registrar in his second year up to 35 per cent for pre-registration house officers (the most junior grade). We have no doubt that substantial increases are justified for junior grades whose work involves long hours and exacting duties. Public attention has recently been focussed on the discontent and grievance among these doctors. A starting point of £1,100 per annum for a newly qualified doctor at age 24 or 25 cannot be regarded as unduly high.

20. The Review Body propose that doctors who are compulsorily resident in hospital should not pay lodging charges and that others who are resident should pay the economic charge, having regard to the standard of accommodation. All doctors, whether compulsorily or voluntarily resident, should pay for meals taken in hospital. The matter is referred for further discussion between the Health Departments and representatives of the profession in the light of the Review Body's proposals.

General Dental Practitioners

21. Dentists' remuneration is based on a target average net income recommended by the Review Body. Fees for various items of treatment, providing also for the full reimbursement of expenses, are then worked out. There is no definite figure for target net income for the whole of the last three-year review period. The rate recommended in April, 1963 was £2,740, but this was superseded by various intermediate recommendations. The rate recommended for the last six months of the period was £2,950.

22. The British Dental Association, in their evidence to the Review Body, suggested target net incomes of £3,745 and £3,818 for the two years of the new review period. The Review Body's recommendation is that for the year beginning 1st April, 1966 the target should be £3,200 and for the following year £3,325, an increase of 8.5 per cent and a further 4.2 per cent respectively above the present target of £2,950. (This represents an average target for the two years of £3,262, 10.6 per cent above the present target).
23. The Review Body justify these increases on the grounds of general economic development since 1963 (as in the case of all their recommendations); the need to stimulate the recruitment of dental students which has lagged noticeably in the past year or so; and the extent to which changes in the level of output should be taken into account in the determination of target net income.

Conclusions

24. We see no reason why the recommended increases, if accepted, should have any direct repercussions on claims for pay increases by other groups of staff in the National Health Service. No other leading professions rely almost wholly on the State for their livelihood and their professional opportunities. Although we cannot assert that certain recommendations might not be used to support a claim for similar treatment by, say, the nurses, we would aim to resist any such comparison on the grounds that doctors constitute a special case.

25. It would be a very serious step indeed for the Government to reject or substantially modify the Review Body recommendations. An important reason for setting up the Review Body was to avoid, in the words of the Royal Commission, "the recurrent disputes about remuneration which have bedevilled relations between the medical and dental professions and the Government for many years." Refusal to accept their recommendations would at once involve us in a much more bitter dispute than ever before, at a time when, as indicated in paragraph 2, relations between the professions and the Health Service are already critical and would also almost certainly lead to the resignation of the Review Body and thus leave us without any means of settling disputes with the professions about pay. Even so, if the recommendations were manifestly indefensible in terms of incomes policy, the Government might have to consider jeopardising the whole future of the National Health Service by not accepting them; but we do not think that this is the situation which faces us. The increases proposed for hospital doctors as a whole, and for dentists seem to us to be modest in relation to the period which all the recommendations are intended to cover and the exceptional increase, within this modest figure for all hospital doctors, for junior hospital staff, is amply justified by the special considerations applicable to such staff. Similarly the increase for general medical practitioners, though high compared with the norm, is in our view fully justified by the considerations of workload and recruitment on which the Review Body dwell. The recommendations as a whole seem to us to strike the right balance between the different categories of staff, the higher increases for general medical practitioners and junior hospital doctors being offset by the much smaller increase for senior hospital staff and dentists, who are likely to regard their increases as well short of what is their due. When we consider what is at stake, and recognize that, for general practice at any rate, it is not a matter of settling a pay increase but of whether or not this essential service to the public is to be preserved at all, there can surely be no doubt about our course of action.

26. We have had a preliminary discussion of the Review Body's recommendations with the First Secretary of State and the Chancellor of the Exchequer. They do not dissent from them in principle but consider that on financial and economic grounds the recommendations for general medical practitioners (paragraphs 13-15 above) should not initially be implemented in full. It is our firm view that any tampering with the recommendations would be unacceptable to the profession. In view of our insistence that the new contract for family doctors should be
priced by the independent Review Body they will see refusal to accept the recommendations in full as a breach of faith. They will feel that they have been singled out for arbitrary treatment and that, contrary to the views of the Royal Commission on whose advice the Review Body was set up, their pay is being determined by considerations of political convenience. We have no doubt that the result would be the sending in of the bulk of the 18,000 resignations still held at BMA House, and the loss of many young doctors not only from the Service but from Britain, by emigration to overseas countries only too anxious to receive them. Either the whole future of the Health Service and indeed of medical care would be put at risk or we should have to beat an ignominious retreat. Moreover, if there were mass withdrawals, we should have to pay out this year between £60 million and £100 million in respect of superannuation and of compensation due under the National Health Service Acts. The remuneration of doctors leaving the Service would be saved, but only from the date of withdrawal, and we should be bound to pay for medical care, and for drugs, in some form or another. The total cost to the Exchequer would certainly be higher than would acceptance of the Review Body's recommendations. There would be no prospect of getting the doctors back into the National Health Service at any lower cost than that of acceptance and it would probably cost very much more.

27. It may be argued that a minor modification of the award might not lead to these disastrous consequences. But this is to ignore the doctors' present mood. Even if the modification were forced through in the end, it would only be after bitter dispute and charges of breach of faith. It is difficult to see that the financial and economic advantages of any minor modification could possibly be such as to justify poisoning relations with the profession in this way and running a serious risk of the far worse consequences, social and financial, described above.

28. There is in fact no alternative to full acceptance which could be both worthwhile in terms of financial and economic policy and acceptable to the profession. We recommend that the Prime Minister should be invited to announce as soon as possible that the Government have accepted all the Review Body's recommendations. He could make it clear that the recommendations for general practitioners are of an order which the Government would not normally have found it possible to accept in present economic circumstances; and that they are doing so because of the special considerations regarding recruitment to, and workload in, general practice to which the Review Body refer, and because the recommended scale of fees forms an integral part of a completely new contract negotiated between the Health Departments and the profession over the past year, which he believes will lead to a new era for general practice in this country.

W. R.
K. R.

Scottish Office, S.W. 1.

25th April, 1966
ESTIMATED COST OF RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost on present rates £m.</th>
<th>Cost on proposed rates £m.</th>
<th>Increase £m.</th>
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<tr>
<td><strong>Hospital service</strong></td>
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<tr>
<td>Salaries of clinical staff</td>
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<td>102.593</td>
<td>126.470</td>
<td>23.877</td>
</tr>
<tr>
<td>(gross)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General dental practitioners</td>
<td>71.736</td>
<td>75.017</td>
<td>3.281</td>
</tr>
<tr>
<td>(gross)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>231.973</td>
<td>266.850</td>
<td>34.877</td>
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The Report estimates the total cost as somewhere between £36 million and £39 million, but this figure includes an estimated £3 million which consists of consequential increases in employers' superannuation contributions, with a small element for salaries of administrative medical staff and other fees to hospital staff.
INCREASE IN NET INCOME ELEMENT IN RECOMMENDATIONS FOR GENERAL PRACTITIONERS

The recommendations for general medical practitioners are in terms of gross fees from which expenses must be met. A calculation is therefore necessary to arrive at an estimate of increased net income. The total increase of £24 million referred to in paragraph 14 includes about £2 million for the payment of notional rents to doctors who own their surgeries (as distinct from renting them). The Review Body consider it likely that the credit given to the pool for practice expenses in the past included little or nothing for notional rents; putting this right is therefore not an increase in the net incomes which was always intended. Again, since the Review Body have recommended gross fees from which practitioners will have to meet their expenses (other than those which under the new system will be directly reimbursed) any increase in spending over and above that allowed for by the Review Body in their calculations will reduce the rise in net incomes. The Review Body explain that they have allowed for an increase in average practice expenses at a compound annual rate of 4½ per cent but this may well be insufficient to cover abnormal expenditure that is likely to follow the introduction of the new contract and a substantial increase in the gross incomes of the practitioners themselves, e.g. consequential increases in the salaries which practitioners have to pay their assistants, the cost of equipment and facilities for the additional ancillary helpers they are expected to employ, and a certain amount of refurbishing of surgeries, etc. - all of them items for which credit would automatically have been given under the pool system, thus ensuring that the expenditure did not have to be met from doctors' intended net incomes.

Again, the estimate of the total sum which would have been available in the pool for 1966-67 is depressed, since the credit for expenses is based on tax figures, by the withdrawal for tax purposes of the initial capital allowances on private motor cars by virtue of the Finance Act, 1965. Doctors are unlikely to reduce their expenditure on cars - at least to anything like the extent indicated by the withdrawal of the capital allowance - and this is a further factor to be taken into account in assessing the increase in pay which they would receive.

No precise figures can be put to these various factors but they probably result in the amount in the total of £24 million which should reckon as a pay rise being not much more than £20 million.

Over £4 million of this reduced total of £20 million is contributed by payments which the Review Body clearly regard as in a different category from a straightforward pay increase, namely, payments for special experience and service to general practice (a periphrasis for "merit awards") (over £2 million), payments to recognise vocational training (£4 million), payments to doctors practising in groups (£1 million), and payments for service in unattractive areas (£2 million). The Review Body make the point that none of these payments are provided for in the present system (except that the present arrangements for interest free group practice loans give some small financial advantage to doctors in groups) and consider that they should be "strictly additional". As regards merit awards the Royal Commission which reported in 1960 recommended an extra £1 million for this purpose and the Review Body said in their Fifth Report last year that they would be prepared to recommend a substantially greater sum to finance an agreed scheme.

- 9 -
It can fairly be argued not only that merit awards are not provided for in the present system but also that the profession have chosen to forgo a considerable amount of remuneration under this head in the past. (It is by no means clear that the profession will agree to the introduction of merit awards even now, but the Review Body have made it clear that in default of this they do not wish the additional remuneration for this purpose to be made available for any other,) The payment for vocational training is not dissimilar from the feature of many salary structures under which new entrants with special qualifications are started at a point above the minimum of the scale. And all the special payments mentioned, which will go to only a minority of doctors, cover aspects of general practice which the Review Body expressly say have not hitherto been recognised in the system of remuneration. While, therefore, they have not recommended that these payments should be made retrospectively it follows that they should not be taken into account in assessing the increase in pay for doctors as a whole.

After discounting the £4 million contributed by these special new payments the net increase for the generality of doctors is about £16 million, including over £5 million for seniority payments, which constitute another new feature of the new contract.
The Review Body on Doctors' and Dentists' Remuneration was appointed in March 1962 to advise the Prime Minister on the remuneration of doctors and dentists taking any part in the National Health Service.

At the time when the Seventh Report was submitted to the Prime Minister the members of the Review Body were:

The Lord Kindersley, C.B.E., M.C., *Chairman*

Arthur Bagnall, Esq., M.B.E., Q.C.

Professor S. R. Dennison, C.B.E., M.A.

J. H. Gunlake, Esq., C.B.E., F.I.A.

Geoffrey Templeman, Esq., M.A., Ph.D.

Sir Reginald Verdon Smith

with Mr. R. T. Armstrong and Mr. T. W. Hall, of the Cabinet Office, as Secretaries.
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In this report we submit the conclusions to which we have come and the recommendations which we make as the result of our second general review of the remuneration of doctors and dentists in the National Health Service.

2. As a result of our first general review, begun in 1962, we submitted our First Report on 27th February 1963\(^1\), recommending that the rates of remuneration of doctors and dentists from the National Health Service should be increased by 14 per cent. with effect from 1st April 1963. We made clear our intention that the resulting new rates of remuneration should be likely to remain appropriate for a period, taken as a whole, of at least three years from that date. Our recommendations were accepted and implemented.

3. Our main concern in that first general review was to take account of developments since the Report of the Royal Commission on Doctors' and Dentists' Remuneration\(^2\) which had affected all those with whose remuneration we are concerned. The submissions put to us at the time were all in terms of a general increase to be applied to all groups and at all levels, and we were able to express our recommendations in terms of a single percentage rate of increase to be applied to all the relevant figures. But even at that stage we were informed that we should in due course receive representations on behalf of certain particular groups, and subsequently we were asked to consider changes for particular groups within the general framework set by our 1963 recommendations.

4. In 1964 and again in 1965 it became necessary to consider how the implementation of our 1963 recommendations was working out in relation to the remuneration of general dental practitioners, having regard to new information about dentists' hours of work and also to changes in the level of output and in the structure of the profession since our First Report. Our Second Report\(^3\), dated 10th December 1964, and our Sixth Report\(^4\), dated 13th July 1965, made further recommendations designed to bring about in the changed circumstances the results we had intended our 1963 recommendations to achieve. We were also asked to consider a claim in respect of senior hospital medical and dental officers

\(^1\) The First Report was published in the Official Report, House of Commons, for 25th March 1963.
\(^2\) The Royal Commission's Report was published as a Command Paper (Cmnd. 939) in February 1960.
\(^3\) The Second Report was published in the Official Report, House of Commons, for 1st February 1965.
\(^4\) The Sixth Report was published in the Official Report, House of Commons, for 5th August 1965.
in the hospital service, which was the subject of our Third Report\(^5\), dated 10th December 1964, and to consider proposals in relation to the numbers of distinction awards to be available for consultants in the hospital service, on which we made interim recommendations in our Fourth Report\(^5\), dated 25th January 1965. Finally, we were asked to consider proposals for altering both the amount and the system of remuneration for general medical practitioners. We made recommendations on these proposals in our Fifth Report\(^5\), dated 25th January 1965. The recommendations in all these reports were accepted and implemented, save that, since general medical practitioners were unable at that stage to agree to schemes for direct reimbursement of certain practice expenses, it was not possible to act upon our suggestion that the additional money accruing as a result of the recommendations in our Fifth Report should be drawn upon so far as necessary to facilitate the introduction of the schemes in question, and the whole of the additional money was distributed in increased capitation fees.

5. In all these reports after the First we were concerned with considerations peculiar to particular groups of doctors and dentists, not with developments common to all, and we did not take account of considerations which we regarded as falling within the scope of the type of general review which was the subject of our First Report. Thus the subsequent reports revised the 1963 recommendations in certain respects, but did not seek to re-examine them in the light of general economic trends and other developments.

6. In March 1965, representatives of general medical practitioners put to the Minister of Health, in a *Charter for the Family Doctor Service*, proposals for radical changes in the system and amount of remuneration of general medical practitioners. The Minister indicated his readiness to discuss proposals for the system with the profession’s representatives, but made it clear that he would not be ready to agree to new levels of remuneration except on the recommendation of the Review Body. He did not see how new arrangements could be brought into effect before the end of the period for which the Review Body’s 1963 recommendations were intended to last, but suggested that discussions should proceed so that new arrangements could come into effect at the beginning of a new review period.

7. By May 1965 it was apparent that our 1963 recommendations (as modified by subsequent reports) could not be expected to last beyond March 1966, and we decided to embark upon a second general review, in order that we might make recommendations to take effect (if accepted) for a new period starting from 1st April 1966. Invitations were accordingly sent to the Health Departments and to the recognised evidence-giving representatives of the professions to submit memoranda of evidence by 30th September 1965. At the same time we made inquiries of our own, for the purpose of collecting information about levels and movements of earnings of graduates in other professions and employments. We collected information about earnings in other public services, in local authorities and in publicly-owned industries; and we approached a number of professional institutions for information about earnings in professional practice.

\(^5\) The Third, Fourth and Fifth Reports were published as a Command Paper (Cmnd. 2585) in February 1965.
We also invited nearly thirty companies, covering a wide range of industry and finance, to provide us in confidence with detailed information about earnings of staff with graduate or equivalent professional qualifications both according to their types of qualification and by age group. This inquiry produced information covering nearly 20,000 such staff, almost three times as many as were covered by the similar inquiry made by the Royal Commission (referred to in paragraphs 95 and 96 of their Report). We should like to record our gratitude to all those who assisted us in these inquiries.

8. We received all the main submissions of written evidence during November and early December. The Health Departments provided us with a memorandum on incomes policy and economic factors relating to the review of remuneration of the medical and dental professions, and the significance and implications of the prices and incomes policy were more fully expounded to us in oral evidence by a representative of the Department of Economic Affairs. The Health Departments also provided us with memoranda and gave oral evidence on the remuneration of hospital medical and dental staff and on the remuneration of general dental practitioners, and at our request provided additional factual and statistical information in writing. The Joint Evidence Committee of the British Medical Association and the Joint Consultants Committee submitted a memorandum; their representatives (including a representative of the Hospital Junior Staffs Group Council of the British Medical Association) were invited to supplement the memorandum and answer questions in oral evidence. The British Dental Association provided a memorandum on the remuneration of general dental practitioners, and we invited their representatives to supplement the memorandum and answer our questions in oral evidence.

9. We agreed that, since the proposals for general medical practitioners were related to a radically altered system of remuneration, on this occasion the written and oral evidence concerning them should be taken separately from that on the remuneration of hospital doctors. We also agreed to depart in this instance from our usual procedure by accepting that the general practitioners’ case should on this occasion be presented by counsel. Through the summer we were kept in touch with the progress of discussions between the Minister of Health and the representatives of general practitioners. As a result of these discussions a report containing proposals by the Government for a new system of remuneration was issued to the profession. A ballot of the profession in October 1965 registered the view of a substantial majority of general practitioners that the Government’s proposals should be sent forward to us so that we could recommend levels of payment. Thereafter we received a memorandum of evidence from representatives of the general practitioners, who were also invited to supplement their memorandum and answer questions in oral evidence. The profession’s desire to be represented by counsel meant that on this occasion the main statement of their arguments and proposals came to us in their oral evidence rather than in their memorandum, which was little more than an outline of some of the main features in their proposals. The general practitioners’ case was fully and clearly stated to us in the course of two long sessions of oral evidence. The Health Departments submitted a memorandum of evidence on general practitioner remuneration at the same time as the profession submitted theirs, and were also invited to supplement their memorandum and answer questions in oral evidence.
10. We had the benefit of an opportunity to discuss with Lord Brain and Sir John Macpherson, Chairman and Vice-Chairman of the committee which advises the Health Ministers on the allocation of distinction awards for consultants, questions arising on the numbers of these awards that should be made available.

11. In addition to this evidence provided in answer to our invitation (and a number of letters from individual doctors and dentists), we received a memorandum of evidence from the Hospital Junior Medical Staff Action Group. This Group was formed in September 1965 by a group of hospital junior medical staff who (in their own words) “felt that recommendations should be sent to the Review Body on behalf of junior staff as they were uncertain whether the views of junior staff would adequately be represented in the evidence to be submitted by other organisations, of which they were not necessarily members or supporters”. They informed us that their proposals were supported by over six thousand signatures; this number would represent about half the total number in Great Britain of people in the hospital medical and dental grades covered by the Group’s submission. At our request the Action Group provided answers in writing to certain questions which we put to them.

12. In all we held twenty-three meetings between October 1965 and March 1966 for the purpose of this review. We heard oral evidence at eight of these meetings.

13. It will be seen from this account of the evidence we have received and the procedure which we have followed that our task in this second general review has been very different from our task in our first general review. This time it was not simply a question of thinking in terms of a general percentage increase for all doctors and dentists in the National Health Service. We were asked to review the salary structure of hospital medical and dental staff in detail and to consider whether to recommend changes of relativities within the structure. For general medical practitioners we were not asked to determine an average net income for incorporation in the calculations relating to the pool, which is now to be brought to an end, but to determine a whole series of individual fees and payments in a new system of remuneration, allowing not only for net income but also for the reimbursement of practice expenses under new arrangements. We have also given further thought to problems in the system of remuneration for general dental practitioners which were first drawn to our attention at the time of our first review and have continued to be troublesome since then. In the course of this review we have also had to consider more closely than before the relationship in earnings between the two main branches of the medical profession, the hospital service and general practice. The Royal Commission, six years ago, concluded that the overall relationship should remain broadly unchanged. Our review this time has led us to a different conclusion.

14. One further general point remains to be made. Since 1948 successive Health Ministers have been charged with a statutory responsibility for providing health services. The provision of the National Health Service, together with great developments of medical and dental knowledge and techniques and an increasing awareness among the general public of scientific advances in medicine
and dentistry, has led to a growing demand for medical and dental services. As the Government have recognised in *The National Plan*, the demand on the health and welfare services will continue to grow with the increase in the population and improvements in standards of service. There is a deep concern in both professions, and in the hospital service as well as in general practice, about the present working of the National Health Service and the implications of growing demand, not just for the future of the National Health Service but also for the future of medicine and dentistry in this country and for those who practise them. This is a matter that goes far beyond remuneration into problems of the supply of places for training, the provision of facilities, the organisation of practice and other matters which are outside our sphere; indeed changes in remuneration will not solve the underlying problems or by themselves allay all the concern which is evident in both professions. But remuneration is not irrelevant in this context. Bearing in mind that we are on this occasion undertaking a fundamental and wide-ranging review of medical and dental remuneration, we have tried to consider the problems of remuneration against this wider background, as well as in relation to the considerations and circumstances that are immediately relevant.

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CHAPTER II

PERIOD COVERED IN REVIEW

15. In their report the Royal Commission stated that in the professional field frequent changes of remuneration were not customary, and in their view were not desirable. They did not think that any attempt should be made to keep doctors' and dentists' remuneration closely in step with every change in the earnings of comparable groups or in the cost of living. They suggested that we should normally propose adjustments at relatively infrequent intervals, and these adjustments should be expected to keep the position stable for some time, so that in the period immediately before a review doctors' and dentists' remuneration might be lower than its "right" level at that time, but immediately after a review it might well be above its "right" level. They suggested that the aim should be to keep remuneration stable for periods of at least three years if possible.

16. This was the system we followed at our first review, if only (as we said at the time) because we were invited by the Health Departments and the professions to do so. It has difficulties, as we pointed out in our First Report. It means that at each review we must look backward as well as forward: backward to decide at what point in the last three years the current levels of remuneration were "right", and forward to assess what increases are required to bring remuneration up to a level which will be "right" over the next three years. Three factors have to be weighed. First, developments in the first part of the previous period must be examined, to see whether they ran according to the expectations on which the previous review was based. Second, allowance has to be made for further developments between the point at which current remuneration is now considered to have been "right" and the time of the review. Third, future developments have to be envisaged so as to allow for whatever further change is needed to bring remuneration to a level which will be right for the forthcoming period as a whole. The last part of this process is particularly problematic.

17. In principle we share the Royal Commission's view that frequent changes of professional remuneration are not desirable. For this reason, and because of the objections (which we discuss in Chapter III) to relying solely or primarily on comparisons as a basis for determining medical and dental remuneration, we have not adopted the proposal put to us by the Hospital Junior Medical Staff Action Group for annual increases based on general economic trends and triennial "revaluation" reviews based on fair comparisons, on the pattern of the non-industrial civil service with its annual general pay increases and periodic pay research reviews for particular classes.

18. The representatives of hospital medical and dental staff and of general dental practitioners formulated their written evidence to us on the assumption that our recommendations would relate to a further period of three years, from

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7 Cmd. 939, paragraph 437.
1966 to 1969. At an early stage in our review, however, our minds were moving towards a shorter period; and we found our views confirmed by the Health Departments, who suggested that on this occasion our review should cover a period of two years. We have decided to adopt this suggestion, which we understand to be acceptable to the recognised representatives of the professions, for three main reasons.

19. From 1963 to 1965 the general level of money incomes rose at a faster rate than we anticipated and a considerably faster rate than we think the Royal Commission expected. Although it may be hoped that the prices and incomes policy will succeed in keeping the growth of money incomes within the long-term rate of growth of productivity in future, it has to be recognised that the complete fulfilment of the objectives of the policy may take some time. If incomes are rising at the rate experienced in this country in the last two or three years, incomes that are adjusted only once every three years can become seriously out of line, and when the time comes for an adjustment it may have to be relatively large: this may create misunderstandings in the minds of those who do not appreciate that the incomes policy “norm” of 3 to 3½ per cent. for the average rate of growth in money incomes is an annual rate. In the medical and dental professions infrequency of adjustment at such times tends to bear particularly hardly on the junior hospital doctors (in whose salaries, particularly at present levels, there can be little or no margin within which to absorb changes in the cost of living). It also affects salaried hospital doctors and dentists whose superannuation benefits are based on final salary and who retire just before a review. This is the first reason for adopting a shorter review period on this occasion.

20. The other two reasons are peculiar to general medical and dental practitioners and to this occasion. At this review we are recommending levels of a whole range of payments for general medical practitioners under a new system of remuneration. On some of these payments there is inevitably little or no firm information derived from experience to guide us. There is thus an element of experiment in the levels of payments as well as in the system. The Government and the profession's representatives contemplate a full review of the system after an appropriate period—they suggest five years—to enable a considered judgment of its effectiveness to be arrived at. We should like to have an opportunity of reviewing the levels of payment a good deal sooner than that, when information is available about the results of the first year's working of the system. We have also been informed that discussions are to take place between the Health Departments and the British Dental Association on the system of remuneration for general dental practitioners; the Health Departments propose that we should be kept in touch with the progress of these discussions, as we have been kept in touch with the discussions on the system of remuneration for general medical practitioners. It may be convenient that the introduction of any changes in the system that result from these discussions should coincide with a general review, though we do not rule out the possibility of their being introduced in between reviews. From both these points of view three years seems too long to wait for the next general review.

21. We have therefore decided to formulate all our recommendations on this occasion with the intention that the resulting rates should stand for a period
of two years from 1st April 1966, and should be appropriate for that period taken as a whole.

22. We have regarded it as our main task to fix rates of remuneration which will be right for the new period, taking into account all the relevant factors, not simply to adjust existing rates and structures for general economic developments since we last reported. In so far, however, as our recommendations are intended to take account of general economic developments amongst other factors and to replace our 1963 recommendations (as modified in some cases by later reports), we think that they should be looked at in the light of the following considerations:

(i) We think that our conclusions in February 1963 were about right in so far as they related to developments between 1960 and that date, but somewhat underestimated developments thereafter. We conclude that our 1963 recommendations were overtaken by events earlier than we allowed for.

(ii) In deciding what allowance to make for developments since the point at which the 1963 recommendations were overtaken, we have felt bound to take some account of the general movement of money incomes between then and now. We have felt that it would be wrong in principle, as well as inconsistent with statements by successive Governments and by the National Board for Prices and Incomes, that doctors and dentists should be penalised because their remuneration is reviewed less frequently than many other people’s.

(iii) The recommendations in this report are intended to stand for a period of two years from 1st April 1966.

23. It follows from the first of the above considerations that, if our recommendations are being thought of in relation to a period of time, the period should be longer than the two and a half years that will have elapsed between the midpoints of the 1963–66 and the 1966–68 review periods. But that is only part of the story. Many other considerations have had to be taken into account as we reviewed the problems of the various groups with whose remuneration we are concerned and decided what recommendations to make for the next two years.
CHAPTER III
ECONOMIC FACTORS AND COMPARABLE EARNINGS

24. The submissions put to us by the professions rested, explicitly or implicitly, on the views expressed by the Royal Commission in recommending the terms of reference with which a standing Review Body should be set up:

"We do not think it desirable to define exactly the factors of which the Review Body should take account in making its recommendations. It would be presumptuous on our part . . . to seek to tie their hands for years ahead in circumstances of which we are not at present aware. While it should be left to them to decide which factors might be relevant at any particular time and the weight to be attached to them, we expect that three factors which would always be relevant would be changes in the cost of living, the movement of earnings in other professions, and the quality and quantity of recruitment in all professions."

25. The Health Departments and the Department of Economic Affairs drew our attention to the point made in the White Paper on Prices and Incomes Policy, that changes in the cost of living and comparisons with levels or trends of incomes in other employments were among the factors to which less weight would have to be given than hitherto if wages and salaries were to keep in step with the long-term rate of increase in national productivity, and to the criteria for exceptional increases in wages and salaries which were set out in paragraph 15 of the White Paper:

"(i) where the employees concerned, for example by accepting more exacting work or a major change in working practices, make a direct contribution towards increasing productivity in the particular firm or industry. Even in such cases some of the benefit should accrue to the community as a whole in the form of lower prices;

(ii) where it is essential in the national interest to secure a change in the distribution of manpower (or to prevent a change which would otherwise take place) and a pay increase would be both necessary and effective for this purpose;

(iii) where there is general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living;

(iv) where there is widespread recognition that the pay of a certain group of workers has fallen seriously out of line with the level of remuneration for similar work and needs in the national interest to be improved."

Without themselves putting forward any figures for new levels of remuneration for doctors and dentists, the Departments recognised that for general medical practitioners considerations of manpower and workload might justify some increase above the average annual rate of 3 to 3⅓ per cent. which the White

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8 Cmnd. 939, paragraph 431.
9 Cmnd. 2639, published April 1965.
Paper takes as the norm for the growth of money incomes related to the long-
term rate of growth of national productivity. They took the view that there was
no case for an increase of more than this norm for general dental practitioners
or for hospital medical and dental staff as a whole, though they thought that
within the overall increase for hospital medical and dental staff there should be
larger increases for junior staff than at the higher levels.

26. The professions did not suggest that their remuneration should be
settled without regard to general economic considerations. They drew our
attention, however, to one of the factors that led the Royal Commission to
recommend the appointment of a standing Review Body:

"The second aim is to give these two professions, most of whose members
derive the greater part of their livelihood from the National Health
Service, some assurance that their standards of living will not be depressed
by arbitrary Government action. It may sometimes be expedient to avoid
increased expenditure on the remuneration of people paid from public
funds; it may be tempting to describe this as an economic necessity or in
the national interest. While clearly the Government of the day must
govern, doctors and dentists must have some confidence that their
remuneration will be settled on a just basis."\textsuperscript{10}

The representatives of the professions urged us not to recommend levels of
remuneration that were lower than we might otherwise think fair and reasonable
because of the exigencies of a particular current economic or fiscal situation,
arguing that it was for the Government to deal with those problems, and to
adjust programmes of public expenditure according to their views of economic
and social priorities. The professions' representatives suggested that it would be
both unfair and undesirable that ground which they submitted had been lost by
doctors and dentists in relation to other professions should not be recovered
because of the relative infrequency of reviews of their remuneration and because
the present review coincided with a particular phase of incomes policy. They also
suggested that their proposals to us were justified in terms of the criteria for
exceptional increases set out in the White Paper, and in particular by evidence
which they put before us to show that their earnings had in the last nine years
fallen (in the words of the White Paper) "seriously out of line" with earnings in
other professions, by the inability of some to maintain a reasonable standard of
living on present earnings, by the need to sustain recruitment and reduce
wastage of doctors and dentists and by the increased workload and responsibility
which they were being asked to carry.

27. We were supplied in evidence with information on changes in the cost of
living, as reflected in the index of retail prices. It was not argued that the
remuneration of doctors and dentists generally had failed to keep pace with the
cost of living in the last fifteen years. It was, however, argued by the Hospital
Junior Medical Staff Action Group that the current salary levels of junior
hospital doctors were substantially too low because the salary rates fixed in
1948, at the outset of the National Health Service, on the basis of recommenda-
tions by the Spens Committee which had been expressed in terms of 1939
money values, did not make nearly enough allowance for changes in money
values between 1939 and 1948. We have not sought to pursue this line of

\textsuperscript{10} Cmnd. 939, paragraph 404.
reasoning. The Spens Committee in any case made no recommendations for house officers, and at this distance of time it would be difficult, if not impossible, to say what considerations led those concerned to fix salary rates as they did in 1948. More important, we think that the time has now passed when the recommendations of the Spens Committees, reporting in 1946 and 1948, can be relied on as a guide to levels of remuneration. We have to consider what is appropriate in present circumstances.

28. The Royal Commission's recommendations were based upon the conclusions which their terms of reference required them to reach as to the proper levels of remuneration of doctors and dentists from the National Health Service by comparison with earnings of other doctors and dentists and in other professions and connected occupations at the time of their appointment in 1957. Comparisons with movements of earnings in other professions and employments since then were the main basis of the increases proposed to us by the professions for hospital medical and dental staff and for general dental practitioners; they were also relied upon as one of the arguments in support of the proposals put to us by the representatives of general medical practitioners. The arguments on comparisons are of general application to the consideration of medical and dental remuneration, and can best be discussed in a general context. The professions' case on comparisons was most fully deployed in the evidence presented by the Joint Evidence Committee on behalf of hospital medical and dental staff. For convenience we base our discussion on their presentation; the general drift of the argument by the British Dental Association was similar and our general comments (though not all the detailed points) apply to that also. Because much of the weight of the professions' case rested on the conclusions they had drawn from the evidence they had collected on movements of salaries and earnings in other walks of life, we have thought it right to deal with their evidence and arguments with great care and in detail. In this chapter we set out our views and conclusions on this, and we mention some of the general issues that arise in considering the implications for decisions on remuneration of questions of manpower and workload. In later chapters of the report we discuss in more detail the evidence we have collected and the views we have formed on the manpower position and workload situation in the hospital services and in the general medical and dental services.

29. The Joint Evidence Committee stated that they fully accepted the conclusions reached on general practitioner remuneration by Mr. (now Lord) Justice Danckwerts in 1952\textsuperscript{11}, and the conclusions reached by the Royal Commission in so far as they were based upon the evidence collected by the Royal Commission relating to professional earnings in 1955-56; they thus accepted the Royal Commission's conclusion that average earnings of doctors and dentists for the whole career period between ages 30 and 65 should have been about £7,000 more in 1957 than they were in 1955-56. They considered, however, that the Royal Commission's further adjustment of 12 per cent. to bring the 1957 figures of career earnings up to date for the period from 1960 to 1963 was inadequate, and that the Review Body's recommendation in 1963, though it allowed for the Review Body's conclusion that the rates of remuneration recommended by the Royal Commission had been overtaken much earlier than

\textsuperscript{11} See Cmnd. 939, paragraphs 52 to 55.
the Royal Commission had expected, had none the less failed to bring medical and dental remuneration for the period from 1963 to 1966 back into line with the incomes of the other professions in the Royal Commission's survey at the levels regarded as appropriate by the Royal Commission.

30. The Royal Commission expressed their view on the appropriate levels of earnings in the medical and dental professions in 1957 in terms only of average career earnings, not of salary scales or points. In order to arrive at notional salary scales for hospital medical and dental staff in terms of what they thought that the Royal Commission would have regarded as appropriate in 1957, the Joint Evidence Committee deducted 12 per cent. from the scales actually recommended by the Royal Commission for introduction in 1960. They compared these notional 1957 scales with the scales introduced after our 1963 review, and found that the 1963 scales were higher than their notional 1957 scales by 28 per cent. (our 14 per cent. compounded with the Royal Commission's 12 per cent.), which was equivalent to a cumulative annual increase of about 3.5 per cent. over the period of about seven and a half years from early 1957 to the midpoint of the three years beginning on 1st April 1963.

31. They contrasted this with a cumulative average annual increase of 5.4 per cent. in gross domestic product per head of the working population over eight years between 1957 and 1965; with a cumulative average annual increase of nearly 5.5 per cent. in the index of average earnings of salaried employees over the nine years from October 1955 to October 1964; and with cumulative average annual increases between 1957 and 1963 of 5.5 per cent. and 5 per cent. for incomes of £2,000 and £3,000 respectively in 1957 (deduced from comparisons of numbers of incomes in successive income-brackets in various years appearing in the annual statistics of national income and expenditure). They also compared figures of earnings in 1955–56 in certain other professions included in the Royal Commission's survey with figures of earnings in the same professions in various years between 1962 and 1965 derived from later inquiries, to arrive at cumulative average annual increases ranging from 5.9 to 8.0 per cent. They also quoted changes of certain civil service salaries (including those of a number of professional grades) from various dates between 1956 and 1959 to various dates between 1963 and 1965, to show cumulative average annual increases ranging from 4.2 per cent. at the highest salary levels to 6.9 per cent. at the £1,500 level (in 1958 terms).

32. The representatives of the Joint Evidence Committee accepted that the detailed evidence they had collected was of varying degrees of statistical validity and relevance to medical and dental remuneration, but they submitted that the general picture that it presented was clear and unmistakable. They concluded that "a reasonably conservative estimate of the general increase in salaried and professional incomes comparable to the medical profession is 5.5 per cent. a year, except that at the level of about £3,000 in 1957 an increase of 5.5 per cent. is more appropriate ". Starting from their notional 1957 salary levels, projecting forward at these rates of increase to the middle of a period of three years from April 1966 (on the assumption that our recommendations would relate to such a period), and supplementing the results at the lowest levels of hospital doctors' salaries in the light of direct comparisons with starting salaries in other employment, they proposed new salaries ranging from £1,200
for the salary of a house officer in his first (pre-registration) year (compared with £812 today: an increase of £388 or about 48 per cent.) to £5,950 for the maximum of the consultant scale (compared with £4,445 today: an increase of £1,505 or about 34 per cent.).

33. A number of detailed difficulties complicate the analysis of this information and suggest some reservations on the conclusions. Gross domestic product per head seems to us to be a doubtfully appropriate indicator to choose for this purpose. The index of average earnings of salaried employees is dominated by technical and clerical workers, at lower salary levels than many doctors and dentists. The figures on distribution of incomes at various levels include income from investments. Moreover, they are revised substantially from time to time, and the technique of deducing income changes from them is by no means precise.

34. There must be reservations also about the detailed figures for movements of earnings in other professions. While the Royal Commission’s surveys were conducted simultaneously and uniformly, with elaborate procedures for eliminating sampling errors and other distortions, and were analysed by age in order to produce information on career earnings, the later inquiries quoted by the Joint Evidence Committee were conducted at various times by various different bodies, were related to different (and not necessarily representative) populations, were not always surveys by questionnaire, and generally speaking did not provide material from which career earnings could be calculated. So far as the civil service salaries are concerned, some confusion arose from the different ranges of dates chosen: when the movements for the same grades are taken for the period from 1st April 1956 to 1st October 1964, the cumulative average annual increases range from 3-8 to 5-9 per cent.

35. The method by which the Joint Evidence Committee arrived at notional 1957 salaries for hospital doctors and dentists from the Royal Commission’s recommendations for the period from 1960 is open to question. Paragraph 170 of the Royal Commission’s Report makes it clear, not only that their calculations of the appropriate increases from 1955–56 to 1957 and again from 1957 to 1960 were in terms of average career earnings, but also that they decided that within the average figures younger doctors should receive rather higher percentage increases. They give no indication of what percentage figures they had in mind at different salary levels (unless the figures in paragraph 136 are to be so regarded), but it clearly follows that to deduct a flat 12 per cent. from all the 1960 salary levels is liable to give too high an answer at lower salary levels and too low an answer at higher salary levels.

36. A more serious criticism relates to the choice of 1957 as a base date for the figures on medical remuneration. The publication of the Royal Commission’s Report, with its comprehensive surveys of earnings in 1955–56 in other professions and its recommendations for doctors and dentists, led to “catching up” increases in some other professions. If the Royal Commission considered that doctors and dentists were underpaid in 1955–56, some other professions took the view that the Royal Commission’s findings showed that they too were underpaid at that time. Movements of earnings between 1955–56 and points between 1962 and 1965, of the kind given in the Joint Evidence Committee’s evidence, must be considered in this light. Moreover, by taking notional salary levels in 1957 as the
starting line for hospital doctors, the Joint Evidence Committee left out of the reckoning that portion of the increases recommended by the Royal Commission which was designed to bring the 1955–56 average career earnings up to a level appropriate in 1957. A comparison of the movement of hospital doctors’ salaries between 1st April 1954 (the date of the introduction of the scales in force in 1955–56) and 1st April 1964 (a year after the introduction of the 1963 scales, and thus not far from the middle of the review period that is now coming to an end) shows cumulative average annual increases over the ten years ranging from 3½ per cent. at the consultant’s maximum to 5 per cent. for the registrar and 6 per cent. for the house officer. We offer these figures for the purpose of illustration only, not because we are arguing that the salaries were “right” at 1st April 1954.

37. Three major difficulties thus bedevil any attempt at comparisons of movements of incomes. The first is that comparisons between one group and another can vary greatly according to the base dates chosen. The second is the difficulty of being sure that like is being compared with like. The third is the danger of “leapfrogging”, when increases in earnings in one sector are used to justify comparable increases in earnings in another sector, which in turn are prayed in aid of a further increase in the first sector “to restore comparability”. The potential inflationary effect of this process is plain.

38. Two of these difficulties can be illustrated by one example taken from the Joint Evidence Committee’s submissions to us. One of the other professions to which reference was made was that of university teachers, where the median income (all ages) in the Royal Commission’s survey (£1,380 in 1955–56) was compared with median earnings from a recent survey by the Association of University Teachers (£2,318 in 1964–65), to show an increase of 68 per cent., or 5·9 per cent. a year compound, in nine years. This illustrates first the difficulty of comparing results from two separate surveys. Like is not being compared with like: the Royal Commission’s survey covered all professional earnings of university teachers, while the survey by the Association of University Teachers covered only the teachers’ salaries from their own universities. If the two surveys had covered the same range of earnings, the comparison would probably have shown a higher annual rate of increase—unless of course there were other offsetting factors to allow for. This example also illustrates the danger of leapfrogging. The increase in university teachers’ earnings in this period included the substantial salary increases recommended in March 1964 by the National Incomes Commission because they had found that the existing salaries were “not adequate to enable the universities and colleges of advanced technology to recruit and retain sufficient staff of the calibre necessary to maintain their high academic standards”. The Commission expressly stated that the main object of their recommendations was to put the universities and colleges in a position from which they would be able to compete on terms with other claimants for the limited number of persons of high academic ability. If the remuneration of the medical and dental professions, recruiting in the same market, were now to be increased by an amount which reflected the whole of the 1964 increases for university teachers, the competitive position of the universities in relation to the medical and dental professions would presumably be to that extent worsened and the object of the National Incomes Commission’s recom-

18 National Incomes Commission, Report no. 3 (Cmnd. 2317), paragraph 213.

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mendations frustrated. Before putting forward a recommendation which had that effect, one would need to be very sure that a comparison of current recruitment needs and experience for university teachers on the one hand and for the medical and dental professions on the other justified it.

39. Bias arising from choice of varying base dates and the risk of "leapfrogging" may be to some extent, though not entirely, avoided by comparing current levels rather than trends of remuneration for jobs which have a strong functional resemblance to each other. This is the basis of the system of "fair comparisons" which has been used for determining pay in the non-industrial civil service. But a system based on what the Armitage Committee on the Pay of Postmen described as "functional comparisons" is not feasible in our field, because there are no jobs in this country that can be regarded as functionally comparable with those of doctors and dentists in the hospital service or in general practice.

40. The Hospital Junior Medical Staff Action Group put to us a suggestion that we should recommend the appointment of an organisation like the Civil Service Pay Research Unit to assist us by collecting information about changes in the cost of living and earnings in other professions. We think that this proposal misconceives the main function of the Civil Service Pay Research Unit. That is to analyse in terms of function and responsibility both jobs in the civil service and jobs in outside organisations, with a view to establishing whether and to what extent the outside jobs are functionally comparable with the civil service jobs. Where they conclude that an outside job is broadly comparable with a civil service job, they say so, drawing attention to any special factors which supplement or complicate the comparison. They also provide details of the remuneration and conditions of service attached to the outside job. If the only requirement were to collect this information, it would not need a Pay Research Unit to do it; their function is that of identifying comparable jobs. If there were any chance of finding other jobs which were functionally comparable with those of doctors and dentists in the hospital service and in general practice, there would be something to be said for setting up a Pay Research Unit to advise us on the job comparisons. If the task is to seek information about earnings in other professions and employments we can do that for ourselves.

41. We have in fact collected a considerable amount of information about current levels of earnings of graduates and others with equivalent professional qualifications in the public services, in other professions and in industrial and financial concerns for the purposes of this review, and the professions' evidence includes a certain amount of similar information. We have already discussed the difficulties of analysing and collating such limited information as is available about current earnings in other professions. It must be recognised that there is no hope of securing figures of the same breadth and authority as those obtained by the Royal Commission without repeating their comprehensive survey or adopting their recommendation about the use (subject to safeguards against disclosures of information about the affairs of individuals) of material available to the Inland Revenue. The only conclusion we have been able to draw from the information available to us on current levels of earnings in other professions is the negative one, that it does not establish that medical and dental earnings are as a whole substantially lower than they should be. But the information does

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13 Cmd. 939, paragraph 449.
not take account of other factors which may be held to justify an improvement in the earnings of doctors and dentists.

42. Our inquiries about earnings of graduates and those with equivalent professional qualifications in industry provided us with valuable information about levels in 1965 and movements since 1960 of earnings in industrial and commercial employment at levels comparable with medical and dental remuneration. Earnings in this sector can be presumed to be further removed from the influence of the Royal Commission's findings than earnings in the professions. This information covers the same categories of persons as those covered by the Royal Commission's similar inquiries on earnings in 1955–56 and has the same advantages as regards reliability. Since the statistics were supplied in age-groups it was possible to derive a figure for average career earnings between the ages of 30 and 65, and hence the age-corrected average annual earnings over that range of years. The resulting figure was approximately £3,250. This was about 35 per cent. greater than the 1955–56 figure from the Royal Commission's inquiry. The information about movements of earnings since 1960 is less easy to interpret, but our inquiry appears to suggest that earnings of graduates and men with equivalent professional qualifications in industry at levels up to about £3,000 in 1960 rose at an annual rate of 3 to 3½ per cent. between 1960 and 1963, and at an annual rate of about 5 per cent. (or a little more at the lowest levels) between 1963 and 1965. For salaries of £5,000 and above in 1960 the increases over the period appear to have been somewhat less.

43. In interpreting the information on levels of earnings in industry three points must be borne in mind:

(a) Some of the companies in our inquiry did not include salaries paid to full-time directors in their returns.

(b) The figures of earnings in our inquiry mostly excluded "fringe benefits", on which we sought and obtained separate information. This did not give us any reason for differing from the Royal Commission's finding that, as regards additional benefits, doctors and dentists might be about level on average with the whole group of graduates in industry, though industry might be better placed than doctors and dentists in the top ranges of salary levels.

(c) Account has also to be taken of superannuation contributions and benefits. Our inquiry provided us with information on current superannuation contributions and benefits in relation to salary levels in industry, and led us to the conclusion that in general hospital doctors and dentists are not at a disadvantage in this respect, though this is not to say that it would be impossible to find instances of superannuation provisions in industry either more or less generous than those for hospital doctors and dentists.

Allowing for all these points, however, the extent of the coverage of our inquiry and the reliability of the figures have made it an important element in the

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14 Cmnd. 939, paragraphs 95 and 96.
15 Cmnd. 939, paragraph 147.
16 Some difficulty has arisen in the case of general medical practitioners because superannuation benefits are calculated in terms of career-average earnings, and are therefore liable to fail to make sufficient allowance for the erosion of money values by inflation; but we understand that the Health Departments have made proposals to the profession's representatives for alterations to the system of calculating benefits with a view to meeting this difficulty without requiring any increase in contributions.
evidence on which our review has been based, to be taken into account along with information on professional earnings and earnings in other public services.

44. We have discussed the difficulties of adopting comparability as a main basis for settling doctors' and dentists' remuneration. We do not mean by this to suggest that we have ignored comparability as one element in the process of reaching decisions on this subject, or that we have dismissed as irrelevant or entirely without substance the arguments and evidence put before us. It would be convenient to be able to adopt the general point of view put to us by the Health Departments, that the Royal Commission's recommendations in 1960 were right and were accepted by both sides, that our recommendations in 1963 were right and were accepted by both sides, and that we are called upon to do no more than take account of trends since our first general review. We have not felt able to take so limited a view as that: we must be prepared to think it possible that we and the Royal Commission were mistaken, as well as to take account of the many developments of various kinds since 1963. We are, however, saying that we cannot accept on grounds of comparability alone increases of the magnitude proposed to us by the professions, and that assessments of other factors, such as the manpower situation in the professions and the weight of work and responsibility carried by doctors and dentists, must be major considerations for us to take into account in making up our minds.

45. We reserve detailed discussion of these matters in relation to each profession in turn for later parts of this report. One or two general points can however be made here, because they have some bearing on the weight to be attached to general economic trends and comparisons with other incomes.

46. In any profession or employment those responsible for determining remuneration have to take account of a combination of economic and social considerations. Arguments on comparability are perhaps primarily directed to the social considerations; it is arguable that, if one is thinking in terms of what is economically justifiable, the direct evidence of experience in the recruitment and retention of staff is a better indicator of ability to compete in the market for manpower, and therefore of the adequacy of the level of earnings, than comparisons of earnings. This argument would doubtless have much force if one was dealing with a type of employment where the mobility, or at least the interchangeability, of labour was high. We think, however, that it would be both dangerous and unjust to apply this principle too rigorously to the situation of professions like medicine and dentistry. The training required to practice in either profession is very long. The health services are by far the largest users of medical and dental manpower, and opportunities for employment of doctors and dentists in this country outside the health services are limited (though medically and dentally qualified manpower is much in demand overseas). In both professions the sense of vocation, of service to the community and loyalty to the profession, is long established. In these circumstances evidence of uncompetitiveness in the market for the limited supply of suitable manpower may be slow to appear; if we may allow ourselves a medical metaphor, by the time the symptoms become statistically apparent and measurable, the disorder which they represent may have existed for some time and developed some way, and may not be easily or quickly—or cheaply—remedied. Here comparisons of earnings may have a greater part to play than in some other types of employ-
ment, not necessarily as direct evidence of inadequacy of remuneration, but as early warning signals of the need to consider whether remuneration is adequate and to be watchful for more definite manifestations of uncompetitiveness.

47. Another facet of the economic considerations that enter into the determination of remuneration is change in the output per head of the people concerned. Where output can fairly be measured in statistical terms, it is not difficult to assess what the increase in output per head and the resulting effects on costs per unit of output have been, though there remains the problem of deciding how the benefit accruing should be distributed as between the workpeople, the entrepreneurs and the customers. It is more difficult to assess the significance of changes of output per head in a service where output cannot so readily be measured. We heard much in evidence about the increasing workload on hospital doctors and on general practitioners, and the developments in medical technique and equipment which have made the work in many ways more exacting. We shall be examining this evidence in more detail later. Here it suffices to say that some of the return from these changes and developments may not appear in measurable forms of increased output or reduced costs but may take the form of improved standards of service which are none the less of value for not being quantifiable. The weight to be attached to these considerations in assessing remuneration is very much a matter of judgment and thus incapable of conclusive statistical demonstration.

48. We can best end this chapter of our report by quoting a letter which was sent on our behalf to the representatives of general medical practitioners when they sought our guidance in May 1965:

"The Review Body's terms of reference require them:
'To advise the Prime Minister on the remuneration of doctors and dentists taking any part in the National Health Service.'

In recommending these terms of reference for the Review Body the Royal Commission on Doctors' and Dentists' Remuneration made it clear that they were deliberately not seeking to tie the Review Body's hands for the future, in circumstances which they could not themselves foresee, and that it would be for the Review Body to decide what factors might be relevant at any particular time and the weight to be attached to them. In this respect the Review Body are different from the Royal Commission, who were specifically enjoined in their Royal Warrant to consider what should be the proper current levels of medical and dental remuneration in the light of comparisons with remuneration received in other professions and occupations.

Without seeking to tie the Review Body's hands the Royal Commission expected that movements of earnings in other professions would be among the factors which would always be relevant to a review of medical and dental remuneration. This was an expression of view, not a mandate: in any such review the Review Body would be free to decide whether to make comparisons with other incomes and what weight to attach to them in framing their recommendations. If comparisons of incomes are made, they must of course be on a basis which ensures so far as possible that like is being compared with like and must take account of differences in workload, responsibilities and conditions of service."
The Royal Commission's Report was an important landmark in the history of medical and dental remuneration and up to now has formed the starting point of the Review Body's recommendations. Nevertheless the Review Body have always regarded themselves as completely free to assess remuneration on whatever basis and in whatever manner seemed to them right at the time. They see no reason to depart from this principle. They would not regard themselves as bound to take the Royal Commission's recommendations as their starting point or as inhibited by any view of what was appropriate in the past from reaching whatever conclusions they thought right in the circumstances and on the evidence available to them at the time of a review."

49. We have followed these principles in framing the conclusions and recommendations in this report. We have not sought to determine whether medical and dental remuneration was "right" or "adequate" in 1939, in 1948, in 1952, in 1957, in 1960 or in 1963. Spens and Danckwerts and Pilkington, even our own Fifth Report a year ago, are all landmarks of the past, not signposts or guidelines for the future. We have taken careful note of past history, and of all the evidence on comparisons with earnings in other professions and employments (both that submitted by the professions and that which we have collected for ourselves). We have also considered the present position and future prospects of the manning of the service and of the work and responsibilities which doctors and dentists are asked to undertake. We have had regard to the considerations of prices and incomes policy put before us in evidence by the Government, whose representatives gave us to understand that the principles of the policy were wide enough to embrace within the national interest both the statutory duty of Ministers to provide a national health service and, more generally, the importance of medical and dental services to economic and social welfare. Thus we have regarded it as our main task to decide what doctors and dentists should be paid in the circumstances of the two years from 1st April 1966, and not simply to start from a view of what was or was not appropriate in the past or to preserve for their own sake patterns, either within the medical and dental professions or between those and other professions, which may have been right at some past date but are not necessarily right today.
CHAPTER IV

MANPOWER AND WORKLOAD IN THE HOSPITAL AND GENERAL MEDICAL SERVICES

Manpower

50. In considering the remuneration of hospital doctors and of general medical practitioners we have paid particular attention to the manpower needs of the hospital service and the general medical service and the prospects of meeting those needs. Since we are dealing with a single profession manning the two services, this problem falls into two parts: recruitment to and wastage from the medical profession in this country, and the distribution of doctors between the two services. We have not examined recruitment of doctors in the public health services, in industry and elsewhere outside the National Health Service, even though they are part of the medical profession as a whole; our terms of reference do not cover doctors outside the National Health Service. All our discussion of hospital staff in this chapter is in terms of medical staff, not dental staff. Dental staff account for only a small proportion of hospital medical and dental staff, and the nature and conditions of their work differ in some respects from those of medical staff. We have not, however, sought to distinguish between medical and dental staff in the recommendations we make in Chapter V.

51. The number of qualified doctors in practice (whether general practice or the hospital service) is primarily determined by the output of the medical schools in this country. Since it takes five or six years for a medical student to qualify (and another year as a house officer in hospital to be eligible for registration), measures to influence recruitment to medicine take a long time to affect the number of registered doctors coming into practice. There are more well-qualified applicants for admission to medical schools than there are places; the limit on the intake is at present the number of places available. There was a deliberate reduction in the intake following the recommendations of the Willink Committee in 1957, the effects of which upon the number of doctors qualifying have become apparent in the last few years. That reduction was, however, fairly quickly reversed. If students from the Commonwealth and other countries overseas are excluded, the output of doctors from medical schools is expected to rise from a level of about 1,700 in 1966 to about 2,050 in 1970. The output from British medical schools of qualified doctors from the Commonwealth and other overseas countries is likely to fall from the 1963–65 level of about 200 a year to about 150 a year by 1970. The output of British medical schools is thus expected to grow at an average rate of about 80 a year between now and 1970.
52. The number (whole-time equivalent) of hospital doctors in Great Britain has been rising steadily in recent years. From 1960 to 1964 it rose by a little over 2,000 (about 10 per cent.), from 19,323 to 21,399. For the main grades the increases were:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants and senior hospital medical officers</td>
<td>639</td>
<td>7.9</td>
</tr>
<tr>
<td>Senior registrars</td>
<td>204</td>
<td>17.2</td>
</tr>
<tr>
<td>Registrars and junior hospital medical officers</td>
<td>777</td>
<td>18.3</td>
</tr>
<tr>
<td>Senior house officers and house officers</td>
<td>447</td>
<td>7.7</td>
</tr>
</tbody>
</table>

The rise in the number of overseas-born doctors in the grades of registrar and below was about 1,200, and thus equivalent to virtually the whole of the increase in numbers in those grades.

53. In 1964 the Ministry of Health announced the results of a review of medical staffing structure in hospitals in England and Wales, following the report of a Joint Working Party on Medical Staffing Structure in the Hospital Service, under the chairmanship of Sir Robert Platt. The original proposals of hospital boards would have required the equivalent of the whole time of 5,000 extra doctors, including 1,800 consultants, to be added to hospital medical staffs over a period of five years. These proposals were scaled down by agreement between the Ministry of Health and the profession. Even after this adjustment, it seemed clear that something like 3,500 additional doctors, over and above those required to replace those who die or retire, would be needed for the hospital service in England and Wales over five years, of whom about 1,100 would be in the consultant grade and about the same number in the intermediate grades. Some of this requirement must be added the corresponding requirements in Scotland. Some of this requirement should eventually be met by bringing more general practitioners into hospital on part-time appointments; but while the pressure on general practitioners remains so heavy, help from that source must be limited.

54. The Health Departments told us at the end of 1964 that the numbers of doctors in the hospital service might be expected to rise by about 2,000 between 1964 and 1971. This estimate was dependent on the following main assumptions:

(a) the numbers of doctors entering general practice and the hospital service respectively would be constant each year from 1964 to 1971 at levels fifty less on each side than the numbers entering in 1962–63;

(b) the number of doctors from Commonwealth and other countries overseas entering the hospital service each year would remain constant from 1964 to 1971 at the same level as in 1962–63;

(c) the loss of doctors from the hospital service from all causes (including emigration) each year would remain constant from 1964 to 1971 at the same rate as in 1962–63.

No later estimates were available to us. Even on those assumptions the number of additional doctors available in the hospital service will fall substantially short of what the 1964 reviews (after the original estimates of hospital boards had been scaled down) suggested would be needed; and in the light of later information, the assumptions about overseas doctors and about losses now seem optimistic.
The assumptions about numbers entering the service, on the other hand, do not seem to allow for the expected increase in the output of medical schools, to which we refer in paragraph 51. But in any case the numbers of doctors in the hospital service are increasing, and are expected to go on increasing, even if not as fast as they should increase if needs are to be met in full. Indeed the Health Departments told us that they were controlling numbers in the hospital service, partly in order to ensure that the increase in the number of doctors did not outpace the growth in the provision of hospitals and facilities but partly also in order to maintain a supply of doctors to general practice.

55. In general practice the situation and prospects are more serious, and have become worse since we last reviewed them when we were preparing our Fifth Report. We reported then that the number of principals providing unrestricted general medical services ceased to rise in 1963, and had fallen by 74 during the year ended 30th September 1964. This figure has since been revised to 101. Provisional figures for the year ended 30th September 1965 show a net loss of 263 general practitioners, 57 in the first half of the year and 206 in the second. That is a fall of more than 1½ per cent. over two years. There was a further net loss of 81 doctors in the quarter ended 31st December 1965. The Health Departments told us that a projection based on experience in 1963-64 led to an estimate that the number of practitioners in the general medical services (including those providing restricted services) in October 1971 would be about 900 less than in October 1963. Between October 1963 and the end of 1965, however, there had already been a net loss of about 450 principals providing unrestricted services; and, if losses were to continue at the rate reached in the second half of 1965, numbers would be 900 down on the October 1963 level not by 1971 but before the end of 1967. Moreover in our Fifth Report we drew attention to estimates that the total population of the United Kingdom would increase by about 3.65 per cent. between 1962 and 1967 and at about the same rate between 1967 and 1972. These figures have also been revised: the estimates are now for increases of about 3.75 per cent. between 1962 and 1967 and 4.04 per cent. between 1967 and 1972.

56. Figures of admissions to and withdrawals from general practice show that the main cause of the net decline is the rise in the numbers of withdrawals rather than the fall in the numbers of admissions. From 1,180 in the year ended 30th September 1963 admissions have fallen to 1,093 (provisionally) two years later. The figure of withdrawals, however, has risen from 1,171 in the year ended 30th September 1963 (itself 201 higher than in the previous year) to 1,356 in the year ended 30th September 1965; and again the evidence suggests a steep increase in the rate of withdrawals towards the end of the latter year. The rise in the rate of withdrawals has been particularly marked among doctors under the age of forty-five.

57. The emigration of British born and trained doctors has become a matter of serious concern. There has been much discussion of the statistics of emigration and immigration of medical manpower, the fullest recent study being that by Brian Abel-Smith and Kathleen Gales. We do not propose to

17 The figures of admissions and withdrawals each include practitioners transferring from one Executive Council to another, at a rate of between 20 and 30 a quarter. Withdrawals include deaths and retirements.

18 British Doctors at Home and Abroad, published in 1964 by the Codicote Press for The Social Administration Research Trust.
recapitulate the statistical evidence in detail. Abel-Smith and Gales estimated that for each year of the period from January 1955 to July 1962 an average of about 390 British born and trained doctors left Britain and did not return\(^9\). Some of these went to take up temporary appointments and would in due course return; others had some intention of returning at some time. No figure comparable with this is available for later years. The Overseas Migration Board have, however, published statistics collected on a sample basis of migrants from and to the United Kingdom in 1964 by types of occupation\(^{20}\). These statistics suggest that in 1964 1,200 doctors with United Kingdom passports emigrated from this country and 300 immigrated; and that another 1,200 doctors with passports of other countries emigrated and 1,500 immigrated: a net loss of 900 doctors with United Kingdom passports, counterbalanced by a net gain of 300 doctors with passports of other countries. It must be emphasised that these figures are not comparable with those derived from the researches of Abel-Smith and Gales. They are subject to sampling errors, and to various other imperfections. They cannot be taken as evidence that the rate of emigration has increased since 1962. None the less, when every allowance has been made for uncertainties in the figures, it seems clear that there has been a substantial permanent loss. Britain can and should make a contribution to the development and welfare of less highly developed countries, but we find it very disquieting that the net outflow of doctors with United Kingdom passports should be so high in relation to the output of qualified British doctors from British medical schools.

58. The Abel-Smith and Gales study also gave figures for the last position in the National Health Service of the doctors who had left the service to emigrate between 1955 and 1962. More than half of them were hospital doctors in the grade of registrar and below; 7\(\frac{1}{2}\) per cent. were senior registrars; only 1\(\frac{1}{2}\) per cent. were consultants. Just under a quarter were general practitioners. The comment that Abel-Smith and Gales made on these figures was as follows:

"This ties in with our finding that the most usual time of leaving was three to six years after registration. The commonly held view that the majority of those going abroad are ex-general practitioners is untrue . . . But unwillingness to enter general practice, or stay in general practice as it exists under the National Health Service, was nevertheless the most common complaint mentioned by those who responded to our postal questionnaire from Canada and Australia."

There is every indication in the figures made available to us that reluctance to stay in general practice has increased since 1962.

59. So much for the statistical evidence on medical recruitment and wastage. It points in our view to the following conclusions:

(i) The medical profession has not lost its appeal to young men and women considering what career to take up and so what training to undertake.

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\(^9\) The figure of 390 relates to doctors who were still abroad at the time when the inquiry was conducted; it does not include doctors who left Britain and returned between 1955 and 1962.

\(^{20}\) Overseas Migration Board: Statistics for 1964 (Cmnd. 2861), Table 3.
(ii) The National Health Service is failing to hold as many British trained doctors as it should be able to hold or as it needs.

(iii) There is no sign that a career as a consultant in the hospital service is regarded as unattractive or that there is any difficulty in filling appointments; but the supply of doctors is likely for some time to be insufficient to meet all the needs of the service at this level if essential requirements for other sections of the profession are to be met.

(iv) There are signs that the junior ranks of the hospital service are losing more doctors than they should if the hospital service and general practice in this country are to be maintained. The losses are particularly serious among those newly qualified and among registrars.

(v) There have been serious losses among those who are in the early years of a career in general practice, and general practice is failing to attract enough young doctors.

60. These conclusions fit not merely the statistical evidence but also the symptoms of discontent that have manifested themselves in the profession over the last year. We have had to consider to what extent inadequacy of remuneration is an underlying cause of trouble, and to what extent complaints made overtly about remuneration are really attributable to some other cause of dissatisfaction.

Workload

61. One cause of dissatisfaction of which we have heard a good deal in evidence is increased workload. It is, as we have said, a peculiarly difficult subject on which to form views, because medical workload does not readily lend itself to definition and measurement. This difficulty is particularly acute in relation to general practice, because of the nature of the work and the fact that the general practitioner works mainly on his own. Impressions on this matter must inevitably have a substantial subjective element.

62. Figures published by the Ministry of Health show a steady rise in the number of in-patients discharged or died (a slightly macabre statistic) and of new out-patient attendances at National Health Service hospitals since 1957. There has also been a steady rise in the number of hospital medical staff. The figures we give below are for England and Wales only.

<table>
<thead>
<tr>
<th></th>
<th>1957 (000's)</th>
<th>1960 (000's)</th>
<th>1964 (000's)</th>
<th>Increases per cent, over period</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-patients discharged or died</td>
<td>3,794</td>
<td>4,136</td>
<td>4,725</td>
<td></td>
</tr>
<tr>
<td>New out-patient attendances at consultant clinics</td>
<td>6,927</td>
<td>7,123</td>
<td>7,505</td>
<td></td>
</tr>
<tr>
<td>Accident and emergency department attendances</td>
<td>11,530</td>
<td>12,290</td>
<td>13,436</td>
<td></td>
</tr>
<tr>
<td>Hospital medical staff (whole-time equivalents):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultants and senior hospital medical officers</td>
<td>6,780</td>
<td>6,988</td>
<td>7,477</td>
<td></td>
</tr>
<tr>
<td>Senior registrars</td>
<td>1,008</td>
<td>925</td>
<td>1,140</td>
<td></td>
</tr>
<tr>
<td>Registrars and junior hospital medical officers</td>
<td>3,250</td>
<td>3,693</td>
<td>4,363</td>
<td></td>
</tr>
<tr>
<td>Senior house officers and house officers</td>
<td>4,621</td>
<td>4,951</td>
<td>5,330</td>
<td></td>
</tr>
<tr>
<td>Other staff</td>
<td>36</td>
<td>27</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,695</strong></td>
<td><strong>16,584</strong></td>
<td><strong>18,346</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Including patients receiving dental treatment, who account for a very small proportion of the totals.
63. The turnover of in-patients has thus risen faster than the total number of hospital medical staff since 1957. It is noticeable that, while the numbers of registrars have expanded considerably over the period, providing a base for further expansion in the senior grades, the average annual rate of increase in the number of house officers and senior house officers has been less since 1960 than it was before. This no doubt reflects mainly the reduction of intake to medical schools after the report of the Willink Committee, to which we have already referred.

64. Patient turnover is an inexact measure of the workload falling on hospital doctors. The number of beds in hospitals has actually fallen slightly since 1957 and the rising number of patients treated has been accommodated by a reduction in the average length of stay in hospital. None the less the higher turnover must lead to some increase of workload at all levels; it will cause an increase in the demand for diagnostic and treatment services and in the number of operations. If we are rightly informed that the routine procedures of admission and discharge of in-patients and much of the work in accident and emergency departments are generally entrusted to junior medical staff, the increase in patient turnover may well have affected their workload even more directly than that of senior doctors.

65. Two points were also strongly made to us by the representatives of the hospital doctors:

(a) Developments in technique had profoundly altered the practice of medicine in recent years, and new techniques not only had to be learnt and mastered but also required more time and increased the pressure and intensity of the doctor's work.

(b) The hospital service could not run without an increasing number of house officers: increasingly consultants needed a larger number of junior staff (registrars as well as house officers) working under them in order to cope with the volume of work. The fact that the number of house officers had risen by proportionately less than numbers of other grades had added to the burden on registrars and on senior doctors.

66. There was no disagreement on the point that house officers and other junior hospital doctors were required to work for very long hours. The representatives of the Joint Evidence Committee told us that the house officer was likely to have to work about 70 hours a week, and to be on call for many more. Hours on duty, including periods on call, of as many as 100 or 120 a week for house officers were mentioned to us by the Health Departments. Long hours of duty for house officers are not, of course, a new feature of hospital life; but we think that it is a legitimate assumption from the figures we quote in this chapter and from the other evidence we have heard that the burden on junior hospital doctors has been growing in recent years. This will be eased only slowly, as the output of the medical schools rises.

67. The statistical evidence on workload in general practice is not easy to interpret. It is clear that, so long as the total population rises faster than the number of general practitioners, lists will tend to increase. The ratio of unrestricted principals in general practice to total population in Great Britain, which was 1:2,235 in 1961, fell slightly to 1:2,259 in 1963 and more sharply to 1:2,330 in 1965. Over this period the number of assistants has fallen significantly, so that
the ratio of principals plus assistants to total population has fallen rather more rapidly. If withdrawals from general practice continue at the rate reached in the second half of 1965, this ratio will continue to deteriorate significantly. It is also to be supposed that, since very young and elderly patients have a greater morbidity risk, the fact that the numbers of people in these groups are rising proportionately faster than the total population will further intensify the degree of additional pressure on the doctors. There is little reason to doubt that in the last year the abolition of prescription charges has added to some extent to the family doctor's workload.

68. There also remains the very strong impression, certainly in the minds of doctors themselves and fixed strongly in our minds by their representatives, of a growing burden on doctors, beyond anything that can be accounted for by the developments to which we have referred, to a point that many doctors are beginning to find insupportable. One would expect to find a reflection of this in statistics of consultations per patient. Figures on this are, however, very uncertain. In evidence the Health Departments said that no statistics available to them revealed a significant increase in the average number of contacts per patient on list. In answer to our questions they amplified this statement as follows:

"Figures obtained by the Departments' Regional Medical Officers in the course of visiting 3,282 doctors between December 1964 and May 1965 show an annual equivalent of 5-6 contacts (4-0 surgery attendances and 1-6 visits), which is almost exactly the same total as that found by Professor (now Sir Austin) Bradford Hill in a sample of about 300 doctors for the same months in 1949–50 (for the first twelve months Professor Bradford Hill found a ratio of 5-22). In 1955–56, on the other hand, the General Register Office found an average of 3-8 from 171 doctors on the Research Register of the College of General Practitioners. The College itself found in August 1964 an annual equivalent of 5-05 from 356 doctors on the Research Register. It seems difficult to base firm conclusions on these figures."

69. The profession's representatives reminded us that these figures would not reflect increases in time spent on each consultation, and drew attention to a number of other factors which were tending to increase the burden of work on family doctors, notably:

(i) The establishment of a free health service had increased the use which people made of the services of the family doctor, and the increased health-consciousness which this helped to generate meant that demand on the doctor continued to grow. The doctor's contract was open-ended, in the sense that though remuneration and conditions of service were fixed by the State, the services rendered depended entirely upon the demands of the patients, on which no external restraint was placed.

(ii) Even though the requirements of the Ministry of Pensions and National Insurance on medical certification for eligibility for benefits were being modified, doctors were asked to sign certificates for many other purposes.

(iii) The increase in stress diseases tended to increase the extent of patient-doctor contacts, both in terms of numbers of consultations and in terms of average length of consultation (because the doctor had not only to conduct a careful examination in case the symptoms masked organic disease but also to try to trace the origins of the stress which had given rise to the symptoms).
(iv) More diagnostic tests, and the advent of more powerful drugs the dosage and effects of which had to be frequently checked, had also added to the doctor's workload for a given number of patients.

70. The profession's representatives accepted that the remedies (as opposed to the reward) for increased workload were more doctors and better organisation, but they told us that recent experience showed that one result of better organisation was to increase the patients' demand for doctors' services.

71. We find it impossible to express a judgment on the burden of workload on general practitioners in terms of statistical values. We have no doubt that average workload has increased in recent years, and that for many doctors workload has increased considerably. We think that the sense of being overloaded is exacerbated by a feeling that too much of the work that the general practitioner is being asked to do is trivial, and not only does not call for the full exercise of his clinical skill but also makes it more difficult for him to practice good medicine and to provide the best standard of service to those whose need of medical advice and skill is real and urgent. Some of this work requires a judgment or decision which only a doctor can take; and much of it is probably an inevitable result of the relationship between a doctor and his patient and the fact that the general practitioner is the first person to be consulted when the patient feels the need of medical help. There must be very few practitioners who would want their patients to be deterred from consulting them when they needed help and advice. But there is a clear feeling that nowadays patients, undeterred by any charge, come to their doctors for minor disorders and injuries of a kind with which their parents would not have troubled the doctor. The sense of frustration to which preoccupation with trivia gives rise would be alleviated, to some extent at any rate, by better practice organisation and more ancillary help. But in the meantime, once a man is under the strain of overwork, further additions to his burden which may be individually slight in themselves may have disproportionate effects on his sense of strain, particularly if he can see no term to the pressure under which he is working. We take very seriously the point made to us by the Health Departments (not just as their own view but as something which was also causing anxiety in the profession) that, while a doctor may up to a point be able to deal with more patients without loss of efficiency, there comes a time when the price of taking on more patients, or of an increase in workload from other causes, is a lower standard of service.

Manpower and workload: implications for remuneration

72. Finally we have had to consider how far the conclusions we have reached on manpower and workload are related to remuneration, so as to form judgments on the extent of the increases which they require and justify.

73. The losses of doctors that we record in the first section of this chapter and the increases in the burden of work that we discuss in the second section are clearly interrelated: the increase in the burden on junior hospital doctors and on general practitioners is greater because some have gone; and the risk of further losses is greater because of the growth of the burden of work and the discontent thus engendered.

74. It is difficult to assess how far dissatisfaction with remuneration has been a contributory cause of the losses of doctors from the hospital service and
from general practice. In the course of their inquiries Abel-Smith and Gales collected some information on doctors' reasons for emigrating; the comments they received were not necessarily representative but they were perhaps indicative. They can be summarised as follows:

(a) Some doctors (particularly those emigrating to the United States) went in search of better opportunities for salaried teaching and research; job prospects in this line seemed poor in Britain.

(b) Some doctors were not prepared to go on working under the National Health Service.

(c) Many doctors were dissatisfied with the role and scope of general practice in this country, and in particular with the dissociation of general practice from the work, resources and privileges of the hospital service.

(d) Many doctors had failed to obtain a post of the desired seniority in the specialty of their choice, and were unwilling to go into general practice.

(e) Some doctors had simply failed in repeated applications for general practices.

(f) Some doctors went out of curiosity or restlessness.

There does not seem to have been any appreciable number of doctors who emigrated solely or mainly because they thought remuneration in this country inadequate, though a number of those who gave other main reasons for emigrating coupled criticisms of the level of remuneration with those other reasons.

75. It has to be remembered that the doctors who made these comments emigrated before 1962, in some cases many years before. What they said is not conclusive about what counts today. We must also record two coincidences that may be no more than that. The first coincidence is that Abel-Smith and Gales found that the number of doctors going abroad had been steadily increasing up to the period 1958–60, but the figure for 1961–62 suggested a change in trend: the Royal Commission's report on remuneration was published in February 1960. The second coincidence is that the rate of withdrawals from general practice rose steeply in the third quarter of 1965: our Fifth Report, which recommended increases in remuneration for general practitioners that were widely and publicly stigmatised as inadequate (or worse), was published in February 1965 and was followed by several critical weeks during which the discontent of general practitioners received much attention not only in the profession but outside.

76. Our own conclusions are:

(i) The first critical point in a doctor's career comes soon after qualification. Many who leave the hospital service at this stage withdraw for reasons unconnected with remuneration. Yet we think that there are some—particularly those with family commitments—who would like to stay but for whom the existing level of remuneration in the house officer and senior house officer grades has been a decisive reason for leaving, and others for whom it has been at any rate an important contributory cause.

(ii) The second critical point comes at the registrar level. In his first or second year as a registrar a doctor has to review his prospects and
consider his future. He has to consider whether, if he stays in the hospital service, he wants or is likely to obtain promotion first to senior registrar and then to consultant, or whether he would be content to move in due course to the medical assistant grade and take his chance of becoming a consultant later on by that approach. Some doctors may always have intended to go into general practice; others may prefer a future in general practice to the future they foresee for themselves in the hospital service. These are the main choices, but there are others. We think that at this stage too many doctors who for one reason or another do not want to stay in the hospital service are rejecting the choice of general practice, even if emigration is the alternative. We also think that with some doctors dissatisfaction with the level of remuneration at this stage of their career, or possibly with the level of remuneration for the medical assistant grade, may be a contributory cause of a decision to leave the service.

(iii) Though the hospital service should grow and is growing, and its longer term needs require a substantial expansion in the number of hospital doctors, the evidence does not suggest that the higher ranks of the hospital service are failing to prove sufficiently attractive.

(iv) General practice is failing both to attract and particularly to retain as many younger doctors as it needs. This is a most alarming development. Furthermore, the steady reduction in the number of doctors in general practice, in face of the increase in the population, is the main, but not the only, reason for the increase in the average workload.

77. In our opinion the unattractiveness of general practice is primarily a matter of conditions and workload: doctors find that they are not able, or fear that they will not be able, to practise good medicine in the conditions and under the strains of general practice. The remedies for these problems lie, we are convinced, in more doctors, better vocational preparation for general practice, better organisation (including more group practice and more use of ancillary help) and a closer relationship with the hospital service. An increase of remuneration by itself will not make it easier to practise good medicine, though it may make difficult conditions more tolerable for a time.

78. None the less, though in general the level of remuneration may not be the only cause of the present troubles in general practice, it clearly is an important element in the widespread sense of discontent and dissatisfaction among general practitioners. It has been suggested to us in evidence that this is attributable to a decline in relative remuneration since before the war. It may indeed be that doctors' remuneration has risen by proportionately less than incomes of less well-paid people since 1939; but they have this in common with a great many other professional and highly qualified men. Our view is that standards and relativities of remuneration in 1939 are of only limited relevance in 1966: society has changed so profoundly since 1939. On the other hand, we think that there is substance in the view that the level of remuneration does not at present adequately reflect current conditions in general practice: we believe that these conditions do justify a considerably larger total amount of remuneration, so distributed as to give better rewards to high standards of medicine and to encourage doctors to organise their practices in a way that will help them to provide a service which meets the requirements of today.
79. Some of the remedies for the present conditions could begin to be effective quite quickly; others will take time. The overriding immediate need is to stop further deterioration of the general practitioner service and to begin to promote the changes that will bring about its recovery. The maintenance of the service in the immediate future depends mainly on the existing doctors: on reducing the flow of emigrants and on keeping up the flow of new recruits into general practice. We are convinced that for this purpose a substantial increase of remuneration is urgently necessary and fully justified. But unless our recommendations are regarded not only as directly contributing to the maintenance of the service in the immediate future but also as one element in a much wider attack on the needs and problems of general practice, they will not be succeeding in the objectives which we are seeking to achieve.

80. To sum up, our recommendations are intended to recognise, and we believe them to be required by:

(i) the immediate need to reduce losses of newly-qualified doctors from the hospital service, to improve the attractiveness of service in junior hospital grades, whether as a prelude to a career in the hospital service or to a career in general practice, and to reward the increasing workload on these grades;

(ii) the longer-term need to maintain the attractiveness of a career in the hospital service, with a view to the substantial expansion envisaged for hospital medical staff in all grades;

(iii) the immediate need to increase admissions to and stem withdrawals from general practice, and to reward the increasing workload in general practice;

(iv) the longer-term need to promote the remedies which will foster pride and confidence in general practice and make it a more attractive and satisfying career.
CHAPTER V

REMUNERATION OF HOSPITAL MEDICAL AND DENTAL STAFF

81. In this chapter we consider in detail the remuneration from the National Health Service of hospital medical and dental staff in clinical appointments, of administrative medical staff in hospitals, and of ophthalmic medical practitioners, and we state our recommendations on new salary scales and other payments for the two years from 1st April 1966. Our discussion in this chapter is mainly in terms of doctors, but our recommendations are intended to apply equally to the small numbers of dental staff in the hospital service.

Clinical staff

82. The present grading and salary structure of clinical staff in the hospital service is as follows:

(a) The most junior grade is that of house officer. The newly qualified doctor enters this grade, usually at the age of 24 or 25. Each post in this grade is held for a period of six months, and two “approved” posts, providing a range of general experience, must be held, and the duties satisfactorily performed, before the doctor qualifies for full registration. After registration he will generally hold at least one further post in the grade. There are separate salary rates for each of the first two posts held and a final rate for third and subsequent posts. The present rates are £770 for the first post and £855 for the second post (giving an average salary of £812 10s. in the first year), and £940 in the third and subsequent posts. We were informed that it was normal practice for a doctor to hold up to three house officer posts; it would, we understand, be very unusual to hold more than five posts, or spend longer than three years, in the grade.

(b) The next higher grade is that of senior house officer, the salary for which is £1,195 for a doctor aged 27 or under, £1,255 for a doctor of 28 or over. Doctors are unlikely to spend more than a year or two in this grade before obtaining a registrar appointment.

(c) The present salary scale for the registrar grade is £1,425 rising after one year to £1,595. The Health Departments told us that it was normal practice for a doctor to pass two years in the grade, but it appears from figures that have been put before us that it is by no means uncommon to spend three or four years, or even longer. It is when the doctor has been a registrar for about two years that he has to decide (if he has not already decided beforehand) upon the direction his further career is to take: whether he should seek an appointment as a senior registrar with a view to becoming a consultant in a few years; whether he should move on to the medical assistant grade with its longer scale, regarding a consultant appointment as a remoter possibility; whether he should move into general practice; or whether he should go out of the National Health Service altogether.
Experience as a senior registrar is the normal preliminary to seeking appointment as a consultant. The present salary scale for the senior registrar grade is one of seven points, from £1,710 to £2,395, the last two increments each coming after two years instead of one so that the whole scale spans a period of nine years. It is normal practice to pass four years in the grade, but it is by no means unknown for a doctor to spend up to nine years as a senior registrar.

The medical assistant grade (with the corresponding assistant dental surgeon grade) has been created since our first review, following the recommendations of the Working Parties on Medical Staffing Structure in the Hospital Service. This intermediate grade is intended for those "able to assume larger responsibility delegated to them by senior staff, to undertake on the responsibility of the senior staff some of the complex diagnostic and therapeutic procedures, and to give continuing support and supervision to the house officer grade." Staff in this grade thus do not act entirely on their own independent responsibility. They will, however, have had considerable experience, and they will be carrying intermediate responsibility comparable with that of senior registrars and registrars whose work they will supplement. Many of them will be in process of training for the consultant grade, but the medical assistant grade is intended to provide a worthwhile career for those who continue in the hospital service without the responsibility of the consultant. The salary scale, which was agreed by the Health Departments and the representatives of the profession and has not until now been considered by the Review Body, runs from £1,650 (just above the second and final point of the registrar scale) by fourteen increments of £90 to £2,910 (equal to the minimum of the consultant scale).

The senior grade in the hospital medical staffing structure is that of the consultant, the salary scale of which runs from a minimum of £2,910 (which is related to age 34) by eight annual increments of £170 and a final increment (after two years at the penultimate point) of £175 to a maximum of £4,445. More than half the total number of consultants are employed on a part-time basis, and paid at sessional rates based on the whole-time salary scale up to a maximum of nine-eleveths of the whole-time rate for a "maximum part-time" consultant. Part-time consultants are at liberty to undertake private practice.

The grades of senior hospital medical (and dental) officer, junior hospital medical officer and general dental surgeon will not continue to be part of the permanent structure, and no new appointments are being made. The salary scale of the senior hospital medical officer grade runs from a minimum of £2,280 (related to age 34) by four annual increments of £85 and four biennial increments of £115 to a maximum of £3,080; the scale for the junior hospital medical officer grade runs from a minimum of £1,255 by three annual increments of £65 and five annual increments of £70 to a maximum of £1,800. The scale for the general dental surgeon grade runs from a minimum of £1,610 by fourteen increments of £80 to a maximum of £2,730. Certain senior hospital medical officers have been occupying posts approved as consultant posts, and have been receiving a special allowance of £625. The grading of
these officers is being individually reviewed. Nearly 900 have been regraded as consultants, but about 100 remain as senior hospital medical officers with allowances, and there are about 1,200 senior hospital medical officers who do not hold allowances.

**Junior hospital doctors**

83. It was strongly put to us by the representatives of the profession that junior hospital doctors—up to and including senior registrars—were particularly seriously underpaid both in relation to the work they were asked to do and by comparison with earnings at comparable ages in other professions and employments. It was proposed that the first year's salary for a house officer should be £1,200, and that new scales should run from about £2,000 to £2,400 for registrars and from about £2,400 to £3,200 or £3,300 for senior registrars.

84. The Health Departments informed us that they considered that there was some justification for proportionately higher increases for house officers and senior house officers than for other grades, provided that these were accommodated within an overall increase for hospital doctors and dentists which ought not to exceed the incomes policy norm. This view was specifically related to the long hours of duty and exacting work undertaken by these grades.

85. The Health Departments and the representatives of the profession were thus agreed in principle upon the need for changes in the salary structure for junior hospital doctors. It was further pointed out that many staff in the senior house officer and registrar grades were at present dependent for any increase in remuneration on obtaining a more senior post. This was not consistent with experience at similar age levels in other professions and employments. Moreover, the years immediately following full registration were years of rapid development in skill and confidence in the practice of medicine, and this could well be recognised through the salary structure by the granting of additional increments. Longer salary scales for junior hospital doctors to the level of registrar, and a more coordinated and even salary progression up the structure, would make for greater flexibility and more accurate correspondence with patterns of experience in the service, and would encourage doctors who might benefit thereby to stay a few years longer and gain extra experience in the hospital service before entering general practice. The Departments and the profession had therefore reached agreement in principle upon the idea of a "common extended scale" for senior house officers, registrars and senior registrars, to provide a regular salary progression through the three grades, with the maximum of each grade coinciding with or overlapping the minimum of the grade above.

86. In our view the case for substantial increases for junior hospital doctors, and particularly for house officers and senior house officers, is overwhelming. As we have said, these grades undertake a great deal of the routine work that falls on medical staff in the hospital service, and may well be more directly affected by the increase in patient turnover than their seniors. The numbers of house officers and senior house officers have been increasing less fast than the numbers of in-patients discharged or died and of accident and emergency department attendances; and we cannot overlook the fact that at the present time 40 per cent. of doctors in the grades of registrar and below come from the Commonwealth and other overseas countries. House officers are commonly required to
live in hospital at least for their first year and often for longer, and to be on call for many of the hours for which they are not actually working. The Health Departments told us that house officers undertook exacting work, often in unpleasant circumstances, with long hours of duty and little leisure. The profession's representatives put it more vividly: they described the life of the house officer as being almost monastic.

87. We were told that, whereas house officers now receive salaries and are charged for board and lodging if they live in hospital, before 1948 they accepted appointment virtually in an honorary capacity, being given only their board and lodging and a laundry allowance. In those days it had been generally accepted that a house officer could not be a married man; indeed many hospital doctors used to postpone marriage until they became consultants. The profession's representatives said that, as a result of changed social attitudes, this restriction is no longer acceptable. One-third to one-half of house officers are already married when they are first appointed, and many of them have children. These men are normally required to live in hospital during their time as house officers. During that time they see little of their families, for whom they have to provide from what is left of their salaries after the deduction of board and lodging charges for residence in hospital.

88. The profession's representatives also submitted evidence to show that starting salaries in other professions were much above the starting salaries of hospital doctors. It would be difficult to arrive at precise starting salaries for hospital doctors simply on the basis of comparisons with levels of earnings in other professions and employments at similar ages. The range of starting salaries in other professions and employments is wide; and some account has to be taken of career prospects. None the less we are in no doubt that a first-year salary of £812 for a qualified doctor of 24 or 25 is far too low by any standard, and particularly in relation to the workload and responsibility he is expected to undertake. We therefore consider that the starting salary needs to be substantially improved. If the structure is not to be distorted, this improvement will extend in some degree to the grades above. This is not, however, just a matter of achieving a sensible salary structure, important though that is. There is a need in any case for significant improvements in the salaries of other of the junior grades, though the salaries of registrars and senior registrars are not so far out of line as are the salaries of house officers.

89. Two arguments have sometimes been put forward as justification for paying the junior hospital doctors a relatively low salary: that up to the level of senior registrar doctors are still in training, and that a relatively low level of earnings in the early years has in the past been and should be accepted as part of the conditions of an apprenticeship which leads to the prospects of relatively high earnings as a consultant after the age of 35 or so.

90. There is some force in the second argument, in the sense that starting salaries should not be settled without regard to career prospects. But the first argument must not be overstated. It is true that until they become consultants hospital doctors do not undertake the full range of responsibility for patients, but there is no doubt that the junior grades in the hospital medical and dental staff carry a substantial part of the burden of the day-to-day clinical work. Moreover it is also true in other professions that there is in the early years of a
career a strong element of training and acquiring experience as well as of contributing to the work of the organisation or practice.

**Salary scales**

91. We are recommending a number of changes in the detailed salary structure for junior hospital doctors. The first relates to the house officer scale. Neither the Health Departments nor the profession wish to retain separate rates of salary for the first two house officer posts, held for six months each during the year before a doctor qualifies for full registration. There is no element of promotion in the move from one post to the other: the doctor is expected to undertake two appointments, normally one medical and one surgical, to give him a good range of general experience before he is registered. On the other hand some house officers may continue in the grade for more than a year after registration, in order to extend their experience or for other reasons. We are therefore proposing a three-point scale, but with annual instead of bi-annual increments. We recommend that no house officer who is not fully registered should go beyond the second point of the scale.

92. For senior house officers we are also recommending a three-point scale with annual increments, again to provide for those who stay longer than the normal period in the grade. We recommend that the starting salary of senior house officers on appointment to the grade should be the minimum of the scale irrespective of age.

93. For registrars we are recommending a five-point scale, with the last two points overlapping the first two points of the senior registrar scale. Many registrars will, we know, move on before the end of four years, but it is clear that some do not, and we have thought it right to provide a further increment for them. If the pattern changes and it becomes less common to spend more than four years in the grade, we may want to consider at some future review stopping the scale at the fourth point.

94. For the senior registrar grade the pattern of experience is expected to change. The Health Departments told us that “it should not happen that numbers of senior registrars will again spend more than five years in the grade” in view of the proposals for the medical staffing structure in the hospital service. The reaction of the professions’ representatives to this statement was welcoming, but sceptical. We have thought it right to recommend a six-point scale with annual increments, to make some provision for senior registrars who remain in the grade for longer than five years; this scale will replace the present seven-point scale with four annual and two biennial increments.

95. We accept the general principle of the “common extended scale” for senior house officers, registrars and senior registrars and we are recommending salary scales accordingly. The fact that the scales will now meet or even overlap raises the problem of what should happen to a doctor who, having reached the maximum of a lower grade, then takes up an appointment which involves his promotion to the next higher grade, the minimum of the salary scale for which may be the same as (or lower than) the maximum of the lower grade. The Health Departments suggested that it would be consistent with the general principle of the “common extended scale” that in these circumstances there should be no increase of pay on promotion; the doctor concerned would simply
move into the new grade at his existing salary and proceed to the next point above that on the scale of the higher grade when he was next due for an annual increment. We share the view of the Royal Commission that promotion from a lower to a higher grade should in all cases provide some increase in remuneration. We therefore recommend that the existing provisions in the terms and conditions of service governing starting pay on promotion should apply to promotions in the circumstances we have described.

96. For the avoidance of doubt we desire to make it clear that we consider that a doctor promoted to a higher grade from a salary point on the scale of the lower grade which is below the minimum of the scale for the higher grade should start at that minimum and proceed up the scale by annual increments; he should not have to mark time at the minimum of the higher grade because he was promoted before he reached the maximum of the lower grade.

97. Two further points remain on the salary arrangements for junior hospital doctors. At present a doctor who wishes to broaden his experience by undertaking training in a particular specialty may have to accept an appointment in a lower grade in order to do so. At present, as we understand it, he drops to the salary scale for the lower grade. It is not desirable that doctors should be discouraged in this way from extending their knowledge and experience in ways which will be of benefit to the service as well as to themselves. We therefore recommend that, where a doctor accepts an appointment in a lower grade for approved training purposes, so long as he remains in the lower grade he should continue to receive the salary which he was receiving at the time when he left his last appointment in the higher grade, and he should continue to earn incremental credit in the higher grade so that, when he reverts to an appointment in it, he re-enters the salary scale at the point which he would have reached if he had never left it.

98. We were also invited by the profession to recommend some compensation (for example by the grant of a year's seniority) to a young doctor who obtains an approved higher qualification. It was pointed out that obtaining a higher qualification puts the doctor to some expense in various ways (for example, on examination fees and on buying books) and may also require him to forego earnings for a period in order that he may devote his whole time to study. The obtaining of such qualifications is, however, a condition of appointment to higher grades. The higher salaries for those grades are thus themselves a reward for obtaining the required qualifications, and we are not satisfied that it is necessary or justifiable to give any compensation over and above that.

99. The Health Departments and the representatives of the profession invited us to preserve the existing relationships between the medical assistant scale on the one hand and the consultant scale on the other. We have broadly accepted this advice. We wish in passing—although nomenclature is not our business—to record our view that “medical assistant” is a misleading title for a doctor with the degree of responsibility and experience which is expected of doctors in this grade. It may even lead to confusion with “medical auxiliary”. We hope that consideration will be given to finding a more suitable title.

21 Cmd. 939, paragraph 292.
100. We were asked by the profession’s representatives to consider two detailed changes in the consultant’s salary scale, apart from the general salary increase:

(a) that the minimum of the scale should no longer be linked to age thirty-four;
(b) that the interval of two years before the final increment becomes payable should be reduced to one year.

On the first point, it was argued that it was becoming more common for doctors to be promoted consultant before the age of thirty-four and that, if a man was good enough to be promoted, he was good enough to progress up the incremental scale without marking time until his thirty-fifth birthday. We accept this point, and therefore recommend that the minimum of the scale should no longer be linked to age thirty-four, and that a consultant appointed at an age of less than thirty-four should not have to wait until his thirty-fifth birthday before becoming entitled to his first increment. We recommend a ten-point scale with nine annual increments; we think it unnecessary to retain the rule whereby consultants pass two years at the penultimate point of the scale before moving on to the maximum. Thus all consultants will proceed up to the maximum of the scale by annual increments, at whatever age they are appointed.

101. We recommend the introduction with effect from 1st April 1966 of new salary scales for full-time doctors and dentists in the main clinical grades in the hospital medical and dental staffing structure as follows:

(a) House officers: £1,100 rising by two annual increments of £100 to a maximum of £1,300.
(b) Senior house officers: £1,450 rising by two annual increments of £100 to a maximum of £1,650.
(c) Registrars: £1,650 rising by four annual increments of £100 to a maximum of £2,050.
(d) Senior registrars: £1,950 rising by one annual increment of £100 and four further annual increments of £125 to a maximum of £2,550.
(e) Medical assistants and assistant dental surgeons: £1,850 rising by fourteen annual increments of £100 to a maximum of £3,250.
(f) Consultants: £3,200 rising by five annual increments of £185 and four further annual increments of £190 to a maximum of £4,885.

102. We recommend the following general arrangements for assimilating staff from the present scales to the new scales on this occasion:

(a) House officers and senior house officers: staff in their first year in the grade to the first point; staff in their second year in the grade to the second point; staff who have been in the grade for more than two years to the third point. No house officer who is not fully registered should go beyond the second point of the scale.
(b) Registrars: staff in their first year in the grade to the first point; staff in their second year in the grade to the second point; staff in their third year in the grade to the third point; staff in their fourth year in the grade to the fourth point; staff who have been in the grade for more than four years to the maximum.
(c) Senior registrars: assimilation by corresponding points; staff who have been more than five years in the grade to the maximum.

(d) Medical assistants and assistant dental surgeons: assimilation by corresponding points.

(e) Consultants: assimilation by corresponding points, the two-year point in the present scale counting as a single point for this purpose.

103. For junior hospital medical officers (a grade which will not continue as a permanent feature of the staffing structure) we recommend a scale rising from a minimum of £1,550 by eight annual increments of £60 to a maximum of £2,030. Assimilation should be by corresponding points. This scale will broadly maintain existing relativities with other grades of junior hospital doctors.

104. The senior hospital medical and dental officer grades will also not continue as permanent features of the staffing structure. In our Third Report we indicated that we should reconsider the personal salary scales (and allowances where held) of these officers when the salary scale of the medical assistant grade and the corresponding dental grade was changed. The Health Departments told us that in their view "it would not be justifiable to protect salary scales in such a way that the holders received the benefit of any future revaluations of salary scales except in highly exceptional circumstances". We were later told that this meant that the salaries of the senior hospital medical and dental officers in posts graded as medical assistant should in the Health Departments' view be assimilated to the medical assistant scale as soon as increases for medical assistants took their scales above the present scale for senior hospital medical officers, with protection for the allowances of those who were in posts graded as consultant as long as they continued to hold them.

105. If our recommendations are accepted, the scale for medical assistants will now overtake the present scale for senior hospital medical officers. In our view, however, the time has not yet come to assimilate the senior hospital medical officer scale to the medical assistant scale, and we are making recommendations which will continue a separate scale for senior hospital medical officers and preserve broadly the existing relativity with consultants. We recommend that the system of biennial increments in the scale for senior hospital medical officers should be dropped, and that the new scale should be a nine-point scale, starting at £2,500, and rising by five annual increments of £100 and three further annual increments of £125 to a maximum of £3,375. Assimilation should be by corresponding points, the existing two-year points counting as single points for this purpose. We recommend that the special allowance for senior hospital medical officers in posts graded as consultant posts should be raised to £700.

106. For whole-time general dental surgeons (another grade which is now closed to new entrants and will eventually cease to exist) we recommend a scale rising from £1,800 by one annual increment of £80 followed by thirteen annual increments of £90 to a maximum of £3,050. Assimilation should be by corresponding points.

2 Cmnd. 2585, published in February 1965.
Part-time rates

107. We recommend that rates of payment to part-time hospital doctors and dentists should be increased with effect from 1st April 1966 pro rata with the increases in the salary scales of whole-time doctors and dentists in the corresponding grades.

108. Until 1960 part-time consultants paid on sessional rates calculated in terms of notional half days were paid more than the strict proportion of the whole-time rate. The Royal Commission reviewed this system of weighting, and decided that there were no sound arguments for retaining it. As a transitional provision they recommended that a limited amount of weighting should be retained on the remuneration of part-time consultants in post on 31st December 1959 and also on the remuneration of those who might later become part-time consultants provided that on 31st December 1959 they were in the grade of senior registrar or above. They recommended that no weighting should be added for those eventually appointed part-time consultants who entered any of these grades after that date.

109. The profession represented to us that the weighting arrangements which existed before 1960 should now be restored. These representations seemed to us to be based mainly upon arguments which the Royal Commission had considered but had found unconvincing. The only new argument was that the workload of consultants had increased, that the great majority of part-time consultants were giving more time to the hospital service than their contracts provided for, and that the increased workload bore more hardly on the part-timer than on the whole-timer because it was more difficult for him to find the extra time among his other commitments. In our view the considerations which led the Royal Commission to recommend as they did are still valid, and we do not find the additional argument of sufficient substance to cause us to take a different view. We therefore recommend that there should continue to be no weighting for part-time consultants beyond that allowed for by the Royal Commission’s transitional provision.

Distinction awards

110. We were asked to review not only the values of distinction awards for hospital consultants but also the method by which the numbers of awards available are determined. Until 1960 the numbers of awards were determined on the basis of percentages of numbers of consultants eligible; there were three levels of awards, 4 per cent. of all consultants eligible being selected for A awards, 10 per cent. for B awards and 20 per cent. for C awards. The Royal Commission were not satisfied that working on a percentage basis in this way was always reasonable: they pointed out that there might be circumstances in which there was a large influx of doctors into the grade for some special reason which would not justify an automatic increase in the number of awards. They therefore recommended that instead of percentages there should be fixed numbers of awards. They recommended that a new award, above the A award (and so described as an A Plus award) should be introduced, and that there should be
100 A Plus awards of £4,000, 300 A awards of £3,000, 800 B awards of £1,750 and 1,600 C awards of £750. These numbers represented nearly 35 per cent. of the total number of consultants at the end of 1959: about 1\frac{1}{2} per cent. for A Plus awards, about 3\frac{1}{2} per cent. for A awards, about 10 per cent. for B awards and about 20 per cent. for C awards. Thereafter it was to be for the Review Body to suggest any alteration in the numbers of awards which they thought was required by conditions from time to time.

111. In our First Report in 1963 we stated that we did not consider it necessary to change the number of distinction awards at that stage, but we recommended that the value of the awards should be increased by 14 per cent. from 1st April 1963.

112. By September 1964, as the number of consultants had been steadily increasing, the percentage of consultants holding awards had fallen from nearly 35 per cent to about 30\frac{1}{2} per cent. It became clear as a result of the reviews of hospital medical staffing that a further increase in consultant posts could be expected during the next few years. At the end of 1964, therefore, the profession invited us to recommend that the numbers of distinction awards available should be increased and should be related once more by fixed percentages to the total number of consultants. The percentages they proposed were:

- 1\frac{1}{2} per cent. for A Plus awards
- 3\frac{1}{2} per cent. for A awards
- 10 per cent. for B awards
- 20 per cent. for C awards.

In our Fourth Report\(^{29}\) we said that we should find it difficult to reach final conclusions on these proposals except in the context of a general review of consultant earnings; we therefore intended to consider the proposal in the course of the next general review. We were satisfied, however, that some immediate increase was necessary in the number of B and C awards, pending full consideration of the profession’s proposals, and we recommended that the total number of B and C awards should be increased forthwith to 850 and 1,700 respectively.

113. In their evidence to us for this review the profession repeated the proposal which they had already put to us. We calculated that, on the basis of consultant numbers at 30th September 1965, the profession’s proposals would produce an extra 550 awards: 50 A Plus, 50 A, 150 B and 300 C awards. The Health Departments suggested that we should recommend an additional 100 awards in 1966 and a further 100 awards in 1967, but did not suggest how the additional numbers should be distributed among the categories of awards.

114. The proposal to revert to fixed percentages rather than fixed numbers has certain attractions. The number of award holders would vary automatically with the number of consultants, without the need for any special review or action on our part; and it would ease the task of those responsible for advising Ministers on the allocation of awards, since at any time they would have a

\(^{29}\) Cmnd. 2585, published in February 1965.
clear idea of the number of awards likely to be available for distribution not only immediately but over the next two or three years. None the less we think that the considerations which led the Royal Commission to prefer a system of fixing numbers rather than percentages are still valid. They referred, by way of example, to a review which had then been recently completed of the grading of senior hospital medical officers, a number of whom had become consultants; and they suggested that, if some of these had become consultants only after the invoking of some appeal procedure, it was not very likely that they would themselves be strong candidates for awards, and that the percentage system of fixing numbers of awards would probably result in their promotion simply increasing the number of awards available for other consultants. Following the decision in 1964 that the senior hospital medical officer grade should not continue to be part of the permanent structure there has been a further review of gradings. In consequence nearly 900 senior hospital medical and dental officers with allowances have been regraded as consultants, again in some cases after an appeal procedure. It would be surprising if this once-for-all addition of about 10 per cent. to the number of consultants warranted a corresponding increase in the number of award holders. For very similar reasons to those which motivated the Royal Commission we therefore recommend that the allocation of awards should continue to be based on prescribed numbers of awards rather than on percentages of those eligible.

115. In terms of the total number of consultants at 30th September 1965 the present numbers of award holders represent about 29 per cent. of those eligible, and if there were no further increase in the number of awards the percentage would continue to fall as the number of consultants rose. As a result of the evidence we heard we are satisfied that the number of award holders is still too low, even after our interim recommendation last year. Though there has been the once-for-all promotion of senior hospital medical and dental officers into the consultant grade which we have already described, there continues to be a steady increase in the number of younger doctors appointed to the grade. We are advised that, as a result of the improved training which the hospital service has been able to provide, there is now an increasing number of consultants who in the judgment of those concerned deserve an award but for whom no awards are available.

116. We recommend that the numbers and values of awards should be increased from 1st April 1966 to the following:

- 100 A Plus awards of £4,885
- 315 A awards of £3,700
- 950 B awards of £2,175
- 1,900 C awards of £925.

117. This will increase the total number of award holders by 315. This is a relatively large increase; but, apart from the small interim increase last year, it is the first since 1960, and throughout the years since then both numbers and standards of consultants have been rising. It would in our view be wrong for so long a period to elapse again without a further review of numbers of awards, particularly in view of expected developments in the consultant grade; and we recognise that those who are concerned with giving advice on the allocation of the awards need to be able to plan ahead to some extent. We therefore
propose in future to review the number of awards annually. We understand
that, as the committee which advises on allocations of awards formulates its
advice in the early months of each year, the convenient time for such reviews
would be just before that, towards the end of the preceding year. We therefore
intend during the autumn of each year to discuss with representatives of the
Health Departments and of the profession and with the Chairman and Vice-
Chairman of the advisory committee whether any change in the number of
awards available at the next allocation is called for, and to make recommenda-
tions in time for them to be taken into account (if they are accepted) in the
ensuing review by the committee.

Other payments to clinical staff

118. The Royal Commission recommended that “peripheral” hospitals
(those outside cities and towns containing teaching hospitals) should be
authorised to pay allowances of up to £100 a year in addition to the ordinary
salary rates in order to recruit suitable staff in the grades of registrar, junior
hospital medical officer, senior house officer and house officer. Following our
recommendations in 1963 the rate of this “peripheral” allowance was raised
to a maximum of £115. We recommend that this rate should be raised to a
maximum of £140 from 1st April 1966. Since no further appointments are
being made in the junior hospital medical officer grade, for all new appointments
the allowance will be available in future only in respect of staff recruited in the
grades of registrar, senior house officer and house officer.

119. We recommend that the fee for a domiciliary consultation should be
increased from £4 16s. to £5 10s., and the additional fees pro rata, and that
the permitted annual maximum of earnings under section 8(f) of the Terms and
Conditions of Service of Hospital Medical and Dental Staff should be raised
to £275 in any quarter or £1,100 in any year. We recommend no change in the
arrangement whereby whole-time consultants (and whole-time senior hospital
medical officers) who undertake domiciliary consultations should receive no fees
for the first eight such consultations each quarter.

120. Hospital doctors give lectures to nurses in training; they also mark
examination papers and conduct oral or practical examinations for the purpose
of nurses’ training. They are traditionally paid fees for lectures to nurses, but
not for examinations: the Health Departments told us that they had agreed to
lecture fees in 1952 on the understanding that no fees should be paid for taking
part in examinations. Fees for lectures to nurses are differentiated according
to the grade of the lecturer: the fee for consultants is at present £3 3s., for senior
hospital medical officers £2 7s. 6d., for medical assistants on salaries of more
than £3,350, £2 2s., and for the remaining medical assistants and other grades
£1 11s. 6d.

121. The profession represented to us that participation in the training of
nurses was important work for the hospital service. Moreover, though lectures
to nurses might be given during working hours, the doctor giving the lecture
would often find himself obliged to make up for lost time on other work by
working out of normal hours. They considered that it was anomalous that there
should be differential fees according to the grading of the lecturer. They pro-

24 Cmd. 939, paragraph 293.
posed that a fee of £4 4s. per lecture should be payable to any hospital doctor in whatever grade for lecturing to nurses. They also proposed that there should be fees for taking part in the examination of nurses: £8 8s. for a 3½ hour session of oral or practical examinations and the same fee for every twenty papers marked.

122. If we were starting afresh, we doubt whether we should want to recommend the introduction of fees for lectures to nurses. In other walks of life this sort of internal lecturing for training purposes is accepted as part of the contribution which senior members of a service make to the general wellbeing of the service without receiving additional remuneration, even though they may have to work longer hours in order to make up for lost time. Since this is a traditional feature of medical remuneration, we do not recommend the abolition of fees for lectures to nurses, but we would not wish to endorse an extension of the principle and we do not therefore recommend the introduction of fees for taking part in examinations.

123. If fees are to be given for lectures to nurses, we do not think it unreasonable that the fees should be differentiated according to the grade of the lecturer, particularly if the lectures entail some work outside normal hours: it seems reasonable to assume that the time and experience of a more highly paid doctor are worth a higher rate than those of a less highly paid doctor. Accordingly we recommend the following fees for lectures to nurses:

- Consultants £3 10s. 0d.
- Senior hospital medical officers £2 15s. 0d.
- Senior registrars and medical assistants £2 10s. 0d.
- Other grades £2 0s. 0d.

We recommend that the fee for lectures by medical assistants should be the same for all doctors in the grade, irrespective of salary level.

124. We recommend that the fee for an exceptional consultation (payable to a consultant who, having no contract with a board, is called in exceptionally to the board’s hospital or clinic for a special visit) should be raised from £7 2s. 6d. to £10. We were invited by the profession to recommend that an additional fee of £25 should be payable for any operative work carried out in the context of an exceptional consultation. We make no recommendation on this proposal, which should, we suggest, be discussed between the Health Departments and the profession’s representatives.

125. We recommend the following levels of payments to general practitioners under Section 10 of the Terms and Conditions of Service of Hospital Medical and Dental Staff:

   (a) Payments to staff funds for general practitioner hospital units: £40 per bed.

   (b) Payments to part-time medical officers at convalescent homes etc.: £275 a year for each weekly “half-day”, up to a maximum of £2,475 a year;

   £75 a year for one hour or less per week;

   £150 a year for over one hour but not more than two hours a week.
(c) Payments for occasional work in the blood transfusion service: £1 13s. 4d. per hour or part of an hour, with a maximum of £5 per session.

(d) Payments for part-time general dental practitioner appointments: £275 a year for each weekly "half-day", up to a maximum of £2,475 a year;
£75 a year for one hour or less per week;
£150 a year for over one hour but not more than two hours a week.

126. We recommend that the fee for exceptional consultations by general practitioners should be increased from £2 17s. 6d. to £3 5s. 0d.

127. We recommend that the special allowance for medical superintendents of psychiatric hospitals should be increased from £285 to £310 a year.

128. We recommend that weekly locum rates should continue to be calculated as 1/52nd of the mean of the appropriate salary scale for all grades. Accordingly we recommend the following rates:

<table>
<thead>
<tr>
<th>Position</th>
<th>Weekly Rate</th>
<th>Half-Day Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant appointment</td>
<td>£77 15s. 0d</td>
<td>£7 1s. 6d.</td>
</tr>
<tr>
<td>Senior hospital medical (or dental) officer appointment</td>
<td>£56 10s. 0d</td>
<td>£5 2s. 6d.</td>
</tr>
<tr>
<td>Medical assistant or assistant dental surgeon appointment</td>
<td>£49 1s. 0d.</td>
<td>£4 9s. 0d.</td>
</tr>
<tr>
<td>Senior registrar appointment</td>
<td>£43 5s. 6d.</td>
<td>£3 18s. 6d.</td>
</tr>
<tr>
<td>Junior hospital medical officer appointment</td>
<td>£34 8s. 6d.</td>
<td>£3 2s. 6d.</td>
</tr>
<tr>
<td>Registrar appointment</td>
<td>£35 11s. 6d</td>
<td>£3 4s. 6d.</td>
</tr>
<tr>
<td>Senior house officer appointment</td>
<td>£29 16s. 0d</td>
<td>£2 14s. 0d.</td>
</tr>
<tr>
<td>House officer appointment</td>
<td>£23 1s. 6d.</td>
<td>£2 2s. 0d.</td>
</tr>
<tr>
<td>General medical practitioner:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>appointment under Section 10(b)</td>
<td>£5 6s. 0d.</td>
<td>a notional half day</td>
</tr>
</tbody>
</table>

129. The profession's representatives invited us to consider the following proposals:

(a) Occasional visits by consultants to outlying hospitals of their own boards should be treated as exceptional consultations and remunerated accordingly.

(b) Regular teaching commitments for which a consultant does not receive remuneration from another source should be added to the items to be taken into consideration in the assessment of contracts under paragraph 5(a)(1) of the Terms and Conditions of Service of Hospital Medical and Dental Staff.
(c) When a doctor rejoins the hospital service after having undertaken medical practice outside that service (e.g. in a developing country, in Her Majesty's Forces, in general practice or in research) he should be entitled to restart at the point on the scale which he would have reached if he had not left the hospital service.

(d) Seniority lost by service in developing countries should be added to the factors which boards may take into account in fixing the starting salary of a consultant.

(e) It should be the duty of the Advisory Appointments Committee to consider all the relevant factors in assessing the starting salary of a consultant and to recommend to the board the appropriate starting salary in each case.

We make no recommendations on any of these proposals, and leave them for discussion between the Health Departments and the profession's representatives.

**Board and lodging charges**

130. Hospital doctors who live in are charged for the board and lodging with which they are provided. The charges vary in amount from grade to grade. These charges have customarily been reviewed when remuneration was increased. The Royal Commission did not regard it as part of their task to make recommendations about the amounts to be charged for board and lodging, and left it to the Whitley Council to formulate a scheme of charges. However, the Royal Commission expressed the view that, where individuals or classes of individuals were required to live in, the amount charged should be lower than would otherwise be appropriate. Accordingly doctors in posts for which residence in hospital is a condition of appointment are now allowed a discount of 12½ per cent. on the charge appropriate for their grade.

131. It was represented to us by the Joint Evidence Committee that at least the lodging charge, and preferably the charge for board as well, should not be levied upon those who are required to live in. It was pointed out to us that virtually every young doctor has to live in during his first year as a house officer, and for those who contemplate a career in the hospital service the period of compulsory residence in hospital may well include a second year or longer. These doctors are required to live in so that they can be on call, and during this period the hours of work (including periods on call) are, as we have noted, very long. It was represented that the requirement of compulsory residence might in any case tend to discourage young doctors, particularly those who were married and had children, from staying on in the hospital service to extend their qualifications. It was suggested that such a requirement was unusual in other professions, and it was argued that in such circumstances the young doctor might expect to be compensated by being provided at least with free lodging. It was pointed out that the lodging charge bore particularly heavily on young married doctors who had to maintain homes for their families. It was therefore proposed that the charge for lodging in all appointments including compulsory residence should be abolished.

132. This proposal was strongly argued by the representative of the Hospital Junior Staffs Group Council of the British Medical Association on the Joint Evidence Committee, and by the Hospital Junior Medical Staff Action Group.
The Joint Evidence Committee told us that they saw merit in a further proposal made by the Hospital Junior Staffs Group Council of the British Medical Association (which was also advanced by the Action Group): that officers who are required to be permanently resident or to be resident either at night or at weekends in performance of their duty should receive free meals taken whilst on duty, so that they would be charged only for meals taken while off duty.

133. The complete abolition of board and lodging charges for those required to live in would represent in effect a considerable increase in the pay of the doctors concerned, and we have not felt able to conclude this review without reaching a view on the subject.

134. The Health Departments suggested that the principle in this matter should be that the salaries payable should be "the rate for the job", and that those doctors who lived in, whether voluntarily or compulsorily, should pay for their board and lodging at economic rates, just as their colleagues who live out have to do. They took the view that the obligation of compulsory residence during the first year of the career and in certain other appointments was one of the conditions which the young doctor accepted in entering upon the career and was therefore something to be taken into account in determining the salary rates generally, rather than by means of special arrangements for board and lodging charges. They accepted, however, that a discount on the full charge should continue to be allowed if residence in the hospital was a condition of appointment. They reminded us that at present rates the board and lodging charges for junior grades, even without allowing for the discount for compulsory residence, were below a strictly economic level and thus contained an element of subsidy. They therefore invited us to endorse the principle that board and lodging charges should be assessed on an economic basis for all doctors living in, subject to the existing discount for compulsory residence, and to leave the detailed application of this principle for negotiation between themselves and the profession.

135. As we see it, the real difference between the Health Departments and the profession is that the Health Departments regard the obligation of compulsory residence as a general condition of service, to be taken into account in fixing salaries but not to be separately remunerated. This principle is blurred, but perhaps not effaced, by the discount on the board and lodging charge for those who are compulsorily resident. The profession on the other hand regard the obligation of compulsory residence as unique, and as entailing a substantial additional burden of work, and are in effect proposing that this should be recognised by a concealed addition to remuneration in the form of free board and lodging.

136. We find ourselves in some sympathy with the argument that a young doctor who is required to live in hospital, and is expected to be on call for very long periods, should get his lodging free. We have also very much in mind the particular problem of the young married doctor, who is in effect paying twice over when he is required to pay a board and lodging charge and to maintain a home for his wife and family. We see the theoretical force of the argument put forward by the Health Departments that the salary should be the rate for the job and that board and lodging charges should be assessed at economic rates. We doubt, however, whether it would be practicable to take this argument to
its logical conclusion, since that would entail a substantial increase in the lodging charges for the junior grades. The existing arrangements do in practice recognise that logic in this instance has to be tempered by other considerations.

137. In our view the argument for remission applies with more force to the charge for lodging than to the charge for board. Moreover the young married doctor, though he has to maintain a home for his wife and family, does not have to eat meals in hospital and at home at the same time, though under the existing arrangements he gets no remission on his board and lodging charge when he goes home for a meal.

138. We think that this matter should be further discussed between the Health Departments and the representatives of the profession, and we recommend that they should negotiate a system of charges based on the following working principles:

(a) There should be no charge for lodging to a doctor for whom residence in hospital is a condition of his appointment.

(b) For other doctors who live in hospital a lodging charge should be determined at an economic rate, having regard to the standard of accommodation provided.

(c) All doctors, whether they are compulsorily or voluntarily resident and whether they are on duty or off duty, should pay for meals they take in hospital.

Our recommendations on remuneration are based on the assumption that these principles are followed. We recognise that the doctor who is required to live in will gain less than he would do if the present charges were not subsidised.

Administrative medical staff

139. Medical administrators in hospitals are doctors who have no clinical duties and are employed full time on administrative work. Their remuneration is based on a number of scales related not only to grading but also (in regional hospital boards) to the size of the region in which they are employed. In 1960 the Royal Commission recommended that the maximum of the scale of remuneration paid to senior administrative medical officers in the largest regions should be the same as that of the whole-time consultant with a C distinction award; this was a return to a relativity which was first established by an arbitration award in 1951. Other administrative medical staff were to receive increases proportionate to those which resulted from this recommendation for senior administrative medical officers in the largest regions. The resulting salary scales were increased by 14 per cent. following our report in 1963.

140. The profession represented to us that the responsibilities of medical administrators had greatly increased in recent years, particularly in connection with work on the Hospital Plan. They also suggested that administrative medical work was failing to attract a regular flow of suitable applicants, partly because most medical men preferred a clinical career and the salaries were not sufficiently attractive to induce some clinicians to turn to administrative work, and partly because other sources of recruitment to administrative medical staff, such as the Colonial Medical Service and the medical services of the armed
forces, were likely to be less productive of recruits to administrative medical work in the hospital service than in the past. For these reasons they proposed that the scale for senior administrative medical officers in the largest regions should in future be related to that of a consultant with a B distinction award, and that the salaries of other administrative medical officers should be increased proportionately.

141. Though the workload falling on the administrative medical staff has undoubtedly increased, the number of doctors doing this work has also increased considerably: the senior administrative medical officer in each region now has a much larger force of subordinate staff to assist him than in the early days. We were informed by the Health Departments that vacancies in the higher grades in this class could readily be filled from lower grades, and that this was now in practice the way in which the top posts were filled. There was thus less need than in the past to be able to attract consultants out of clinical work into the higher ranks of administrative medical work in the hospital service. They also pointed out that the remuneration of administrative medical staff had to be considered in relation not only to the remuneration of clinical staff but also in relation to lay administrators and other professional staff employed by regional hospital boards.

142. It did not seem to us that a case for altering the relativities between clinical staff and administrative medical staff had been made out. We conclude that the salaries of administrative medical staff should continue to be based on the existing relativities, and in particular that the salary for the senior administrative medical officer in a large region should be based on that of a whole-time consultant with a C distinction award. Accordingly we recommend for senior administrative medical officers in the largest regions a scale running from £4,680 by two annual increments of £185 and four further annual increments of £190 to a maximum of £5,810, and we recommend that the salary scales for other administrative medical staff should be revised by agreement between the Health Departments and the profession's representatives, so as broadly to maintain existing relativities.

Ophthalmic medical practitioners

143. Ophthalmic medical practitioners are doctors under contract with Ophthalmic Service Committees of Executive Councils to test sight. At the end of September 1964 there were 739 of them: 69 were general medical practitioners, 206 were part-time consultants (another one was both a general medical practitioner and a part-time consultant), and many of the rest had hospital appointments in other grades. Ophthalmic medical practitioners are paid by fees per test; the fee is made up of three elements, one of net remuneration (at present 17s. 6d.), a second in lieu of employers' superannuation contribution (at present 1s. 6d.), and a third in respect of expenses. Our concern is with the first element.

144. The net remuneration element has since 1957 been related to the mean of the minimum of the senior hospital medical officer scale and the maximum of the consultant scale. This has perhaps reflected the fact that under the old medical staffing structure posts in the Hospital Eye Service which were concerned only with refraction were graded senior hospital medical officer,
while the ophthalmic medical practitioner, though concerned only with re-
fraction, is an independent contractor and does not work under consultant
supervision. The Health Departments argued that, since the senior hospital
medical officer grade would not continue to be part of the permanent staffing
structure, it was no longer appropriate to rely upon the relationship which
had since 1957 determined the net remuneration element in the ophthalmic
medical practitioner's fee. They considered that the most appropriate relation­
ship was with the medical assistant, or possibly with the midpoint of the com­
bined medical assistant and consultant scales; and they accepted the implication
that this would mean a reduction, or at best no change, in the fee. They con­
sidered that the fee was too high at present for the nature of the service per­
formed: the full medical qualification was not essential for the purpose of
testing sight, and the doctors concerned would be able to employ their skill
and qualifications more fully, and therefore more usefully, in other work in
the ophthalmic service.

145. The profession's representatives pointed out that the fact that entry to
the senior hospital medical officer grade had been closed in no way altered
the status or skill of ophthalmic medical practitioners, or the nature of their
work. There was no other evidence that standards of entry or of performance
had fallen. They did not accept that the ophthalmic medical practitioner's
medical qualifications were not usefully employed: they were better qualified
than ophthalmic opticians (who also test sight) to diagnose abnormal or
pathological conditions; and, though as ophthalmic medical practitioners they
were precluded from themselves treating people sent to them for sight tests,
they were able to advise the patient to see his own general practitioner, and the
general practitioner what course of action or treatment to follow. The profession
therefore proposed that the net remuneration element in the ophthalmic medical
practitioner's fee should continue to be related to the midpoint between the
minimum of the senior hospital medical officer scale and the maximum of the
consultant scale, so that ophthalmic medical practitioners' net remuneration
would be increased pro rata with other rates of remuneration for doctors of
similar standing.

146. We find needlessly artificial the convention of relating this fee to this
or that point on some other scale of remuneration, and we have tried to con­
sider the matter on its own merits. It seems that both the Health Departments
and the profession thought that the existing relationship produced a reasonable
rate of remuneration in 1957, and there has not been any change in the duties
or in the nature of the work that would justify a radical change in this fee as
compared with other rates at this sort of level. Without seeking to confirm or
establish any precise relationship for the future, we recommend that the net
remuneration element in the ophthalmic medical practitioner's fee should from
1st April 1966 be 18s. 6d., plus 1s. 6d. in lieu of employers' superannuation
contribution and a further sum in respect of expenses to be agreed between the
Health Departments and the profession's representatives.
CHAPTER VI

RENUMERATION OF GENERAL MEDICAL PRACTITIONERS

The new system

147. The proposals put to us by the Health Departments and by the representatives of the profession on the remuneration of general practitioners are, as we have already said, related to a radically altered system of remuneration which has necessitated a different approach to the problem of general practitioner remuneration from that which we have followed in previous reports.

148. The existing system of remuneration was described in some detail in our Fifth Report, and we do not propose to repeat that description. Briefly, remuneration is paid out of a pool. The money credited to the pool consists of a prescribed average net income (which means in this context gross earnings less expenses chargeable as deductions for tax purposes) for every principal in the general medical services who is under 70 years of age and who provides unrestricted services, plus a sum intended to represent practice expenses incurred by those doctors. The main payments out of the pool are capitation fees of so much for each patient on a doctor's list, with loading payments for patients from the 501st to the 1,700th on the list of a doctor in partnership and from the 401st to the 1,600th on the list of a single-handed doctor. A number of other payments also come out of the pool, notably those for maternity medical services, dispensing of drugs and dressings by doctors, mileage payments to rural practitioners, fees for general medical services to temporary residents, and payments for the training of trainee assistants. Following our Fifth Report, payments to general practitioners by hospital authorities, local authorities and Government Departments were excluded from the pool for 1965-66.

149. Our main role in this system of remuneration has been to determine the average net income to be credited to the pool. The Health Departments and the profession have then agreed on the sum to be credited to the pool for practice expenses (on the basis of sample inquiries into income tax returns) and upon the levels of the various fees and payments to be made out of the pool.

150. The Government's proposals for a new system of remuneration were published in October 1965, following discussions with the profession's representatives, in a Second Report of Joint Discussions between general practitioner representatives and the Minister of Health. In the words of that report: "The proposals involve a fundamental recasting of the present system of remuneration, and in the Government's view represent a major step forward in improving the conditions under which general practice is provided under the National Health Service". The profession's representatives have made it clear, both in the Second Report of Joint Discussions and in evidence to us, that they have no mandate to commit the profession to accepting the new system, though they acknowledge its merits. The profession have, however,

agreed that the revised system of remuneration should come to the Review Body for recommendations on levels of payments. If agreement is reached on the new methods and levels of payment, then the Government will agree to abolish the pool.

151. The Charter for the Family Doctor Service, a document prepared by the profession's representatives which was the starting point of the discussions of the new system, suggested that general practitioners should be given a choice of payment by capitation fee, fee for item of service or some form of salary. The Government have stated that they are not at present satisfied that payment by fee for item of service is a feasible or desirable method of payment for the general run of the doctor's work, though they have said that they are willing to consider further with the profession whether mutually acceptable safeguards can be devised for a limited experiment. We have not been asked to consider or make recommendations upon levels of payments under such a system.

152. The Government have agreed that payment by salary is a suitable method of payment for family doctor services in some circumstances. They consider, however, that this method would be appropriate only where doctors were practising from premises provided by the National Health Service (or by local authorities) and where practice expenses were being directly met by the service, rather than being provided by the practitioner and reimbursed by the service. Payment by salary is not expected to be appropriate where the doctor is providing his own premises, staff and equipment, and where he works alongside doctors paid by fees. It is most likely to be suitable in the case of doctors practising from health centres.

153. There is to be further discussion between the Government and the profession on the detailed conditions of service which would accompany payment by salary. We have been told that we shall be consulted about levels of payment when agreement has been reached upon other detailed conditions, but in the meantime we are not asked to make recommendations on levels of payment by salary.

154. We are thus asked to relate our recommendations on levels of payment to a scheme, which has been discussed in detail between the Health Departments and the profession's representatives, based upon a capitation fee. There are, however, a number of important differences between the new system proposed and the existing system:

(1) The existing loading payments will disappear.

(2) Part of remuneration will be paid in the form of a basic practice allowance, to be paid in full to all unrestricted principals who have lists of at least 1,000 patients (or are members of partnerships with an average list of at least 1,000 patients per doctor) and who make themselves available for general medical services within normal hours for certain minimum periods each week. The allowance will be scaled down for doctors who do not satisfy these conditions.

(3) A standard capitation fee per patient on list will be paid in respect of services other than those given at night and at weekends.

(4) The standard capitation fee will be higher in respect of patients aged sixty-five and over than in respect of other patients, to recognise the fact that elderly patients need more attention from their doctors.
There will be additional payments for doctors undertaking services at night and at weekends: a "stand-by" payment, payable at a flat rate like the basic practice allowance and subject to the same conditions, a supplementary capitation fee for patients in excess of 1,000 on the list (in excess of 1,000 per doctor on the combined lists of doctors in partnership), and a fee for each visit requested and made between midnight and 7.00 a.m.

There will be additions to the basic practice allowance for practice in unattractive areas, practice in groups, vocational training before entry into practice, for seniority (provided that attendance at post-graduate training is maintained), and for special experience and service to general practice. All these additional allowances except that for group practice will be scaled down (like the practice allowances) for doctors with lists of less than 1,000 patients and doctors who devote less than a specified amount of time to general practice under the National Health Service. Doctors with lists of less than 1,000 patients will not be eligible for even part payment of the allowance for group practice.

A post-graduate training allowance on the lines of the present scheme will be retained.

There will be separate fees for services carried out in pursuance of public policy.

Reasonable expenditure on rents and rates for surgery premises will be directly reimbursed.

Up to 70 per cent. of expenditure on ancillary help will be directly reimbursed.

There will be arrangements for additional payments (subject to certain conditions) during periods of sickness when it is necessary to employ a locum or other deputy from outside the practice.

In addition to these payments, general practitioners will continue to be eligible as at present for fees for maternity medical services, temporary resident fees, emergency treatment fees, certain anaesthetic fees and rural practice payments. Modifications in the arrangements for remunerating the dispensing of drugs and dressings by general practitioners have been under discussion between the Health Departments and the representatives of the profession.

General practitioners in the general medical service will also continue to be able to undertake work for hospital authorities, local authorities and Government departments (payments for which were excluded from the pool following our Fifth Report), and to carry on private practice. For all these services they will continue to be separately remunerated.

From our point of view there is one further major difference between the new system and the old. Instead of asking us to fix an average net income and themselves agreeing upon rates of payment to produce that average net income, the Health Departments and the profession's representatives have invited us to recommend separately the levels of payment for at least the major items in the new system. Since these payments will be gross fees, it has been necessary for us to allow for practice expenses as well as net income in arriving at our recommendations.
158. As we understand it, the new system is designed to meet a number of requirements which many doctors have considered are not met, or are not sufficiently met, under the present system of remuneration. The basic practice allowance, for example, is intended to recognise that, while some practice expenses vary more or less proportionately with the size of list, others do not. It also recognises that the doctor’s obligation in terms of time and availability does not vary directly with size of list: a doctor with a small list has to hold himself available for a certain number of surgery sessions each week and has to be on call for his patients at other times, just as a doctor with a large list has to do. Then again, the introduction of separate payments for services at night or weekends will provide some financial recognition for those doctors —no doubt the great majority—who continue to undertake “round-the-clock” responsibility, and at the same time make it possible for some doctors to be relieved of the responsibility—and the remuneration—for providing service at night and weekends, if they so wish and if arrangements can be made to cover their patients at those times. In these and other ways payments under the new system will be more directly related to the incidence of work, responsibility and expense than payments under the previous system.

159. The introduction of seniority payments will recognise the development of experience in the general practitioner, and will provide him with the prospect of maintaining the level of his remuneration at a time when he may wish with advancing age to begin to curtail his responsibilities or reduce his workload.

160. So far we have been dealing with payments in respect of aspects of general practice or conditions of a doctor’s life which are not new, though they have not been separately identified in terms of special payments. We now come to the payments which are new, in the sense that they recognise particular aspects of practice or qualities of individual doctors in a way that has not happened before. Some of these payments are in the nature of incentive payments: for instance, the additional payments for practice in chronically under-doctored areas and for practice in groups. Other payments seek to provide higher remuneration for those doctors who have established a claim to be regarded as especially good doctors, by virtue of special training, qualifications, experience or service to general practice.

161. The direct reimbursement of expenditure on practice premises and of the greater part of expenditure on ancillary help will at once help to remove some of the manifest inequities in the present system of distribution, where the reimbursement of practice expenses is related to size of list rather than to individual expenditure, and will serve as an encouragement to those doctors who spend more on their practice premises and on ancillary help. We welcome these proposals, which will in our view constitute an important improvement in the conditions of general practice and provide some assistance towards the changes in organisation which we believe are needed if general practice is to be able to cope with the demands of the population for medical care.

The evidence of the profession’s representatives and of the Health Departments

162. The representatives of the practitioners submitted a memorandum of evidence in which they proposed levels for each of the payments under the new system. In their oral evidence they explained to us how they had arrived
at their figures. They had first redistributed within the new system the sums distributed in the main payments made under the existing system. They made provision in their proposed basic practice allowance for expenses which do not vary proportionately with size of list and in their standard capitation fee for expenses which do vary in proportion with size of list. They excluded those expenses which are at present reimbursed through capitation fees but will be directly reimbursed or otherwise covered under the new system. They also excluded those expenses incurred in connection with work for hospital authorities, local authorities and Government departments, and expenses incurred in connection with private practice, which have hitherto been included in the total practice expenses credited to the pool. They treated the proposed supplementary payments for night and weekend services as being in effect overtime rates by deducting the "day equivalent" from their standard capitation fee, so that only the overtime element would rank as additional remuneration. After allowing for all these adjustments they redistributed the rest of the amount at present paid out in capitation fees, loading payments and final balance payments mainly into the new standard capitation fee but partly into the basic practice allowance.

163. They then added to the sums already included under the heading of the basic practice allowance an amount for holiday and study leave (which we were asked to identify separately so that it could be paid, if the doctor so wished, at the time leave was taken), and a sum to compensate the doctor and his family for the fact that every doctor has to hold himself available for a certain number of surgery sessions and calls outside surgery hours irrespective of list size, and for the intrusion that these arrangements in many cases make into the private life not only of the doctor himself but also of his family.

164. These elements in the basic practice allowance for holiday and study leave and for compensation for availability were regarded as new items, neither covered by the existing system nor taken into account hitherto in fixing levels of remuneration. So also was the overtime element in the payments for night and weekend work. All the payments described as additions to the basic practice allowance—those for practice in unattractive areas, practice in groups, and those for seniority, experience and special qualifications—were regarded as new payments, as also were the fees for items of service in pursuance of public policy and the special sickness payments.

165. By the time they came to submit their evidence the general practitioners' representatives knew that the Health Departments were suggesting that we should on this occasion make recommendations to stand for two (rather than three) years. They welcomed this proposal, and accordingly suggested for the basic practice allowance and the other new payments levels which they regarded as appropriate for the period from 1966 to 1968. For the standard capitation fee, however, they suggested the level at which it would have been in October 1964, if the existing amount of remuneration had been redistributed in the new system in the manner which they suggested was appropriate and if all the items which in their submission were new had been treated as requiring additional remuneration. They invited us to apply to that figure, and to certain other fees such as temporary resident fees, a "betterment factor" to raise them to
levels appropriate to the period from 1966 to 1968. They suggested that the
same betterment factor should be applied to the standard capitation fee for
general practitioners as was applied to the salaries of hospital doctors.

166. In their oral evidence the representatives of the profession gave us a
full account of the basis on which their case was presented. They told us that
general practitioners were dissatisfied not only with the amount of their re-
muneration but with their conditions of service and with the present method
of remuneration. On conditions of service they referred particularly to the
diminution in the number of general practitioners and the increase in the
population, not only in terms of the need to reduce wastage but also in terms
of the effect on individual workload. They also told us of factors which had
tended not only to increase the number of contacts between patient and doctor
but also to increase the amount of time spent by the doctor with or in relation
to each patient. We have discussed these points in an earlier chapter.

167. On the method of remuneration they explained that it had been a
prime source of dissatisfaction under the pool system that workload and pay
were unrelated. Moreover, though aggregate expenses were reimbursed in full,
the distribution of the reimbursement was not related to the actual expenditure
of individual practitioners. This penalised those who spent more than the
average amount on their practices in order to give a better service to their
patients. It was a further source of dissatisfaction that the more work doctors
undertook outside general practice, the less was available for remuneration
for general medical services. That source of dissatisfaction had been at least
partly alleviated by the Review Body’s exclusion from the pool of payments
by hospital authorities, local authorities and Government departments; but
it remained a defect of the pool system that individual doctors could increase
their own earnings only at the expense of their colleagues, because of the limits
on the total amount in the pool. They explained that doctors felt that under
the present system there was no adequate recognition of the continuous respon-
sibility laid upon them: the general practitioner had to offer an option on the
entirety of his time and energy, in a way and to an extent which were not
expected in any other profession.

168. Dissatisfaction with the method of remuneration was coupled with a
feeling that the remuneration of general practitioners had fallen seriously
behind that in comparable professions and behind salary incomes generally.
On this score the representatives of the general practitioners relied upon the
same evidence as the representatives of the hospital medical and dental staff.

169. The profession’s representatives emphasised that the Government’s
hope that the new system would represent a major step forward in improving
conditions in general practice would be realised only if additional funds were
made available. Many of the statements made by the Government, in discussions
with representatives of the general practitioners and in public, would in the
profession’s view be a mere mockery if they intended no more than a redistribu-
tion of the funds at present available under different headings. In the pro-
fession’s view many of the payments proposed were completely new, and
covered items which had not hitherto been paid for or taken into account in
decisions on remuneration.
170. The profession’s representatives suggested that it was for the Review Body to form an independent view upon the relevant economic considerations, without being bound by statements of Government policy; but they claimed that in any event their proposals could be justified within the framework of the White Paper on Prices and Incomes Policy. We should not be put off, they suggested, by considerations of increased cost; if a certain increase in remuneration was necessary to maintain general practice within the National Health Service, it was for the Government to decide how to find the money. They added that on their estimates the total cost of their proposals would be no greater than the cost of the recent abolition of prescription charges.

171. The Health Departments emphasised that the system and the amount of remuneration were logically separable: it would be possible to redistribute the present amount of aggregate gross remuneration under the new system, and we might think it right to have regard to the level of remuneration that would result from the sums we recommended for the various payments under the new contract. None the less they recognised that considerations of manpower and workload were very relevant to the determination of the level of remuneration and might justify an increase that was “exceptional” in terms of the prices and incomes policy. They did not suggest how much should be paid in total remuneration to the profession, and they did not make precise suggestions for levels of payments under the new system, though they gave indications of views in some instances; these matters were left for us to make up our minds about.

172. The Health Departments argued that the burden of responsibility upon doctors included three factors which were the normal incidents of the doctor’s life: the continuous responsibility for the patient, the special “life and death” responsibility, and the responsibilities which the doctor’s work created for his domestic household. They considered that all these factors had been taken into account in assessing remuneration in the past, though the current review in relation to the new system gave the Review Body a new opportunity to reassess the weight to be given to them.

173. In particular, the Health Departments could not accept the profession’s view that all the proposed additions to the basic practice allowance were completely new items of remuneration. The proposed seniority payments must in their view be regarded as part of career earnings and thus as not by themselves meriting additional remuneration. On the other hand they agreed that the proposed payments for pre-entry vocational training and for special experience and service to general practice would be new. Both the Royal Commission and, in their Fifth Report, the Review Body had indicated willingness to recommend additional money for payments of this kind. The Health Departments would accept that these payments should be regarded as additional at this stage, though once they had been introduced and established they would no doubt come to be regarded as part of career earnings.

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26 Cmnd. 2639, published in April 1965.
Our comments and conclusions

174. As we have said, our task has for the first time been to consider and recommend levels of actual payments to doctors, not an average net income. In considering what sums to recommend for the payments in the new system of remuneration we have tried to determine an amount which we think is appropriate to each, but we have not found it possible simply to deal with the system item by item and settle a level for each payment without regard to all the others. For many of the payments there are few or no objective criteria to determine what they should be; the judgment must be to some extent an arbitrary one. For instance, some of the payments are designed as incentives, but no one can say at this stage what level of payment will have the incentive desired because these incentives have not been tried in the past. Views were expressed to us both by the Health Departments and by the representatives of the profession on the balance between different elements in the new system, and we have carefully considered those views. We have also thought that we could not recommend levels of payment under the new system without regard for the total effect of our proposals, both in terms of cost and in terms of reward to the doctor.

175. With the abolition of the pool, average net income will cease to be the main determining factor in the system of remuneration. Moreover, with the system of differential payments which the new arrangements provide, the concept of average net income becomes even less meaningful than in the past. It is an essential characteristic of the new system that the individual doctor's remuneration will depend not simply on the size of his list but also on a variety of other factors, including the type and standard of practice and his own qualifications and experience. To try to state the effect of our proposals in terms of average net income would be to overlook the fact that, as compared with the existing system, the new system will bring about a significant relative redistribution of gross remuneration.

176. There are two aspects of this redistributive effect to which we should like to draw particular attention. The first is that the new system inevitably—and intentionally—reduces the proportion of remuneration which is paid through capitation fees. Under the present system over 60 per cent. of gross remuneration is paid out in capitation fees, and another 20 per cent. in loading payments. Under the new system the standard and supplementary capitation fees together will account for less than half the total of gross remuneration. So the results of the new system cannot be assessed just by comparing the new capitation fee with the old; and the amount of the new standard capitation fee does not represent our assessment of the total amount which a doctor should receive for providing medical care for each patient on his list.

177. The second point—a related one—also arises from the introduction of the basic practice allowance. The proposal is to have a basic practice allowance payable at a standard rate to doctors with lists of 1,000 patients or more, and scaled down for doctors with smaller lists. In its operation it will therefore be not unlike a "loading" on the first 1,000 patients; indeed the Second Report of Joint Discussions describes it as representing "an extension of the principle of the present loading payments which it will replace". One effect of it will be that a larger proportion of the aggregate remuneration for general practice
will be payable to doctors with small lists than under the existing system. In so far as this recognises that some practice expenses do not vary directly with size of list and makes smaller lists relatively more remunerative than they are at present, it meets what we understand to be the objectives of the Health Departments and the representatives of the profession. If, however, the basic practice allowance were to be set at too high a level in relation to the capitation fee, it would go too far in this direction, and doctors with small lists would be too favourably remunerated as compared with colleagues with larger lists and consequently a heavier workload. This would cut across another of the objectives, that of relating remuneration to workload. This is one of the considerations we have had in mind in deciding what levels to recommend for the new payments.

178. In considering the basic practice allowance and the standard capitation fee we have faced one major unresolved disagreement between the profession’s representatives and the Health Departments on the interpretation of the documents put before us relating to the new system.

179. The general practitioners’ representatives proposed to us that the basic practice allowance should include an element in respect of “compensation—which must inevitably be an arbitrary amount—for the fact that every general practitioner providing unrestricted general medical services has to hold himself available for a certain number of surgery sessions, etc., each week irrespective of list size”, and they indicated that this element was intended to cover the fact that the doctor’s professional obligations in many cases caused “a considerable intrusion into the private life of the doctor’s family as well as his own”. This proposal was associated in their memorandum of evidence with a reference to paragraph 21 of the First Report of Joint Discussions between general practitioner representatives and the Minister of Health, dated 2nd June 1965. This paragraph stated that the proposed scheme for partial direct reimbursement of expenses incurred in the employment of ancillary staff would not apply to payments to wives (and other dependants) who assisted doctors in their practice, and went on to say:

“The Government and the profession recognise that the work of most practices intrudes upon the doctor’s domestic arrangements, and they have agreed that the Review Body should be invited to consider whether this is a factor which could and should be taken into account when fixing rates of pay for the doctors themselves. If a solution on these lines proved feasible it would then become inappropriate to make payments for wives and other dependants in addition, whether these were based on sums allowed as deductions for tax purposes or otherwise.”

It was also associated with a reference to the Second Report of Joint Discussions between general practitioner representatives and the Minister of Health, setting out the Government’s proposals for the new system, in which it was stated that the basic practice allowance was “intended as a payment to recognise the continuous responsibility (including the responsibility devolving on a wife or dependent relative) and basic expenditure entailed in general medical practice within the normal working week.”

180. The Health Departments told us that their intention in these references—and specifically in the reference to “intrusion upon domestic arrangements” in paragraph 21 of the First Report—was that we should be asked to take into
account in fixing the basic practice allowance the sort of help that members of a doctor's household give to the practice, not in a regular or systematic way but informally and intermittently (answering telephone calls and so on), and the payments which many doctors make to their wives (or some other person in their households) in recognition of this help and are able to include as practice expenses for tax purposes. They also said that many doctors' wives gave their husbands "ancillary help" in the practice in a more extensive and systematic way, and were (or could be) paid accordingly. They had not been able to think of a satisfactory way of covering payments for services of this kind in the scheme for direct reimbursement of expenses on ancillary help, and they accepted that, if the Review Body agreed to take account of what was described in paragraph 21 of the First Report of Joint Discussions as "intrusion upon domestic arrangements" in fixing remuneration, they should allow for the fact that some payments to doctors' wives were in respect of this more extensive assistance. In the Health Departments' view it was inconsistent with the intentions embodied in paragraph 21 of the First Report of Joint Discussions that the profession's representatives had provided for "payments to wives and other dependants" within their proposals for the standard capitation fee, as well as including in the basic practice allowance an amount for "compensation for availability and domestic disturbance" which was associated with a reference to paragraph 21 of the First Report of Joint Discussions.

181. The Health Departments also made clear their view that, although one of the factors in recognition of which they had proposed a basic practice allowance was that (as the Second Report of Joint Discussions put it):

"[every practitioner] has to hold himself available for a certain number of surgery sessions, etc., each week,... irrespective of the size of his list",

this was not in their view to be regarded as a new factor which had never been taken into account before: it was one of the basic and unchanging obligations which had always been recognised and taken into account in fixing remuneration.

182. The representatives of the profession put a different interpretation on these matters. They said that a doctor who actually paid his wife or dependant was paying for skilled work of some kind in a medical, nursing or secretarial capacity. In addition to that doctors' wives or dependants inevitably, by reason of being members of the family, had to shoulder work and responsibility for which they were not paid; this embraced the sort of help given in dealing with telephone calls and so on, particularly when the doctor was out on a visit or call. They considered that no account was taken in the existing system of remuneration of this sort of intrusion into the life of the doctor's family. Thus their argument for rewarding "intrusion upon domestic arrangements" in the basic practice allowance as a new factor not hitherto taken into account in the system of remuneration, in addition to reimbursing payments to wives and other dependants in the standard capitation fee, rested on the premises that all payments to wives and other dependants were in respect of skilled work of some kind and that doctors' wives and dependants were not being paid for any help they might intermittently and informally give to the practice by way of dealing with telephone calls and in other similar ways.
183. This disagreement has been of some significance for us, because if the Health Departments' view is correct there is an appreciable element of double counting in the proposals put to us by the profession, whose proposed standard capitation fee included about 1s. 3d. (equivalent to about £150 per doctor on average) for payments to wives or other dependants in addition to £300 in the basic practice allowance as "compensation for availability and domestic disturbance". We find the profession's interpretation difficult to reconcile with the clear statement in paragraph 21 of the First Report of Joint Discussions that, if the Review Body considered that "intrusion upon domestic arrangements" was a factor that could and should be taken into account when fixing rates of pay for doctors themselves, it would then become inappropriate to make payments for wives and other dependants in addition. It must also be said that our impression is that it is by no means uncommon for doctors to make payments to their wives (or other dependants) not just for systematic assistance to the practice on the basis of special skills or qualifications but for help given intermittently and informally in various ways.

184. For the purposes of our report, however, we have not found it necessary to press the Health Departments and the profession's representatives to resolve this disagreement between them; we need do no more than state the view which we have taken of the matter, in terms which we hope will make our intentions clear. We consider that the obligation of continuous responsibility, with all its implications for the life of the doctor and his family, cannot be regarded as a new factor in general practitioner remuneration, now being taken into account for the first time. It has been one of the basic features in general practice for many years—certainly since 1948—and we believe that it was one of the factors in the minds of the Royal Commission in referring to differences in the "nature of the work and responsibility" and "the advantages and disadvantages inherent in the lives of doctors and dentists" in Chapter V of their Report. We have certainly had in mind—and the need to consider this specific problem has brought to the forefront of our attention—the obligation of continuous responsibility, with all its implications, as an important feature in the life of a general practitioner. We do not, however, regard this as something which can be separated and recognised by a single distinct payment or part of a payment. It is one of the basic conditions of the doctor's work, and so must colour all thinking about his remuneration. The burdensomeness of this obligation must vary in some degree, if not in strict proportion, with the number of patients for whom the doctor is responsible. Moreover it clearly varies according to whether he undertakes responsibility for "out-of-hours" work or not. So far as the new system of remuneration is concerned, this obligation has in our view to be taken into account in fixing the supplementary payments for doctors who undertake full responsibility including night and weekend work, as well as in fixing the basic practice allowance and standard capitation fee which will go to all doctors, including those who contract out of the obligation of continuous responsibility.

185. In formulating our recommendations, therefore, we have taken full account of the obligation of continuous responsibility, with all its implications for the life of the doctor and his family, though it is not to be found identified in connection with any one single payment; we have also taken into account the fact that payments to wives and other dependants will not be included in the
scheme for direct reimbursement of expenditure on ancillary help, and so will have to be met out of the remuneration from other payments.

186. We have been invited to include in the basic practice allowance an amount which recognises that the doctor is entitled to a period of leave each year for holidays and study, during which he will need either to employ a locum or to arrange for his patients to be cared for by a deputy for whom he will himself have to stand in on another occasion. No particular period is to be stipulated, but the Government have accepted that for the majority of practitioners a total of six weeks a year for holiday and study would not be unreasonable. We are asked to identify separately the amount included in the basic practice allowance on this account, so that arrangements may be made for the doctor to receive it, if he so wishes, at the time when leave is taken rather than as part of his regular quarterly or monthly payments.

187. Hitherto aggregate gross remuneration has included actual payments to locums for holiday cover, through the practice expenses credited to the pool, but these payments have not been directly reimbursed to the doctors who incurred them. There have also been arrangements for direct payments toward the cost of employing a locum when the doctor attends a refresher course, but as this is now to be covered by the basic practice allowance these arrangements will be discontinued.

188. At present many doctors do not employ locums when they go on holiday (there would not be enough locums to go round if all doctors employed them), but have reciprocal arrangements with other doctors. In these circumstances no money payment normally passes: each doctor "pays" his deputy by services in kind. In future similar arrangements will no doubt continue to be made; but now the remuneration of each doctor will include an amount which he can draw, if he wishes, when he takes holiday or study leave. It will be for doctors who make reciprocal arrangements to decide whether to exchange money payments or not. But, whichever way individual doctors settle this between themselves, the new arrangement will recognise that a doctor going on leave has either to pay a locum in money or to pay a colleague in kind.

189. It has always been recognised, as one facet of the obligation of continuous responsibility, that a doctor is responsible for seeing that his patients are cared for while he is away. A reciprocal arrangement between colleagues can be regarded as in some ways the parallel in the general medical service of the arrangements that are made in other walks of life for a man’s work to be looked after by his colleagues when he goes on holiday, without additional payments by the employer. In many other walks of life, however, a man can so organise his affairs as to bring forward or postpone work; he can thus deal himself with matters which cannot be deputed and so ease the burden that falls on his colleagues while he is away. Even the general dental practitioner can deal with much of his work in this way, leaving only emergencies arising while he is away to be dealt with by a colleague. The general medical practitioner, however, has much less scope for organising his work in this way. If he goes away, his patients are generally speaking going to need medical attention just as much as if he was there, and he cannot do very much to bring forward or postpone their requirements. This means not only that the doctor who goes on leave must provide
adequate cover but that the doctor who deputises for him accepts a real increase in responsibility and workload.

190. Though we think that this facet of the collective and individual obligations of continuous responsibility must have been in people's minds when remuneration has been considered in the past, we have welcomed the opportunity and the reason for reassessing its significance on this occasion. We have taken full account of it in formulating our recommendations. There is, however, no necessary connection between on the one hand the question of principle whether an allowance should be made for this factor in determining levels of remuneration (and if so how much), and on the other hand the administrative question whether a doctor should be able to draw part of his remuneration for the year in a single sum, if he so wishes, when he goes on leave. We should see no objection to a doctor being allowed to receive some part of his basic practice allowance for the year in a single payment at the time when he goes on leave, if it suits him to do so, and subject to whatever safeguards are necessary to ensure that he is not overpaid for the year as a whole. We leave this for further discussion between the Health Departments and the representatives of the profession.

191. There were one or two minor disagreements between the Health Departments and the representatives of the profession on the arrangements for scaling down the basic practice allowance and the additional allowances for doctors who do not qualify for payment at full rates because they have lists of less than 1,000 patients. The profession's representatives envisaged a series of banded rates, diminishing progressively but not necessarily in strict proportion as list size diminished; the Health Departments envisaged scaling down in direct proportion to size of list. Doctors with lists of less than 100 patients would in any case not be entitled to any of these allowances. The profession's proposal seems to us to be more consistent with the nature and purpose of the allowance; the Health Departments' proposal, on the other hand, would avoid the risk that the loss of one patient could result in a disproportionately large loss of earnings, if its effect was to move the doctor from a higher to a lower rate-band. On the whole our view would be that the allowance (and the additions) should be scaled down pari passu with the size of list from the full rate at 1,000 patients to a figure somewhat greater than one-tenth of the full rate at 100 patients.

192. This approach would certainly seem to be appropriate for the supplementary practice allowance. The Second Report of Joint Discussions envisaged that this allowance would be a supplement to the basic practice allowance, payable under the same conditions and scaled down in the same way. The profession's representatives argued that, since this allowance was to be a standby payment and the obligation to stand by was something which did not vary with list size, it should be paid in full to all doctors who undertook "out-of-hours" responsibilities. This argument seems to us to overlook the point that, since supplementary capitation fees will not be payable on the first 1,000 patients on a list, the supplementary practice allowance is related not only to the obligation to stand by but also to the work done for the first 1,000 patients. This suggests that it would be reasonable to scale down the supplementary practice allowance pari passu with the size of list from the full rate for a list of 1,000 patients to a minimum rate greater than one-tenth of the full rate for a list of 100 patients.
193. As these disagreements came to our notice, we have thought it right to express our views on them. Clearly, however, the exact arrangements for scaling down the allowances for doctors who are not entitled to receive them at the full rate will require careful consideration if anomalies are to be avoided. Rather than attempt ourselves to work out these arrangements, we think that they are better left for discussion between the Health Departments and the representatives of the practitioners in the light of the views we have expressed.

194. In assessing levels of payment for the various fees and allowances under the new system, we have taken into account all the considerations of manpower and workload which we discussed in Chapter IV, bearing in mind that similar considerations were the main factors which led us to recommend an increase of nearly 10 per cent. in average net income in our Fifth Report a year ago. We have also taken the opportunity of thinking afresh about the even less measurable but none the less important considerations of the special nature of the doctor’s responsibility which were referred to in evidence before us. In addition to the various matters to which we have referred earlier in this chapter, we have also had in mind the more detailed considerations set out in the paragraphs which follow.

195. The Health Departments told us that in their view the basic practice allowance should form a substantial, but not the major, element in the remuneration of a doctor with an average sized list, and suggested that it should be at least one-third of the sum of the basic practice allowance and standard capitation fees for such a doctor. We have set the allowance at a level which will be slightly less than one-third of gross remuneration from this allowance and the standard capitation fee for a doctor with an average list, in order that we should not have to reduce levels of other payments below what we think reasonable.

196. The Second Report of Joint Discussions suggested that the standard capitation fee for patients over sixty-five might be one-third higher than for other patients. The profession’s representatives put their suggested capitation fee 50 per cent. higher for patients over sixty-five than for other patients, on the basis of statistical evidence that consultation rates were half as high again for patients of sixty-five and over. As the profession’s representatives themselves have suggested in another context, consultation rates do not provide very firm or precise indicators of workload. In our view the proportion suggested by the profession makes for too large a differential, and we recommend a standard capitation fee for patients over sixty-five which is 140 per cent. of the fee for other patients.

197. The Health Departments suggested that payments for “out-of-hours” responsibilities should not be so high as to produce disproportionate remuneration compared with responsibilities at other times, but high enough to ensure that sufficient doctors were willing to undertake such work. They suggested that stand-by, capitation and night visit payments together might amount to some 12½ to 15 per cent. of the sum of the key payments in the new system (the basic practice allowance, the standard capitation fees and the payments for “out-of-hours” responsibilities). In their oral evidence, by way of qualifying their written evidence, their representatives indicated that they considered the bottom
of this range more appropriate than the top. Such statistical evidence as there is about the proportion of “out-of-hours” work to work during “normal” hours suggests that the proportion of consultations out of hours is appreciably less than 12\(\frac{1}{2}\) per cent. of total consultations. The relative volume of work is, however, by no means the only consideration to be taken into account. We have decided to make recommendations which will have the result that remuneration for “out-of-hours” responsibilities will account for a slightly smaller proportion of total remuneration from key payments than that suggested by the Health Departments and about the same proportion as that which would have resulted from the profession’s proposals.

198. When we were asked last year to consider the introduction of seniority payments, we made clear our view that, if the concept of payment for seniority were to be adopted, it would require radical changes in the present arrangements for payment to general practitioners. This condition is now in process of being satisfied. We also made it clear that our figure of average net income was based on an assessment of what total earnings should be over the whole of the practitioner’s career, and therefore allowed already for differences between general practitioners and other professional men in the pattern of career earnings. It follows from this that we have not been able to regard seniority payments as new and extra remuneration.

199. The new system will, however, also include additions to the basic practice allowance for vocational training before entry to practice, and for special experience and service to general practice. In considering these items we have had in mind the views of the Royal Commission on the desirability of some system of differential remuneration to recognise distinguished general practice. Nor have we forgotten our own indication, in our Fifth Report, that we should welcome an arrangement whereby the first-rate practitioner might be able to earn well above the average net income without taking on an excessively large list, and our readiness to recommend, in order to finance a suitable scheme, a sum substantially greater than that recommended by the Royal Commission. The proposed allowances for pre-entry vocational training and for special experience and service to general practice would be very much in line with what we have envisaged, and we have thought it right to regard these as truly additional allowances, covering aspects of general practice which have not been recognised in the system of remuneration until now. The Health Departments agreed that we should not on this occasion regard these as being included in career earnings, and we have regarded them as additional to the increased remuneration which we have thought it right to recommend on other grounds.

200. The profession’s representatives have invited us to consider whether a doctor who is entitled to the annual allowance for vocational training before entry to practice, which would run until he became entitled to a seniority payment (and therefore for about ten years), should be allowed to commute it for a lump sum payable on entry into practice. We see the attractions of a lump sum payable on entry into practice, when there may be heavy initial expenses to meet. It is therefore with some regret that we have concluded that to try to combine that idea with an allowance for pre-entry vocational training would raise too many difficulties and anomalies for the attempt to be worth making. So we recommend an annual allowance only. We also recommend that
doctors who acquired the necessary qualifications and entered general practice before 1st April 1966 should be entitled to receive this allowance (if they also meet the qualifications of list size and periods of duty in general medical service) from 1st April 1966.

201. The representatives of the general practitioners made it clear that they had no mandate to agree to payments for special experience and service to practice. They were, however, able to suggest levels at which these payments might be set if they were included in the new system of remuneration. The Health Departments think that the case for these payments is so strong that the new system should contain provision for them; indeed, they have made clear their view that they regard these payments as a necessary complement to payments for seniority. We share the Health Departments' view of their value, and in commending them to the profession we wish to emphasise again that they really are additional payments: if they were not included in the system, we should recommend that the money which would have been used for them should not be available, rather than that it should be distributed in other ways.

202. The Second Report of Joint Discussions proposed that these payments should be made to selected doctors over the age of 45 and in receipt of a seniority payment, and should not normally be payable beyond the age of 65. It was suggested that about 30 per cent. of those within the field should be selected to receive the payments, and that there should be two levels of payment, the higher of which would go to a very limited number of doctors. The Health Departments and the profession's representatives both suggested that there should be 3,000 payments at the lower level and 100 at the higher. The profession's representatives proposed that the payments should be the same as the C and B distinction awards for consultants; the Health Departments suggested that the lower payment might be about £500 and the higher about £1,500.

203. We are not convinced that the field of selection for these payments should be limited to doctors aged between 45 and 65. Though distinction in general practice no doubt comes partly from experience, the sort of distinction which these payments will recognise could in some cases emerge well before a doctor reached the age of 45. We do not make a formal recommendation on this, which is something to be settled between the Health Departments and the profession's representatives; but it would in our view be preferable that eligibility for these payments should not be formally limited by age. Furthermore, we think that it would be a mistake to link these payments at all closely, either in terms of number or value, to distinction awards for consultants; that might be taken to imply that these payments will be more like distinction awards for consultants than we think they will in practice prove to be. For these reasons we are recommending different numbers and values for the payments than those which have been suggested to us; but the payments we recommend will, we hope and believe, constitute an appreciable recognition of distinction in general practice.

204. The Second Report of Joint Discussions proposes to retain a separate payment, on the lines of the present post-graduate education scheme, for doctors who attend a prescribed number of sessions of approved post-graduate training over a stated period. The allowance is at present £12 a year for five years, payable in one lump sum during the period. We are recommending a new rate of
payment, but this is clearly not a new type of payment. The Health Departments proposed that entitlement to this allowance should lapse on entitlement to seniority payment. We recommend that a doctor who is in receipt of a post-graduate education allowance at the time when he first becomes entitled to a seniority payment should continue to receive that allowance for whatever remains of the five year period for which it runs, but that no doctor should start receiving a post-graduate education allowance, or start on a new five-year period if he has already been in receipt of an allowance, after he has become entitled to a seniority payment.

205. Though rather different considerations apply to the allowance for group practice (which will be payable only to doctors with lists of 1,000 patients or more) and for practice in unattractive areas, we think that both must be regarded as new and extra items, not hitherto recognised in the system of remuneration. The allowance for group practice is intended to provide a financial incentive to doctors to embark upon group practice from central surgery premises. The group practice interest-free loan scheme has provided some incentive in the past. That has not, however, been a charge on the pool since 1960; moreover, even though it is now to lapse, its place will be taken by the scheme for direct reimbursement of expenditure on practice premises, which will mean that the cost of raising capital for group practice premises will be directly reimbursed. The proposed allowance is thus strictly additional. Group practice is one of the main ways in which general practice can be reorganised so as to provide a better service for the patients and a better life for the doctors. It might seem that it should for this reason be attractive to doctors without further financial incentive. Both the Health Departments and the profession’s representatives agree, however, that some incentive is needed to accelerate the growth of group practice, which can (particularly at the outset) involve increased practice expenses. In fixing the level of this allowance we have borne in mind that it is not the only financial advantage of group practice: a group practice is better able to maintain good premises and employ ancillary help, expenditure on both of which is now to be reimbursed direct. We have also borne in mind that the provision of better standards of service by means of group practice tends, according to the evidence put before us, to increase the use that patients make of the service.

206. The additional allowance for practice in “designated” areas is a straight inducement payment; it has no parallel in the existing system of remuneration, and so far as we know the need to encourage practice in “designated” areas has not been a factor in previous thinking about the general level of remuneration. Indeed an increase in payments to all doctors would be no incentive to practise in particular areas. We thus regard this allowance as strictly additional. Any figure must be to some extent experimental; we do not know what figure will act as an inducement, nor indeed how far reluctance to practise in these areas can be overcome by financial inducements. We have been mindful of the fact that an area which is “designated” now may not stay so for ever, and we have recommended a level of payment which will, we hope, mean that the loss of earnings will not be catastrophically great if qualification for the allowance ceases because the area ceases to be “designated”. We recommend that the amount of the allowance should not vary with the character of the area, as the Health Departments suggested it
might. In the Second Report of Joint Discussions it was stated that this allowance would be payable to doctors in areas which had been "designated" by the Medical Practices Committee for a period of three years up to the date of payment. We have not examined whether this is the appropriate criterion. We should regard any change in the criterion as a matter for discussion between the Health Departments and the representatives of the profession. We recommend, however, that the criterion should be kept under review, in the light of requirements for manning the service in different areas.

207. We were invited to recommend a minimum fee for services carried out in pursuance of public policy, for instance the taking of cervical smears, vaccinations and immunisations. When evidence was given to us, discussions between the Health Departments and the profession's representatives had not gone far enough to establish what services were to be separately remunerated in this way. None the less the profession's representatives told us that they would welcome a recommendation by the Review Body of a fee which they would regard for the moment as the standard fee, subject to negotiation with the Health Departments for higher fees if some new and unusual work were introduced. Without knowing definitely what services are to be covered it is difficult to say what the fee should be. For instance, some courses of immunisation require several administrations over a period of time. We are therefore recommending a standard fee for items or courses of service in pursuance of public policy, and leaving it to the Health Departments and the profession's representatives to agree in the light of this on methods and levels of payment for particular services. In deciding what fee to recommend we have assumed that, if and when vaccinations and immunisations in pursuance of public policy are remunerated by Executive Councils, the increase in doctors' earnings from Executive Councils will be to some extent offset by a reduction of earnings from local authorities for the issue of records of vaccination and immunisation.

208. We see no reason to retain the link between the temporary resident fee, which covers services actually provided for a temporary resident for a period of up to three months, and the annual capitation fee per patient on the doctor's list, payable whatever services are given during the year. We have decided to recommend that the temporary resident fee should remain at its present level. We consider that there should not be a higher fee for temporary residents aged 65 and over than for those under 65: we recommend a standard rate for all temporary residents.

209. In recommending an increase in the amounts credited to the rural practice funds we have borne in mind that rural practitioners with small lists will benefit from the relative redistribution of total remuneration which we have already noted as one of the effects of the new system, though this will be to some extent offset by the fact that rural practitioners with small lists are less likely than their urban colleagues to be able to qualify for a group practice allowance and still less likely to qualify for an allowance for practice in designated areas.

210. We have been informed by the representatives of the profession that in England and Wales a payment of 5/- a year for every one hundred patients on a doctor's list is made to recompense him for the drugs and dressings which he
provides to patients from his surgery stock. They have proposed to the Health Departments that this system should be discontinued and replaced by the Scottish system whereby drugs and dressings can be replaced by the issue of a prescription by the doctor, but the Health Departments have rejected this suggestion. The profession's representatives have invited us to endorse their own proposal, or failing that to recommend that the payment should in future be 15/- a year for every one hundred patients on the list.

211. This payment amounts at present to about £6 a year for a doctor with an average list; the profession's alternative proposal would increase this to about £18. Another way of putting it is that the present payment is equivalent to about ½d. on the capitation fee; the profession's proposal would increase that to just under 2d. We doubt whether it makes sense to have separate arrangements for reimbursing this relatively small expenditure, and we recommend that it should in future be regarded as covered by the capitation fees, not only in England and Wales but also in Scotland. Our recommendations on capitation fees are formulated accordingly.

212. Finally, before we set out our recommendations for the various payments under the new system, there are certain matters of a technical nature with which we must deal. In arriving at the payments we propose, we have taken into account practice expenses as well as net income; the new payments are gross remuneration. The latest available figure for practice expenses is the total of practice expenses credited to the pool for 1963/64, as derived from sample inquiries by the Inland Revenue. We have allowed for an increase in average practice expenses at a compound annual rate of 4½ per cent. since that time; we have also allowed for the effect of changes in the treatment of depreciation allowances by virtue of the Finance Act 1965. Our recommendations are intended to cover the annual average of practice expenses in 1966–67 and 1967–68 estimated on this basis. We have assumed that £4 million a year will be reimbursed direct in respect of expenditure on practice premises and that £3½ million to £4 million a year will be directly reimbursed in connection with expenses on ancillary help. We have allowed for the fact that the direct reimbursement of expenditure on practice premises will provide for the reimbursement of a notional rent on owner-occupied premises. We are not clear that notional rent on owner-occupied premises has hitherto been given full weight in decisions on remuneration. It seems likely that practice expenses credited to the pool have included little or nothing for notional rent, though they will have included some expenditure on maintenance and other items which might be the landlord's responsibility in the case of rented premises and may thus be taken to reflect one element in notional rent on owner-occupied premises.

213. Hitherto certain expenses incurred in connection with work for hospital authorities, local authorities and Government departments and expenses incurred in connection with private practice have been included in the total practice expenses credited to the pool, the first because they were sufficiently unimportant to make it unnecessary to try to identify and exclude them and the second because of the difficulty of estimating their amount. We have now been provided with more up-to-date estimates of earnings from and expenses on private practice than were available a year ago, and with an estimate of those
expenses incurred in connection with work for hospital authorities, local authorities and Government departments which have hitherto been included in the total of practice expenses credited to the pool. The change of system provides an opportune moment for taking these expenses out of remuneration for general medical services. We have accordingly not provided in our recommendations for the reimbursement of these expenses. In the past, however, in fixing average net income both the Royal Commission and we have made allowance for the fact that expenses not attributable to general medical services were being credited to the pool; it must be assumed that both they and we would have recommended higher levels of average net income if these expenses had not been credited to the pool. We think that this point should be taken into account in considering our recommendations on levels of payments in the new system.

214. Our recommendations are based on the assumption that doctors aged seventy and over who provide unrestricted services will receive payments under the new system on the same basis as other doctors providing unrestricted services, except where the Government’s proposals in the Second Report of Joint Discussions specifically provide otherwise (for instance, it is proposed that eligibility for seniority payments and for additional payments during sickness should cease at age 70).

Recommendations on levels of payments

215. We recommend the following levels of payment with effect from 1st April 1966 for the various items in the new system of remuneration as described in the Second Report of Joint Discussions between general practitioner representatives and the Minister of Health (cf. para. 154 of this report):

(1) Basic practice allowance: full rate ... £1,000 0s. 0d. a year

(2) Standard capitation fees:
(a) for each patient aged under 65 ... £ 1 0s. 0d. a year
(b) for each patient aged 65 or over ... £ 1 8s. 0d. a year

(3) Payments for “out-of-hours” responsibilities
(i) Supplementary practice allowance:
   full rate ... £ 200 0s. 0d. a year
(ii) Supplementary capitation fee for each patient in excess of 1,000 on the list (1,000 per doctor on the combined lists of doctors in partnership) ... 2s. 6d. a year
(iii) Fee for visit requested and made between midnight and 7.00 a.m. ... £ 1 0s. 0d. a visit

(4) Additions to the basic practice allowance (full rates):
(a) To a doctor whose main surgery is situated in an area that has been “designated” for a continuous period of three years up to the date of payment ... £ 400 0s. 0d. a year

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(b) To a doctor practising with others in a central surgery in such a way as to satisfy the agreed definition of group practice ...

\( \text{£ 200 0s. 0d. a year} \)

(c) Seniority payments (subject after 1969 to attendance at a prescribed number of sessions of post-graduate training):

(i) To a doctor whose name has been continuously included in the Medical Register for fifteen years and who has been a principal providing unrestricted general medical services under the National Health Service for at least the last five years ...

\( \text{£ 200 0s. 0d. a year} \)

(ii) To such a principal, after ten more years of practice in the general medical services, an additional ...

\( \text{£ 200 0s. 0d. a year} \)

(iii) To such a principal, after a further ten years of practice in the general medical services, an additional ...

\( \text{£ 250 0s. 0d. a year} \)

(d) Payments for special experience and service to general practice

(i) To 2,500 doctors ...

\( \text{£ 750 0s. 0d. a year} \)

(ii) To 100 doctors ...

\( \text{£ 2,500 0s. 0d. a year} \)

(e) Allowance for pre-entry vocational training (not payable to a doctor who qualifies for any of the seniority payments) ...

\( \text{£ 125 0s. 0d. a year} \)

(5) Post-graduate training allowance ...

\( \text{£ 20 0s. 0d. a year for five years} \)

(6) Standard fee for item or course of service carried out in pursuance of public policy ...

\( 7s. 6d. \)

(7) Fee for doctor included in obstetric list providing complete maternity medical services ...

\( \text{£ 15 0s. 0d.} \)

Other maternity medical service fees to be increased pro rata.

(8) Temporary resident fee, as defined at present:

full rate ...

\( \text{£ 1 2s. 6d.} \)

(9) Rural practice funds to be increased by ...

\( 10 \text{ per cent.} \)

216. The Second Report of Joint Discussions indicates as the qualification for entitlement to the third seniority payment that a doctor shall have been continuously included in the Medical Register for thirty-five years and shall have been a principal providing unrestricted general medical services under the National Health Service for at least twenty-five years. As the National Health Service was instituted on 5th July 1948, this could, if taken strictly, be read to mean that no doctor could qualify for the third seniority payment before 5th July 1973. We do not believe that this interpretation can have been
intended. Accordingly we recommend that until 5th July 1973 a doctor shall be eligible for the third seniority payment if he has been continuously included on the Medical Register for the last thirty-five years and has been providing unrestricted general medical services under the National Health Service continuously since 5th July 1948.

217. We make no recommendations on the following matters, which are left for direct negotiation between the Health Departments and the representatives of the profession:

- Additional payments during sickness
- Initial practice allowance
- Supplementary annual payments
- Payments under the trainee scheme
- Fees for administering anaesthetics
- Fees for emergency treatment
- Payments in respect of the dispensing and supply of drugs and appliances.

218. We recommend that the Health Departments and the representatives of the profession should negotiate direct on the application of the new system of remuneration and of our recommendations to doctors providing restricted services, and should consider whether as a result of the introduction of the new system of remuneration any further provision needs to be made in respect of practitioners who employ assistants.
219. The present system of remuneration of general dental practitioners stems from the recommendations of the Royal Commission. Dentists are paid by an item of service method of payment. A target average net income from the general dental services for all principals, full-time and part-time together, working wholly or partly in those services, is recommended by the Review Body. The Dental Rates Study Group, which comprises representatives of the profession and the Health Departments with an independent Chairman, is charged with the duty of determining gross fees for each item of service in such a fashion that the target net income for the average dentist is achieved in the standard number of hours at work. For this purpose the Study Group keeps under review average times for each dental operation and the average number of hours worked per annum.

220. Following the report of the Royal Commission, and in fulfilment of their recommendation, the target average net income from the general dental services for all principals, full-time and part-time together, working wholly or partly in those services, was fixed at £2,400 a year. A scale of fees (which represented a reduction in gross remuneration) to produce this target came into effect in June 1962. In our First Report in 1963 we recommended that the target average net income should be increased by 14 per cent. to £2,740 for the period from 1963 to 1966. By the time the Study Group came to fix a new scale of fees the 1962 scale was producing average net income at a rate about 10 per cent. above the £2,400 target. Allowing for their expectation of a continuing rise in output, the Study Group fixed a scale of fees for the new target which came into effect in October 1963.

221. In the following year there was every sign that the continued rise in output was carrying average net income once again well above the target. The British Dental Association proposed a system of "tolerances" which would have permitted average net income to rise appreciably above the target as a result of rising output without fees then having to be reduced. While we were considering this proposal it became known that an inquiry by the Dental Rates Study Group showed that the average number of hours worked in 1963 had risen by about 4 per cent. from the figure on which the Royal Commission's recommendations and our 1963 recommendations were based. It had been recognised by the Royal Commission that a substantial change in the number of hours worked would be a ground for revising target net income. On the basis of the estimates of future average gross earnings and practice expenses which were before us, we concluded that the 1963 scale of fees, if allowed to stand until 1966, would over the period as a whole produce about the right average net income, taking into account the increase in the average number of hours worked. In our Second Report, therefore, we recommended that the level of net income

until our next general review should be that which would result from leaving the current scale of fees in operation unchanged. This recommendation was accepted.

222. In the summer of 1965 it became clear that average gross earnings were rising less fast than had been estimated and that the scale of fees was producing a considerably lower average net income than the Review Body had envisaged. In our Sixth Report, therefore, we decided to recommend a target net income of £2,950 to come into effect as soon as possible, making it clear that this was designed to produce for the rest of the review period the result intended by our Second Report, taking account of a change in practice structure which had been reported to us and to which we refer again later in this chapter (paragraphs 228 and 229). This recommendation necessitated a new fee scale, which was introduced in September 1965. This scale still failed to yield the target net income which we had recommended, and another new scale, increasing certain fees, was introduced in February 1966.

Manpower and workload

223. Before considering certain problems that have arisen in the system of remuneration of general dental practitioners we discuss some of the general considerations that we have had in mind in thinking about the level of their remuneration. We do not go over the ground of economic factors and comparable incomes; the arguments put forward by the British Dental Association on these matters were similar to those advanced on behalf of hospital medical and dental staff and general medical practitioners, which we have discussed in Chapter III. The manpower and workload situation in dentistry, however, requires separate treatment.

224. The number of dentists on the Dentists' Register rose from 15,693 to 16,841 between 1954 and 1964, the latest year for which figures are at present available. The increase of 1,148 included 679 dentists holding Commonwealth and foreign qualifications. Since 1961, however, the number of dentists on the register holding Commonwealth and foreign qualifications has changed very little, and the main increase has been in the number of dentists holding British qualifications. This pattern has not been matched in the general dental service. The number of dentists in the general dental service in Great Britain, having risen from 1961 to 1962, fell back by 1964 to the 1961 level of just under 11,600. This slight fall since 1962 is, however, attributable entirely to the retirement of older dentists, which had been expected. Between 1961 and 1964 the number aged under 30 increased by 444. There is thus no evidence of a deterioration in the ability of the general dental service to attract and hold younger dentists. There is no evidence to suggest that the general dental service is losing a significant number of dentists by emigration.

225. The intake of students into the first professional year in dental schools has risen steadily from 589 in 1961–62 to 688 in 1964–65. Though the intake in 1964–65 was the highest up to that time, about thirty places remained unfilled. Preliminary indications for 1965–66 are that 760 places were available for

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admissions into the first professional year, of which about 740 were filled, the unfilled places being mainly in one new school.

226. None of this evidence suggests that recruitment and wastage rates in the general dental service give cause for immediate concern. These matters will, however, need to be carefully watched. By 1970 the number of places available for admissions to the first professional year in dental schools will have risen to 880, and the number will rise still further by 1974. The dental schools are to some extent in competition for candidates with medical schools. Unlike medical schools, however, dental schools have no surplus of suitable candidates; indeed medicine is often the first choice of those who subsequently take up dentistry. If the number of places available in medical schools is to be increased, more of those who have medicine as their first choice will be able to satisfy that choice, and it may become more difficult to fill places in dental schools.

227. The indicator which has been much relied upon as a measure of output of general practitioners in the general dental service is the figure of average gross earnings corrected for revisions of the fee scale. Up to 1964 the trend of these figures implied that output was rising steadily. There were several reasons for this, apart from changes in the number of hours worked. First, the introduction of new types of equipment, and particularly the air rotor drill, enabled the dentist to perform some operations much faster than in the past. Second, it seems clear that there has been a change in the organisation of practices, including a considerable increase over the years in the use made of ancillary help. These developments have enabled the dentist to give more treatment in a given amount of time, but it seems likely that they must by now have largely achieved their effect. A third factor in the increase in average gross earnings, and therefore in the implied increase in output, has been the change in the age structure of the profession. The peak of earning power comes relatively early in the career in dentistry, and when the proportion of younger dentists rises, as it has done in recent years, and the demand for dental care is increasing, the average output of the profession goes up. The change in the age distribution of the profession is continuing, and average output may be expected to rise on that account for some time to come.

228. Since 1964, however, the figures of average gross earnings have also been affected by a major change in practice structure. There has been a significant fall in the ratio of assistants to principals, and the evidence suggests that a considerable number of assistants have recently become principals in their own right, often being taken into partnership or association by their former employers. This change does not necessarily affect the output of the profession as a whole, but it does reduce the average earnings per principal. It takes some time for the effect to be fully reflected in the estimates of average gross earnings, but when it is known that there has recently been such a change it is impossible for some time thereafter to rely on successive quarterly estimates of average gross earnings as indicators of trends of output.

229. The rate of increase in average gross earnings began to fall off in 1964, and the average gross earnings for the years ended 31st March, 30th June and 30th September 1965 actually declined. The representatives of the Health Departments indicated that the change in practice structure could well account directly or indirectly for the greater part of the change in the trend since early
1964, and that the figures of average gross earnings could in fact be consistent with a continuing rise in average output, though perhaps at a somewhat lower rate than in earlier years.

230. We have found it impossible to draw any reliable conclusions from these figures. We have not treated them as evidence of a decline in output; indeed to do so would be inconsistent with the evidence that the numbers of courses of treatment continue to rise. There is no evidence to suggest that average hours worked have changed significantly since the Dental Rates Study Group survey of hours worked in 1963, the results of which we allowed for in the recommendations in our Second Report.

231. We have thus found no immediate problem of manpower and no conclusive evidence about changes in workload, of the kind or extent that we noted in Chapter IV in relation to parts of the medical profession, which would lead us to take the view on those grounds that earnings from the general dental service were seriously inadequate. We have, however, thought it right to have some regard to the possible effect on recruitment of dentists of the prospective increase in the number of places in medical schools.

System of remuneration

232. In 1962, at the time of our first review, the British Dental Association drew our attention to the difficulty of operating the system of remuneration recommended by the Royal Commission in a time of steadily increasing output. If target average net income is fixed at a single rate for a period of three years and at the beginning of that period the scale of fees is so framed as to yield the target average net income at that time, then, if the level of output subsequently rises, it is likely that before the end of the period fees will have to be reduced if practitioners are not to receive an average net income of more than the target. If the rise in output is attributable to a large extent to an increasing proportion of younger dentists, this is liable to bear particularly hardly on older dentists. The increased output comes from the younger dentists who thus increase their earnings; if the target average net income is then reduced, they are probably left with earnings at the same level or even at a higher level than at the beginning of the period, but the older dentist, who is less able to undertake additional work, may well find his earnings reduced, even though his output remains steady. We felt, however, that the proposals put to us by the British Dental Association in 1964 for altering the system would create more difficulties than they would solve, and since we submitted our First Report we have been considering whether we could suggest any change in the system which would meet these problems in another way.

233. In our most recent evidence we have become aware of further problems in the current system of remuneration. We received an impression that the Dental Rates Study Group had encountered difficulties which were preventing it from properly fulfilling the functions intended for it by the Royal Commission. Fixing times for dental operations or ascertaining the total number of hours worked did not seem to have raised any special problems; it seemed that difficulties had arisen mainly in the course of trying to agree, when fixing a new scale of fees, upon what allowance should be made for the growth of practice expenses and for changes in average gross earnings attributable to changes in
output or changes in practice structure during the period which was expected to be covered by the scale. It was clear to us that the Study Group was encountering the same sort of trouble in allowing for changes in output when fixing fees as we have encountered in trying to assess the extent to which the trend of output should be taken into account in fixing target net income.

234. The British Dental Association also considered that the work of the Study Group was showing an increasing tendency to suffer delays because the representatives of the Health Departments lacked authority to make decisions and had frequently to refer back for instructions. The Health Departments indicated that on a number of occasions this had been attributable to points having been raised at short notice.

235. We do not suggest any major change in the system of remuneration. We have thought about possible alternative systems, but we have concluded that payment by item of service is the only feasible method of payment in present circumstances. The Health Departments have (so they told us) come to the same conclusion; and we have noted that a recent survey by the British Dental Association shows that the majority of general dental practitioners would prefer to continue to be remunerated in this way. As a means of determining the amount of fees, we see no alternative to calculating on the basis of a target net income and estimated practice expenses. Neither the Health Departments nor the British Dental Association dissented from this conclusion. We understand, however, that they are embarking upon discussions on the system of remuneration as a result of which they may wish to suggest some changes, for instance the incorporation into the system of some form of seniority payment, which the Association's survey has shown would commend itself to many dentists. We have been told that we shall be kept in touch with the course of these discussions, and that we shall be consulted about any major change in the system or in the distribution of remuneration.

236. The representatives of the British Dental Association drew our attention to that section of our Fifth Report which dealt with return on capital invested in practices by general medical practitioners, in which we had stated that, while it seemed clear that the Royal Commission had made some allowance in determining average net income for the need to find capital, we thought that they had not included any specific amount for interest on capital employed. We noted that figures of practice expenses derived from sample inquiries into tax returns would not take such interest fully into account, and we recommended that the Government and the profession should examine this problem further and, if the present arrangements did not make sufficient allowance for interest on capital employed in practices, should endeavour to agree upon changes that would achieve that result in future. The representatives of the British Dental Association invited us to state whether we were equally anxious that in the assessment by the Dental Rates Study Group of the practice expenses of general dental practitioners there should also be proper allowance for capital investment.

237. There may well be a number of differences between doctors and dentists in this matter, in that a larger proportion of capital invested in the practice by a dentist is represented by equipment which qualifies for depreciation allowances and should therefore be reflected in practice expenses. We
think that the Royal Commission's recommendations (and therefore our recommendations subsequently) on net income must be deemed to have taken account of the necessity to provide the capital needed to maintain the day-to-day running of the practice and to meet such expenses as continue to be incurred when the dentist himself is on holiday, or is away from the practice for study or because of sickness. We think, however, that it is desirable in principle that gross remuneration, of dentists as well as doctors, should make sufficient allowance for interest on capital invested in premises and equipment, and we hope that in their discussions on the system of remuneration the Health Departments and the representatives of the British Dental Association will consider whether the present arrangements make sufficient allowance for interest on capital so invested, and will if necessary discuss the possibility of changes to achieve that result.

238. Though we are not suggesting any major change in the system of remuneration, we are recommending the introduction of certain relatively minor modifications which will, we hope, go some way to meeting the problems that we have described. We have considered what target average net income we should recommend for a period of two years beginning on 1st April 1966; we have, however, decided to express this target not as a single figure but as two annual rates of target average net income so graduated as to permit a rise of about 4 per cent. per year in average gross earnings without calling for a reduction of fees during the period. We recommend that the Dental Rates Study Group should be invited to proceed immediately to fix a scale of fees so as to yield average net income for the year beginning 1st April 1966 in line with our recommendation for the first year of the period. We further recommend that in the early months of 1967 the Study Group should be asked to review the scale of fees in the light of the latest available information and to propose whatever changes may be necessary so as to yield average net income for the year beginning 1st April 1967 at the second of the rates we are recommending. We also recommend that there should be no change in the fee scale between the annual reviews by the Study Group, except for the purpose of altering relativities within the scale.

239. The effect of these changes will be that the scale of fees will be reviewed by the Dental Rates Study Group once a year. If average gross earnings rise or fall during the course of a year, there may be some measure of overpayment or underpayment of dentists, particularly during the latter part of the year; but we recommend that no attempt should be made either at the time or subsequently to offset the error in that year. Towards the end of the year the scale of fees will be adjusted for the coming year so as to provide for the higher target net income for that year and for whatever changes have affected or are expected to affect average gross earnings and practice expenses. There should be no need for reductions in the fee scale unless during the year average gross earnings have risen by well over 4 per cent. for some reason other than longer hours of work (a development which might call for a revision of target net income) or there has been some pronounced reduction in the rate of growth of practice expenses.

240. It is for us to take a view on the extent to which changes in the level of output should be taken into account in the determination of target average net income. This we have done. It will be for the Dental Rates Study Group to decide to what extent to base its calculations of the fee scale on forecasts of
future movements of average gross earnings attributable to changes in output, changes in age and practice structure and changes in the relativities within the fee scale which may affect the pattern of treatment. In view of the difficulty of making these forecasts in present circumstances and of interpreting the statistical evidence, we think that the Study Group may want to consider basing its calculations on estimates of the annual rate of average gross earnings for the most recent period, taking account, however, of the estimated growth of practice expenses.

241. A further point that has been drawn to our attention is that, when a change in target net income is recommended to come into effect from the date of promulgation of a new scale of fees, delay in the process of agreeing a new scale can unduly postpone the implementation of the new level of target net income. Experience following our First Report illustrates that difficulty. Our report, submitted at the end of February 1963, recommended that the fee scale should be adjusted to the revised target net income with effect from such time as the Study Group agreed upon the adjusted scale, not being earlier than 1st April 1963. Our report was accepted and published at the end of March, but it was not until the middle of October that the Dental Rates Study Group had been able to complete its work and regulations for a new scale of fees had been made.

242. It cannot be satisfactory that a change in target net income which has been recommended and accepted should be delayed for so many months because of the complication of the processes of translating it into a scale of fees and giving the new scale legal effect. The representatives of the British Dental Association accepted that there would be considerable administrative difficulties in applying a new scale of fees retrospectively to courses of treatment begun before the scale was introduced; but they suggested that it might be possible to find some way of giving interim effect to a recommendation on target net income, possibly by increasing all fees by a flat percentage amount, before the introduction of a definitive new fee scale, so as to reduce the period before a recommendation on target net income took effect.

243. Under the law as it stands regulations altering the scale of fees cannot be retrospective; they can operate only from a date after they have been laid. Whether the change takes the form of a new scale of fees or a percentage addition to existing fees, the new fees have to be agreed by the Study Group and incorporated in regulations. It appears that this makes it impossible for us to recommend a definite date for the implementation of a new rate of target net income. Moreover, if there should have to be a cut in fees, or if the description of the items of treatment to which a fee relates is changed, it is legally necessary for new rates to apply only to courses begun on or after the operative date of the regulations. One possible way of reducing the time which it takes for an increase in target net income to come into effect might be to apply a percentage increase to estimates for courses begun before the operative date in respect of which payment had not yet been made. There would be considerable administrative difficulties about any arrangement which meant that the Dental Estimates Board had to reprocess estimates which had already been dealt with; but the Health Departments are considering with the Dental Estimates Board whether it would be practicable to introduce simultaneously a revised scale of
fees for courses of treatment begun on or after the operative date and an
equivalent percentage addition to apply to estimates for courses begun before
the operative date and received (or authorised or scheduled) by the Dental
Estimates Board after that date.

244. The most substantial contribution to reducing the delay would,
however, come from a reduction of the time taken by the Dental Rates Study
Group to decide upon a new scale of fees. We do not underestimate the
difficulties. The technical processes which have to be completed are complicated,
and they involve forecasts which may be controversial. We recommend that
the Health Departments and the British Dental Association should examine
their procedures and arrangements so as to enable the Group to function and
complete its work without delay, as the Royal Commission intended. We
recommend that the Health Departments should consider whether a greater
measure of authority can be given to their representatives so as to reduce the
need for reference back for instructions.

245. The arrangements which the Health Departments are examining, for
coupling the introduction of a new scale of fees for courses of treatment begun
on or after an operative date with a percentage addition on estimates received
by the Dental Estimates Board before that date but still being dealt with, would
help to make an increase in target net income fully effective more quickly than
has been possible in the past. We hope that arrangements on these lines will
be practicable. We attach importance to having recommendations on target
net income implemented and brought into full effect as soon as possible after
the beginning of the period to which they relate, and we regret that the combina­
tion of legal and administrative difficulties makes it impossible for us to recom­
mend a definite date on which a new rate of target net income should come
into effect.

Recommendations on target average net income

246. We recommend that the target average net income from the general
dental service for all principals, full-time and part-time together, working
wholly or partly in that service, should be £3,200 in the year beginning 1st April
1966 and £3,325 in the year beginning 1st April 1967. We recommend that
these rates should come into operation on or as soon as possible after 1st April
1966 and 1967 respectively.

Health centre dentists

247. The representatives of the British Dental Association invited us to
recommend an increase in the salary scales for health centre dentists, who are
in effect salaried general dental practitioners working in health centres rather
than in their own premises. As we noted in our First Report, the rates of pay
of health centre dentists were revised in 1962 to bring them into line with the
pay of local authority dentists, who were in many cases working alongside them
and doing similar work. We thought that it would be inappropriate to disturb
this relationship so soon after it had been agreed. We therefore recommended
that for the time being salary scales for health centre dentists should remain
broadly in line with those for local authority dentists, subject to further con­
ideration at a later review. Since that time health centre dentists have received
further increases from 1st April 1964 and 1st January 1966 in line with increases in the salary scales of local authority dentists. We were informed by the Health Departments that a further pay claim had recently been submitted for local authority dentists.

248. The representatives of the British Dental Association thought that the link with local authority dentists had grown up as a matter of expediency, and had little or no basis of principle: they argued that, though it was true that health centre dentists often worked in the same premises as local authority dentists, the work done by health centre dentists approximated more in character to that of general dental practitioners.

249. We recommend that for the time being the salary scales of health centre dentists should continue to remain broadly in line with those of local authority dentists. We may, however, wish to review their salary scales further, if and when we are asked to consider salary scales for general medical practitioners practising in and from health centres.
CHAPTER VIII

SUMMARY OF CONCLUSIONS

250. In this chapter we seek to draw together the main threads which run through our report and to summarise our general conclusions. Our recommendations are summarised in three appendices.

251. We have explained in Chapter II why we think it right on this occasion to relate our recommendations to a period of two years from 1st April 1966, instead of the three years envisaged by the Royal Commission. Our recommendations must be viewed in the light of our intention that they should stand for two years and not three years. We think it important to stress this, because there has been widespread expectation that our recommendations at this review would, like our 1963 recommendations, be for a period of three years. The professions' proposals for hospital medical and dental staff and for general dental practitioners were based on this expectation, though the representatives of the professions later welcomed the suggestion that on this occasion our recommendations should be for a period of two years.

252. We have also explained in Chapter II that we have taken account of general economic developments in the period since 1963, and have allowed for developments that may be expected to occur in the next two years. In particular we have taken account of the general rise in money incomes between 1963 and 1965 and its implications for our 1963 recommendations. Though the fact that other incomes have risen at a particular average rate is not by itself a conclusive reason why doctors' and dentists' incomes should rise at that rate, the growth of other incomes is evidence which has to be taken into account. We believe that doctors and dentists in the National Health Service should not be penalised for the fact that developments of this kind have not been taken into account in considering their remuneration since early in 1963.

253. In the evidence put to us by the professions the cases for the increases of remuneration proposed were all based mainly on comparisons with other incomes, on the manpower position and needs, and on workload. We have explained in Chapter III why, though we have carefully considered the evidence available to us on comparisons, we have not felt able to rely on it as a decisive or even as a primary factor in forming our views. We have examined in Chapters IV and VII the evidence on manpower and workload, and we have assessed its relevance to remuneration. Our aim throughout has been to try to decide what levels of remuneration are appropriate for all the circumstances of the period to which our review relates.

254. This has led us to reconsider fundamentally, critically and in detail the structure and levels of remuneration in each of the branches of the National Health Service with which we are concerned, and to make recommendations which alter, in some cases radically, both the structures and the relative levels.
We believe that the new structures and levels of remuneration which we recommend for hospital doctors and dentists, for general medical practitioners and for general dental practitioners represent fair rewards for their responsibilities and duties and are reasonable in relation both to each other and to incomes of people with comparable qualifications, responsibilities and standing in other walks of life, for the period which this review is intended to cover.

255. We have broken with the past in two important respects. First, we have come to the conclusion that it is no longer either consistent with realities and with current thinking and practice in professional remuneration, or fair to those concerned, to pay the most junior grades of hospital doctor at rates which are manifestly not only out of line with rates paid to people of similar age and comparable qualifications in other professions but also out of proportion to the amount of work they are expected to do. This could be justified only if they could be regarded in some sort as apprentices; but this does not seem to us to be the right way of thinking about the matter. Clearly they still have much to learn of the practice of medicine, which they can learn only by practical experience; clearly also one cannot consider starting salaries without regard to career prospects. But house officers and senior house officers are qualified doctors and their work is essential to the hospital service. We are satisfied that the level of their remuneration, and that of the grades directly above them, needs to be substantially raised, not only in fairness to them but also in the interests of the hospital service and the practice of medicine, and so in the national interest.

256. Second, we believe that general medical practice has come to a critical moment. We have in mind not so much the possibility of mass resignation from the National Health Service (though that would be a lamentable occurrence) as the future of general practice in this country, however provided. The loss of doctors to general practice (those who have not come in as well as those who have gone out) may seem to have been relatively small so far; but it has taken place against the background of a rising population, and the average rate of withdrawals has been rising. If this trend is not reversed, it will not be long before the load will become too great for general practice as we have known it, particularly in some parts of the country. If it became impossible to maintain general practice, the loss to the nation would be very great; the standards of medical care for the population as a whole would suffer, and it would be difficult—and very expensive—to rehabilitate general practice or to provide other forms of first-line medical care.

257. Professional and lay opinion alike recognise that in this country general practice should continue to be the first line of medical care. The rapid extension of medical science and development of new techniques have altered and will continue to alter the demands upon general practice, and will necessitate changes in organisation which are only beginning to be developed and put into operation. It is going to be increasingly important for the doctor's time and energies to be concentrated on the tasks that need his clinical skill and judgment. Among other things this means, we believe, more group practice, and more use of ancillary help not just for non-medical duties but for carrying out care and treatment under the doctor's supervision and responsibility. With these developments general practice can continue to be, or where it has ceased
to be can once again become, a rewarding way of life in which the practice of good medicine is combined with a direct, personal and continuing relationship of care for and service to those who need medical help and advice.

258. This will not happen unless the whole profession want it to happen; and it will not happen without great changes of organisation and attitude which it is the responsibility primarily of the profession to accept and bring about. There can be no doubt that the next two years are the testing time for the future of general practice. No fundamental or lasting changes will be achieved without an immediate increase in the level of remuneration, though of itself this will not suffice. The new system of remuneration should do much to promote good practice and encourage practitioners. There will be direct financial incentives to group practice. The schemes for direct reimbursement of expenditure on practice premises and ancillary help will be a stimulus to changes that will improve both service to the patient and the life of the doctor. The additional payments for extra qualifications, special experience and service to general practice will reward good doctoring and encourage doctors to equip themselves to practise good medicine. Seniority payments will provide the prospects of higher remuneration in the later years of a career without the need to add to the burden of work in terms of numbers of patients. Above all, perhaps, the doctor will be able to feel that, if his own remuneration goes up as a result of his own efforts or deserts, it is not at the cost of his fellow-doctors: there will be no pool.

259. The need to review levels of general practitioners' remuneration in terms of the new system and in the light of the arguments put before us in evidence has given us the opportunity and the material for a thorough assessment (or re-assessment) of all the relevant factors and considerations. We have discussed these matters in more detail in Chapter VI. Because the method of remuneration is to be so greatly changed, it would be misleading for us to try to sum up our recommendations in terms of a single figure or rate of increase: some doctors will get larger increases, some smaller, according to size and even type of list, age, qualifications, area of practice, cost of maintaining premises, amount of ancillary help and so on. The system will provide incentives and rewards for good medicine and high standards of service, and possibilities of increasing remuneration otherwise than by taking on more patients. On the other hand there may be some doctors who will prefer (if circumstances permit) to contract out of night and weekend responsibility even at the cost of some loss of earnings. Taken as a whole, however, our recommendations will substantially increase the earnings of general practitioners, and so the cost of general practice to the Exchequer.

260. We consider this increase to be justified, indeed required, by the immediate need to stem the loss from and encourage recruitment to general practice, by the nature and growth of the responsibilities and burdens of work which fall upon general practitioners, and by the need to promote changes in organisation and attitudes that will help to foster pride and confidence in general practice. In making our recommendations we have had very much in mind not just the interests of the doctors or the statutory responsibilities placed on government to provide a National Health Service, but the whole future of medical care through general practice in this country. We believe that an
increase in remuneration of the order we have recommended is one, but only one, of the necessary conditions precedent for the future of general practice. The other conditions are for the Government and the profession, not for us; but we want to emphasise that we see our recommendations as one among several lines of attack on a wider problem. We hope that they will help to facilitate other changes. They will be frustrated in much of their purpose if those other changes are not brought about.

261. For a variety of reasons it is impossible to estimate the cost of our proposals exactly. The latest available figures of numbers in the hospital services by grades, which relate to 30th September 1964, do not indicate the distribution of staff in each grade at the various points in the salary scale, and it is difficult to arrive at a precise estimate of the cost of the increases recommended, particularly for the junior hospital doctors, for whom the salary structure is to be considerably changed. Estimates of the cost of our recommendations for general medical practitioners are also somewhat tentative, since it is impossible to forecast how many doctors will qualify for some of the payments under the new system of remuneration, or how much will be paid out in direct reimbursements of expenditure on practice premises and on ancillary help. The published Estimates of expenditure on health service votes in 1965–66 showed the total cost of salaries of hospital medical and dental staff and of gross remuneration by executive councils of general medical and dental practitioners and of ophthalmic medical practitioners at about £245 million, and the total gross cost of the hospital services and executive councils’ services at just over £1,060 million. For 1966–67 the total cost of these services is estimated at about £1,175 million on the basis of the present rates of remuneration and the existing system of remuneration for general medical practitioners. We estimate that our recommendations, together with consequential increases in employers’ superannuation contributions, would add somewhere in the region of £36 million to £39 million to this figure. We recognise that this is a large amount of money; but we are unanimous that it has to be found if the aims of the National Health Service are to be secured and doctors and dentists are to be reasonably remunerated for their work in the service.

262. We believe that our recommendations in this report are consistent with the general principles set out in the White Paper on Prices and Incomes Policy.29 We have been mindful both of the views expressed by the Royal Commission in paragraph 404 of their Report30 and of the comment made by the National Board for Prices and Incomes in their report on recommendations by the Standing Advisory Committee on the Pay of the Higher Civil Service:

The White Paper [on Prices and Incomes Policy] is not concerned only with a period of particular economic difficulty. It is concerned with the long-term problems of orderly economic growth, and sets out guidance to achieve this end. The White Paper should be interpreted in the light of its long-term aims.31

As we understand them, the principles of the White Paper, while aimed at the general objective of relating the average rate of increase in money incomes to

29 Cmnd. 2639, published in April 1965.
30 Cmnd. 939, paragraph 404; quoted in paragraph 26 above.
the long-term rate of growth of national productivity, do not preclude pay increases that can be demonstrably justified by considerations of economic efficiency, urgent social need or manifest equity.

This review has placed exceptional burdens on the shoulders of the Secretaries to the Review Body, Mr. R. T. Armstrong and Mr. T. W. Hall. The delay in the submission of evidence shortened the time at our disposal if we were to complete our task before 1st April 1966. It was due to the tireless efforts and unstinted help of the Secretaries that we were able to do this. We wish formally to express our thanks to them for the excellence of their work on our behalf.

KINDERSLEY, Chairman
ARTHUR BAGNALL
S. R. DENNISON
J. H. GUNLAKE
GEOFFREY TEMPLEMAN
REGINALD VERDON SMITH

R. T. ARMSTRONG  } Secretaries.
T. W. HALL

25th March 1966
APPENDIX I

SUMMARY OF RECOMMENDATIONS

Hospital medical and dental staff

(1) The salary scales we recommend for clinical staff in the hospital service are set out, with the present scales, in Appendix II. All the new scales are annual incremental scales. Detailed arrangements for assimilation to new scales are set out in paragraphs 102 to 106 in Chapter V.

(2) No doctor who is not fully registered should proceed beyond the second point in the house officers’ salary scale (paragraph 91).

(3) The starting salary of senior house officers on appointment to the grade should be the minimum of the scale irrespective of age (paragraph 92).

(4) The existing provisions in the Terms and Conditions of Service of Hospital Medical and Dental Staff governing starting pay on promotion should apply to all promotions in the junior grades of hospital staff in the new salary structure (paragraph 95).

(5) Where a hospital doctor or dentist accepts an appointment in a lower grade for approved training purposes, so long as he remains in the lower grade he should continue to receive the salary which he was receiving at the time when he left his last appointment in the higher grade, and he should continue to earn incremental credit in the higher grade, so that when he reverts to an appointment in the higher grade he re-enters the salary scale at the point which he would have reached if he had never left it (paragraph 97).

(6) The minimum of the consultant scale should no longer be linked to age 34. All consultants should proceed up to the maximum of the scale by annual increments, at whatever age they are appointed (paragraph 100).

(7) The allowance for a senior hospital medical or dental officer occupying a post graded as a consultant post should be increased to £700 a year (paragraph 105).

(8) Rates of payment of part-time hospital doctors and dentists should be increased with effect from 1st April 1966 pro rata with the increase in the salary scales of whole-time doctors and dentists in corresponding grades (paragraph 107).

(9) There should continue to be no weighting for part-time consultants beyond that recommended by the Royal Commission (paragraph 109).

(10) Allocation of distinction awards to consultants should continue to be based on prescribed numbers of awards rather than on percentages of those eligible. The numbers of distinction awards to be made available should be reviewed annually (paragraphs 114 and 117).
(11) The numbers and values of distinction awards should be increased from 1st April 1966 to the following (paragraph 116):

100 A plus awards of £4,885
315 A awards of £3,700
950 B awards of £2,175
1,900 C awards of £925.

(12) The "peripheral" allowance should be raised to £140 (paragraph 118).

(13) The fee for a domiciliary consultation should be increased to £5 10s. 0d. and the additional fees pro rata, and the permitted annual maximum of earnings under section 8(f) of the Terms and Conditions of Service should be £275 in any quarter or £1,100 in any year (paragraph 119).

(14) There should be no change in the arrangement whereby whole-time consultants and senior hospital medical officers who undertake domiciliary consultations should receive no fees for the first eight such consultations each quarter (paragraph 119).

(15) Fees for lectures to nurses should be increased to the following levels (paragraph 123):

- Consultants £3 10s. 0d.
- Senior hospital medical officers £2 15s. 0d.
- Senior registrars and medical assistants £2 10s. 0d.
- Other grades £2 0s. 0d.

(16) The fee for exceptional consultations by consultants should be raised to £10 0s. 0d. (paragraph 124).

(17) The fee for exceptional consultations by general practitioners should be increased to £3 5s. 0d. (paragraph 126).

(18) The special allowance for medical superintendents of psychiatric hospitals should be increased to £310 (paragraph 127).

(19) Weekly and sessional rates for locum appointments in the hospital service should be as follows (paragraph 128):

- Consultant appointment £77 15s. 0d. a week or £7 1s. 6d. a notional half-day
- Senior hospital medical (or dental) officer appointment £56 10s. 0d. a week or £5 2s. 6d. a notional half-day
- Medical assistant appointment £49 1s. 0d. a week or £4 9s. 0d. a notional half-day
- Senior registrar appointment £43 5s. 6d. a week or £3 18s. 6d. a notional half-day
- Junior hospital medical officer appointment £34 8s. 6d. a week or £3 2s. 6d. a notional half-day
Registrar appointment £35 11s. 6d. a week or £3 4s. 6d. a notional half-day
Senior house officer appointment £29 16s. 0d. a week or £2 14s. 0d. a notional half-day
House officer appointment £23 1s. 6d. a week or £2 2s. 0d. a notional half-day

General medical practitioner:
Appointment under Section 10(b) £5 6s. 0d. a notional half-day.

(20) Payments to general practitioners under Section 10 of Terms and Conditions of Service of Hospital Medical and Dental Staff should be as follows (paragraph 125):
(a) Payment to staff funds for general practitioner hospital units: £40 per bed.
(b) Payments to part-time medical officers at convalescent homes etc.: £275 a year for each weekly “half-day”, up to a maximum of £2,475 a year;
£75 a year for one hour or less per week;
£150 a year for over one hour but not more than two hours a week.
(c) Payments for occasional work in the blood transfusion service: £1 13s. 4d. per hour or part of an hour, with a maximum of £5 per session.
(d) Payments for part-time general dental practitioner appointments: £275 a year for each weekly “half-day”, up to a maximum of £2,475 a year;
£75 a year for one hour or less per week;
£150 a year for over one hour but not more than two hours a week.

(21) The Health Departments and the representatives of the profession should negotiate a system of board and lodging charges based on the following working principles (paragraph 138):
(a) There should be no charge for lodging to a doctor for whom residence in hospital is a condition of his appointment.
(b) For other doctors who live in hospital the lodging charge should be determined at an economic rate, having regard to the standard of accommodation provided.
(c) All doctors, whether they are compulsorily or voluntarily resident and whether they are on duty or off duty, should pay for meals they take in hospital.

Administrative medical staff
(22) The salary scales for senior administrative medical officers in the largest regions should be £4,680 rising by two annual increments of £185 and four further annual increments of £190 to a maximum of £5,810. The salary scales for other administrative medical staff should be revised by agreement between the Health Departments and the profession’s representatives so as broadly to maintain existing relativities (paragraph 142).
Ophthalmic medical practitioners

(23) The ophthalmic medical practitioner’s fee should be 20s. plus a further sum in respect of expenses to be agreed between the Health Departments and the profession’s representatives (paragraph 146).

General medical practitioners

(24) The levels we recommend for the main payments under the new system of remuneration are set out in Appendix III (see also paragraph 215).

(25) Arrangements for scaling down the basic and supplementary practice allowances and the additional allowances for general practitioners who do not qualify for payment of the allowances at full rate should be discussed between the Health Departments and the representatives of the profession in the light of the views we have expressed (paragraphs 191 to 193).

(26) The proposed pre-entry vocational training allowance for general practitioners should be an annual allowance only. Doctors who acquired the necessary qualifications and entered general practice before 1st April 1966 should be entitled to receive this allowance from that date if they also meet the qualifications of list size and periods of duty in general medical service (paragraph 201).

(27) It would in our view be preferable (though we do not make this a formal recommendation) that eligibility for payments to general practitioners for special experience and service to general practice should not be formally limited by age (paragraph 203).

(28) Until 5th July 1973 a general practitioner should be eligible for the third seniority payment if he has been continuously included on the Medical Register for the last thirty-five years and has been providing unrestricted general medical services under the National Health Service continuously since 5th July 1948 (paragraph 216).

(29) A general practitioner who is in receipt of a post-graduate education allowance at the time when he first becomes entitled to a seniority payment should continue to receive that allowance for whatever remains of the five-year period for which it runs, but no doctor should start receiving a post-graduate education allowance, or start on a new five-year period if he has already been in receipt of an allowance, after he has become entitled to a seniority payment (paragraph 204).

(30) The amount of the additional allowance for practice in “designated” areas should not vary with the character of the area. The criterion of qualification for this allowance should be kept under review (paragraph 206).

(31) We recommend a standard fee for items or courses of service in pursuance of public policy, and leave it to the Health Departments and the profession’s representatives to agree in the light of this on methods and levels of payment for particular services (paragraph 207).
(32) The temporary resident fees should be at standard rates for all temporary residents, irrespective of age (paragraph 208).

(33) Reimbursement for drugs and dressings provided to patients from a doctor's surgery stock should in future be regarded as covered by the capitation fees, not only in England and Wales but also in Scotland (paragraph 211).

(34) The Health Departments and the representatives of the profession should negotiate on the application of the new system of remuneration and of our recommendations to practitioners providing restricted general medical services and on the position of practitioners who employ assistants (paragraph 218).

Effective date

(35) All new rates and payments recommended for hospital medical and dental staff, administrative medical staff, ophthalmic medical practitioners and general medical practitioners should come into effect from 1st April 1966 and are intended to stand for two years (paragraph 21).

General dental practitioners

(36) The target average net income from the general dental services for all principals, full-time and part-time together, working wholly or partly in these services, should be £3,200 in 1966–67 and £3,325 in 1967–68 (paragraph 246).

(37) The Dental Rates Study Group should be invited to proceed immediately to fix a scale of fees so as to yield an average net income of £3,200 for the year beginning 1st April 1966 (paragraph 238).

(38) In the early months of 1967 the Dental Rates Study Group should be asked to review the scale of fees for general dental practitioners in the light of the latest available information, and to propose whatever changes may be necessary so as to produce an average net income of £3,325 for the year beginning 1st April 1967 (paragraph 238).

(39) There should be no change in the scale of fees between the annual reviews by the Dental Rates Study Group, except for the purpose of altering relativities within the scale. If as a result of a rise or fall in average gross earnings there is a measure of overpayment or underpayment of dentists during the year between reviews by the Study Group, no attempt should be made either at the time or subsequently to offset the error in that year (paragraphs 238 and 239).

(40) The Health Departments and the British Dental Association should examine their procedures and arrangements so as to enable the Dental Rates Study Group to function and complete its work without delay. The Health Departments should consider whether a greater measure of authority can be given to their representatives on the Group, so as to reduce the need for reference back for instructions (paragraph 244).
(41) We attach importance to having recommendations on target net income for general dental practitioners implemented and brought into full effect as soon as possible after the beginning of the period to which they relate (paragraph 245).

*Health centre dentists*

(42) For the time being the salary scales of health centre dentists should remain broadly in line with those of local authority dentists (paragraph 249).
### APPENDIX II

**HOSPITAL MEDICAL AND DENTAL STAFF**

**PRESENT AND RECOMMENDED SALARY SCALES**

#### Main Grades

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<th>Scale recommended from 1st April 1966¹</th>
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¹ All new scales to be annual incremental scales.

² Salary payable in first pre-registration appointment.

³ Salary payable in second (and any subsequent) pre-registration appointment.

⁴ Salary payable to fully-registered house officer.

⁵ No house officer who is not fully registered to receive final increment.
### Main Grades—continued

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<th>Grade</th>
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<tr>
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<td>Present scale</td>
<td>Scale recommended from 1st April 1966</td>
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<tr>
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<tr>
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<td>£</td>
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<tr>
<td>Junior hospital medical officer</td>
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<tr>
<td></td>
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<td>2,960</td>
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<tr>
<td></td>
<td>2,730</td>
<td>3,050</td>
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</tbody>
</table>
APPENDIX III

GENERAL MEDICAL PRACTITIONERS

MAIN NEW FEES AND ALLOWANCES

The descriptions of the new fees and allowances in this appendix are in summary form only. For fuller descriptions see Chapter VI (and particularly paragraph 215) of this report, and the Second Report of Joint Discussions between general practitioner representatives and the Minister of Health.

1. Basic practice allowance: full rate ........................................ £1,000 0s. 0d. a year

2. Standard capitation fees:
   (a) for each patient aged under 65 ........................................ £ 1 0s. 0d. a year
   (b) for each patient aged 65 or over .................................... £ 1 8s. 0d. a year

3. Payments for out-of-hours responsibilities:
   (i) Supplementary practice allowance: full rate ................. £ 200 0s. 0d. a year
   (ii) Supplementary capitation fee for each patient in excess of 1,000 on the list (1,000 per doctor on the combined lists of doctors in partnership) .............. 2s. 6d. a year
   (iii) Fee for visit requested and made between midnight and 7 a.m. .... £ 1 0s. 0d. a visit

4. Additions to the basic practice allowance (full rates):
   (a) for practice in qualifying "designated" areas ................. £ 400 0s. 0d. a year
   (b) for group practice ..................................................... £ 200 0s. 0d. a year
   (c) for seniority: first payment ....................................... £ 200 0s. 0d. a year
       second payment ............................................................ £ 200 0s. 0d. a year
       third payment ............................................................. £ 250 0s. 0d. a year
   (d) for special experience and service to general practice:
       (i) to 2,500 doctors ...................................................... £ 750 0s. 0d. a year
       (ii) to 100 doctors ...................................................... £2,500 0s. 0d. a year
   (e) for pre-entry vocational training .................................. £ 125 0s. 0d. a year

5. Post-graduate training allowance .................................. £ 20 0s. 0d. a year for five years

6. Standard fee for item or course of service in pursuance of public policy ........................................ 7s. 6d.

7. Maternity medical services: complete services .................. £ 15 0s. 0d.

8. Temporary resident fee ................................................. £ 1 2s. 6d.

9. Rural practice funds to be increased by ......................... 10 per cent.

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CABINET

HOUSING PROGRAMME 1966

Memorandum by the Minister of Housing and Local Government

I have been considering the level of the public sector housing programme for the calendar year 1966 in the light of the disquieting performance of the private sector in the first quarter of this year.

2. When the Cabinet considered housing programmes in July last (CC(65) 39th Conclusions, Minute 1; and 43rd Conclusions, Minute 3) the level of local authority approvals was set at 150,000 for each of the years 1965 and 1966 with annual increases thereafter to a total of 170,000 in 1970. Subsequently the Cabinet agreed that the total programme for the two years 1965 and 1966 should be 300,000 so that approvals could be transferred from one year to another (CC(65) 68th Conclusions, Minute 6). In the event 152,000 approvals were given in 1965.

3. The housing figures for the first quarter of this year, attached as Annex A, give grounds for concern. February was a very bad month, partly because the rainfall was exceptionally heavy, and though March was better, the performance in the first quarter as a whole was below expectations, particularly in the private sector.

4. Starts by public authorities are much as expected in the light of the pattern of new approvals last year. Completions are slightly below expectations and I shall be taking measures to expedite them, but there is not much that can be done in the short term without disrupting future progress.

5. The real difficulty is in the private sector where both starts and completions are down on our forecasts. Earlier last year private house building was held back by an acute shortage of mortgage funds. It had been expected that, once this had been overcome, private builders would recover their confidence and both starts and completions would turn upwards. This has not happened.

6. Despite a continued high level of building society advances and a full pipeline, the rate of completions by private builders has not increased as expected and construction times have lengthened. It is becoming increasingly clear that sales resistance is developing in new houses, although there continues to be a steady demand for existing houses. Unless the rate at which private houses are completed picks up in the rest of the year, we shall fall short of 400,000 new houses (public and private).
7. Starts of private houses for the first quarter follow the pattern of recent months and point to a total of about 210,000 in the year. This compares with the 250,000 forecast last July when we provisionally fixed the public sector programme for 1966, and 230,000 to 240,000 forecast last autumn.

8. These disappointing private housing figures do not seem to be due to shortages of materials or labour.

9. It was always understood that I should reopen the 1966 public programme if the private sector fell short of expectations. Now that this eventuality has arisen I seek approval for an extra 10,000 authorisations to be used during the balance of this year. If approved they would be used to take up the slack in areas, mainly in the south and east, where private building is lagging. This would help in particular authorities who, with our present programme and priorities, would otherwise get no more than in 1964, despite their urgent need to provide more housing to rent.

10. I would propose to allocate the extra authorisations broadly as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Authorisations</th>
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<tbody>
<tr>
<td>West Midlands</td>
<td>3,000</td>
</tr>
<tr>
<td>South-West</td>
<td>500</td>
</tr>
<tr>
<td>East Anglia</td>
<td></td>
</tr>
<tr>
<td>Eastern Counties</td>
<td>3,000</td>
</tr>
<tr>
<td>Southern Counties</td>
<td>2,000</td>
</tr>
<tr>
<td>South-Eastern Counties</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,000</strong></td>
</tr>
</tbody>
</table>

11. I shall get as many of the extra houses as possible built by industrialised methods and authorities would be encouraged to employ systems for which capacity is available. This should ensure short construction times.

12. If, however, we are to influence the number of houses completed before the end of this year, additional allocations must be given immediately to the authorities concerned so that they can be put out to tender within the next month or so. Late though it is, I expect an appreciable number of the 10,000 could be finished by quick industrialised methods before the end of December.

13. In due course I shall need to ask for an additional programme of houses to meet the National Coal Board’s requirements for miners transferred to new pits as a result of the accelerated colliery closure programme. The exact number and the timing of their provision has still to be decided by the Board but it is likely to be spread over three separate years. In any case, these particular houses must be treated quite separately from the ordinary local authority housing programme.

R. H. S. C.

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

25th April, 1966
<table>
<thead>
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<th>Actual</th>
<th>Thousands</th>
<th>Seasonally Adjusted</th>
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<tr>
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<td>18.6</td>
<td>18.7</td>
<td>19.2</td>
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<tr>
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<td>33.5</td>
<td>34.4</td>
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<tr>
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<td>12.4</td>
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<td>Private</td>
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<tr>
<td>Total</td>
<td>28.8</td>
<td>28.3</td>
<td>33.5</td>
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<tr>
<td><strong>1966</strong></td>
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<tr>
<td><strong>Starts</strong></td>
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<td>Total</td>
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<td>23.0</td>
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<tr>
<td><strong>Completions</strong></td>
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<tr>
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<td>11.0</td>
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<td>15.9</td>
</tr>
<tr>
<td>Total</td>
<td>28.4</td>
<td>24.7</td>
<td>32.5</td>
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CABINET

REVIEW BODY REPORT ON DOCTORS' AND DENTISTS' \n\nRE NUMERATION

Note by the First Secretary of State and Secretary of \nState for Economic Affairs and the Chancellor of the Exchequer

The Minister of Health's paper (C(66) 62) summarises the \nrecommendations of the Kindersley Review Body on the pay of doctors \nand dentists as from 1st April, 1966, and asks for agreement to accept \nthem.

2. We recognise that, as the paper says, any major departure by \nthe Government from these recommendations will carry a risk of mass \nresignations among the medical profession and a breakdown of the Health \nService. On the other hand if we were to implement forthwith a pay \nincrease of some 30 per cent for medical practitioners, it would be \nimpossible for trade unionists to believe that we are serious about the \necomic consequences of large increases in remuneration in 1966, \nparticularly when it is recalled that these doctors had a 9 per cent \nincrease a year ago. Nor can we ignore the excessively high cost of \nimplementing the recommendations at once (about £38 million a year). \nTherefore we have asked officials to list ways in which the cost in the \ncurrent year might be reduced; a note is attached at Annex A.

3. We believe that the best alternative is the first - to accept the \nrecommendations as they stand but to implement the increased payments \nto medical practitioners in two stages, so incurring half the extra cost \nfrom 1st April, 1966, and the other half from 1st April, 1967. This would \nstill be far in excess of the 3½ per cent norm but it would demonstrate \nthat we are in earnest about our policy, and we believe public opinion \nwould be on our side. This would mean that the Government would be \nshowing a willingness to accept the Review Body's award in full as from \na date in the reasonably near future, whilst still allowing all sectors of \nthe dental and medical profession to have increases this year above the \nnorm. Any other course would inevitably lead to severe criticism from \nthose who, like the railwaymen, have been told that progress towards \nlonger term objectives which involve high costs to the Exchequer and the \npossibility of repercussions on others, must be gradual.

4. We therefore invite our colleagues to agree to this two-stage \nimplementation for medical practitioners, in view of the excessive cost \nand incompatibility with incomes policy of the recommendations as they \nstand.

G.B.
L.J.C.

Department of Economic Affairs, S.W.1.

25th April, 1966
The report's recommendations are intended to stand for two years from 1st April 1966. The last general review took effect three years earlier. Therefore 2½ years (from mid-point to mid-point) at 3½ per cent gives a "norm" of 9 per cent.

2. The additional Exchequer cost of the Review Body's recommendations (including superannuation) would be:

<table>
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<th>Description</th>
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<td>Hospital doctors and dentists</td>
<td>£7.7</td>
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<td>General medical practitioners</td>
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</tr>
<tr>
<td>General dental practitioners</td>
<td>£3.3</td>
</tr>
<tr>
<td>Superannuation, etc.</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>£37.9m</td>
</tr>
</tbody>
</table>

3. The Review Body's view is that their 1963 recommendations were overtaken by subsequent developments earlier than they had allowed for. Some increase over the "norm" would be justifiable on these grounds.

4. The recommendation for dentists, averaging 10.6 per cent over the two years, is not far above a "norm" of 9 per cent: it seems acceptable after allowing for the considerations mentioned in the preceding paragraph.

5. The average increase for hospital doctors is 13.4 per cent. This covers a wide range, from 35.4 per cent for pre-registration house officers to 9 per cent for top consultants. The Health Departments' evidence proposed larger increases for junior doctors within a total consistent with incomes policy, so that the 13.4 per cent is the key figure. As well as the earnings of graduates and professional men in industry, the Review Body took account of increasing workload, and the need to maintain the attractiveness of the hospital service, particularly at junior levels. These considerations seem to justify an average increase of this order.

6. It is the increase recommended for general practitioners which poses the main problem. On the basis of the Review Body's figures the average increase in net remuneration, including all the special payments, could be as high as 33 per cent. If the new "merit" payments are excluded this figure would go down to 30 per cent; and to 25 per cent allowing for other adjustments mainly in respect of special incentive payments (Annex 2 of the Minister's paper).
7. If Ministers were to decide that the recommendations for general practitioners were too high to be consistent with incomes policy then there are the following alternatives to unqualified acceptance:

(i) Some or all of the main payments under the proposed system could be paid in instalments. This could be done by accepting the recommendations in principle and implementing the payments in two stages, from 1st April 1966 and 1st April 1967, so that half the extra cost of £23.9 million was incurred in 1966/67 and the other half not until the following year. This might be done by deferring until 1st April 1967 the introduction of seniority payments and merit awards (£7.5 million), and reducing the sum of basic and supplementary practice allowance from £1,200 to £1,000 for the first year (£4.4 million).

(ii) To cut the total cost, seniority payments (£5.5 million) and merit awards (£2.1 million) could be deferred for the present, reducing the percentage increase figure by up to some 12 per cent to something like the figure for hospital doctors. Again this would be arbitrary (these payments have been accepted in principle in the negotiations on the new system), and the profession would be almost certain to reject the report thus modified.

(iii) Similarly, merit awards alone could be deferred, cutting the percentage increase by about 3 per cent (£2.1 million a year). This would be less certain to offend the profession, who may well themselves reject this item; but it would be inconsistent with the Health Departments' and Review Body's view that the proposal for merit awards is specially desirable.

(iv) The Health Departments' evidence said that merit awards were a necessary complement to payments for seniority. The Government could maintain this view and refuse to make seniority payments unless the profession accepted merit awards. This would only save money if merit awards were then rejected by the profession. But the wording of the Review Body report opens the way to a reference back by the profession for seniority payments to be redistributed. Although the Review Body said that if the profession rejected merit awards, "we should recommend that the money which would have been used should not be available, rather than that it should be distributed in other ways", the implication is that if the Government then rejected seniority payments too, the Review Body might well want to recommend that money should be distributed in other ways.
As a variant on (iv) to save money in the current year, seniority payments and merit awards might only be implemented without retrospection when an acceptable scheme for the latter has been negotiated. But again this would conflict with an explicit Review Body recommendation as to operative date and would cause a row with the profession.

(vi) Similarly, the whole system of new payments might only be implemented from a current date following acceptance by the profession, which is unlikely before June; an operative date of 1st July would save a quarter of the annual extra cost, or some £6 million. The alternative recommended by the Review Body, that the new payments should take effect from 1st April, would require retrospective adjustment of payments made at the old rates during the quarter, but there would be no administrative difficulty in allowing for retrospection for the bulk of the payments involved.

(vii) This retrospective adjustment will however be difficult and inexact for the new payments for items of service. To avoid having to pay a compounded sum based on the amount earned in the following quarter, administrative simplicity could be gained (and something like £0.5 million saved) by deferring these payments to a current date following acceptance. The question here is whether the relatively small gain is worth the risk of protests at rejection of one Review Body recommendation.

22nd April, 1966
CABINET
MINISTRY OF SOCIAL SECURITY BILL
Memorandum by the Minister of Pensions
and National Insurance.

I am now ready to introduce a Bill (the Ministry of Social Security Bill) giving effect to my proposals for remodelling national assistance which were summarised in C. (65) 176 and approved by the Cabinet (C. C. (65) 70th Conclusions, Minute 2). If, as the Cabinet agreed, these proposals – affecting more than two million people – are to be brought into operation in the autumn of this year, it is essential that the Bill receives Royal Assent before the summer recess. I understand that this can be guaranteed if the Bill is published no later than 2nd May, for Second Reading on 10th May, although the Chancellor of the Exchequer would prefer it not to be introduced before the middle of May. I should not object to this provided Royal Assent could still be guaranteed before the summer recess. No such guarantee is at present available with a later date of introduction. I must therefore seek urgent decisions on two aspects of my proposals which the Chancellor questions. I comment on these below.

The long-term addition

2. The first is my proposal for the long-term addition (to the ordinary scale rates) for the old and for others (apart from the unemployed) who have been on national assistance or non-contributory benefit for two years, to take the place of smaller discretionary additions. This is a major feature of the scheme. My original proposal, as approved, was to set this addition at a level of 7s. 6d. but in existing cases to ensure that no more than 4s. 6d. of this was set off against current discretionary additions. This is a major feature of the scheme. My original proposal, as approved, was to set this addition at a level of 7s. 6d. but in existing cases to ensure that no more than 4s. 6d. of this was set off against current discretionary additions. So that all gained at least 3s, from it. It has since been possible to examine the incidence of discretionary additions in more detail, and in the light of this I have modified my original proposals in a way which I am sure makes them even more attractive at no more cost and at a slight initial saving. Instead of setting the addition at 7s. 6d. with a 3s. concession for existing cases, I propose that the long-term addition should be 9s. with no concession. This will be fairer and it will enable us to dispense at the outset with discretionary additions for the great majority of our old people receiving assistance. Thus we can go much further in implementing our intention to make discretionary additions, and the enquiries that necessarily go with them, really exceptional.
The basic rates

3. I propose to limit the increase in the basic rates to the amount necessary to meet the increase in the cost of living since the present rates were introduced in March, 1965. This will mean 5s. a week more for a single householder, and 7s. 6d. a week for a married couple.

The guaranteed income level

4. Taking together the basic scale rate as increased by 5s. for a single householder from 76s. to 81s. a week with a long-term addition of 9s., we shall achieve an income level for our old people and other long-term cases on the new benefit of £4. 10s. a week for the single householder, rent, of course, being allowed in addition. The attraction of this speaks for itself. Since the new benefit will inevitably be regarded as a substitute for income guarantee, and since a major object of the new scheme is to attract needy people who have not so far applied, the importance of launching it with a single rate which looks both round and as generous as we can make it needs no emphasis.

5. The Chancellor would, I understand, prefer the long-term addition to stay at 7s. 6d. with no concession to existing cases. The rate would then be £4. 8s. 6d. This would save £6 million in a full year but, as my colleagues will be aware, the total cost of my proposals, £65 million in a full year, can in fact be accommodated within my approved programme of expenditure under the National Plan on the basis that there should be some limitation of expenditure on the next general uprating. It has already been decided that I should limit the uprating due in mid-1967 by about Is. for this purpose. Some such reduction would, of course, still be necessary even with the saving of £6 million.

The disregards

6. I understand that the Chancellor is concerned because in some cases the combination of the scale rates, rent, the long-term addition, and disregards will bring the claimants' income above the old age tax exemption limits and he would like the disregards to be reduced. I must remind my colleagues that the Social Services Committee spent two full meetings on the disregards when they were considering Income Guarantee, during which the original proposals were substantially modified. In the annex to my memorandum to the Social Services Committee S. S. (65) 20 I was careful to put before the Committee a full exposition of the income tax problem in this connection. The principal modifications made by the Committee were to add to the disregard of disability pensions and earnings originally proposed a disregard of £1 a week of other income, including superannuation, but not the main national insurance pensions etc., and maintenance payments; and to be more generous about capital for people without disregarded income. These two go together; the extra capital of £500 allowed to the man without a disregard would, at 6½, buy an annuity of 20s. a week, which would be disregarded. Thus there is equitable treatment as between saving for old age by investment, and by contributing to a superannuation fund.
7. When I was commissioned by the Cabinet to remodel national assistance incorporating as many features of Income Guarantee as possible, I naturally included these disregards in my proposals to the Social Services Committee and they were there accepted. The proposal to rationalise and modernise the disregards was included in my memorandum on non-contributory benefits (C. (65) 176) and it will be recalled that these proposals were welcomed. Anything less than these disregards would in my judgment be politically unacceptable, both to our own back-benchers and in the country at large. We found it impossible, in framing Income Guarantee, against the background of existing national assistance disregards to take a severe line; and by the same token, we could not take a severe line in remodelling national assistance. The proposed disregards do little more than restore the value of the existing disregards established by the previous administration as long ago as 1959, and for some people indeed are less favourable.

8. As for taxation, a number of assistance recipients are already above the tax exemption limit and the Inland Revenue deal with this administratively by ignoring such payments. Admittedly my proposals tend to aggravate this problem but it cannot possibly be solved by manipulating the disregards. A solution could only be found by introducing also some completely new provision limiting payments for rent so as to keep within the tax exemption limit and, even if this could be worked out in time, it would destroy what has always been a fundamental feature of means-tested benefit, namely that reasonable rent is met in full.

Summary

9. I seek the Cabinet's agreement that -

(i) the Ministry of Social Security Bill should be introduced in time to ensure Royal Assent before the summer recess;

(ii) the long-term addition should be 9s. a week, making a guaranteed income level, after payment of rent, of £4. 10s. a week for old people living alone;

(iii) the new benefits should be exempt from income tax;

(iv) the proposals for disregards of income and capital at present embodied in the Bill should remain unchanged.

M. H.


26th April, 1966
CABINET

MINISTRY OF SOCIAL SECURITY BILL

Memorandum by the Chancellor of the Exchequer

In December last (C. C. (65) 70th Conclusions, Minute 2) the Cabinet approved the main features of a scheme for reshaping National Assistance and a Bill designed to give effect to the scheme was considered by the Legislation Committee on 26th April.

2. There are a number of issues outstanding in connection with this Bill:

(i) Parliamentary timetable.

(ii) The timing and content of a statement on how the cost of the scheme can be reconciled with the expenditure limits laid down by the Cabinet.

(iii) The level of the new benefits to replace existing discretionary allowances and of "disregards" of other income.

(i) Timetable

3. It is most important to me that the Ministry of Social Security Bill should not be introduced before about the end of May.

4. The cost of the Bill on present form would be £26 million this year and £65 million in a full year. This is not yet publicly known. For it to become known at or about the time of the Budget would be very embarrassing. I could not then keep the expenditure out of the Budget, but I wish to avoid unnecessarily increasing the net total of Exchequer borrowing as shown in the Budget figures.

5. The present plan is to introduce the Bill next Monday and have Second Reading on 10th May - the worst possible timing from my point of view - and the view is taken that only thus can Royal Assent be obtained before the end of July which it must be if the new benefits for which the Bill provides are to be introduced before the winter. I do not feel able to accept this.

-1-
(ii) Statement on Cost

6. The cost of the new scheme cannot be found within the expenditure limits laid down by the Cabinet for benefits and assistance to 1969-70. It was therefore agreed (C, C. (65) 70th Conclusions, Minute 2) that room would be found by limiting the next increase in existing benefits and that a statement about this limitation would be associated with the announcement of assistance changes. The terms of such an announcement would need to be settled in time for the Second Reading of the Bill.

(iii) Level of Benefits and Disregards

7. Very briefly the issues here are whether the level of the new benefit to replace existing discretionary allowances should be 7s. 6d. or 9s., and whether this benefit on the disregards of other income proposed should be adjusted to reduce the number of people who might get higher tax free incomes because they were receiving non-contributory benefits than if they were earning income in the normal course.

8. Points (ii) and (iii) are being discussed with the Minister of Pensions. If the introduction of the Bill is postponed then I do not need to trouble my colleagues with either at least at this stage. If not, however, it will be essential to settle (ii) at the end of next week and (iii) at Cabinet on Thursday next 28th April. In case the latter becomes unavoidable I am arranging to circulate an Annex to this paper setting out the problem more fully.

Conclusion

9. I ask my colleagues to endorse my view that on budgetary grounds introduction of the Ministry of Social Security Bill should be postponed until about the end of May.

L. J. C.

Treasury Chambers, S. W. 1.

27th April, 1966
MINISTRY OF SOCIAL SECURITY BILL

The Level of Benefit and of Disregards of Other Income

In her original proposals to the Social Services Committee and to the Cabinet (C. (65) 176) the Minister of Pensions proposed that people over pension age and other long-term cases apart from the unemployed should receive a standard allowance of 7s. 6d. a week above the normal national assistance scale rate in place of minor discretionary additions. The cost of this would be about £22 million a year. This proposal was endorsed by the Cabinet (C.C. (65) 70th Conclusions, Minute 2). The Minister now proposes that the standard allowance should be 9s. 6d. a week. This extra Is. 6d. would cost some £4 million a year in the immediate future rising to £7 million by 1969-70 and would continue to grow thereafter. I do not consider this extra Is. 6d. is justified.

2. It is not in my view reasonable that the Cabinet should be asked to decide this issue at such short notice. Were the introduction of the Ministry of Social Security Bill to be deferred this would not be necessary. This is a further strong reason for postponing the Bill's introduction.

3. There are several reasons why I think we should in any case resist the increase of the standard allowance to 9s. 6d.

4. First, the Minister has already used up all the resources allocated for benefits and assistance up to 1969-70 by the Cabinet. She is in fact "overdrawn" in the sense that the cost of the present Bill can only be met within the limits laid down by holding back the next uprating of existing benefits below the level of the increase in earnings. (This was decided by the Cabinet - C, C. (65) 70th Conclusions, Minute 2). It is clearly important that this overdraft should be as limited as possible. In any case it is not prudent to use up all available resources at this early stage thus leaving increasingly limited room for manoeuvre between now and 1969-70.

5. Second, the Minister may argue that she is modifying her proposals in other respects in a way that reduces the overall cost and that therefore the extra Is. 6d. on the standard allowance can be afforded. I do not regard a reduction in cost made on merits in one field as any reason for increasing costs in others.

6. Third, a standard allowance of 7s. 6d. when taken with the other improvements proposed would enable total increases of up to 12s. 6d. a week to be given to some 900,000 out of about 1.4 million old people. The people who would not benefit with a 7s. 6d. allowance but who would benefit if it were 9s. 6d. are limited in number and those who are least in need. Additional benefit of up to 12s. 6d. a week on top of 12s. 6d. a week increase approved a year ago (the largest ever in absolute and proportionate terms) would be substantial. The more so since the effect of the standard allowance is inevitably to give rather more to those who are less in need.
7. There is a taxation aspect. National Assistance payments are not liable to tax but under the law as it stands the new non-contributory benefits would be unless specifically exempted. The new benefits are higher than those they replace and so in general are "disregards" of other forms of income and capital. If the Minister's proposals were accepted in full and the benefits exempted from tax there would be a substantial increase in the number of people getting a total tax free income which would attract some tax if it consisted wholly of "ordinary" income. Holding the standard allowance at 7s. 6d. could help at the margin to contain this problem.

Treasury, S.W.1.

27th April, 1966
CABINET

MINISTRY OF SOCIAL SECURITY BILL:
ADMINISTRATIVE ARRANGEMENTS

Memorandum by the Minister of Pensions and
National Insurance

I was invited by the Cabinet (C(66) 21st Conclusions, Minute 3) to arrange with the Chancellor of the Exchequer for urgent consideration of the possibility of undertaking, during the interval between the third reading of the Bill in the House of Commons and the receipt of Royal Assent (about mid-November), the administrative work necessary to bring the new scheme of non-contributory benefits into operation in the last week in November, and to report on any special steps considered necessary. These considerations fall under three heads, operational, legislative and public relations.

Operational

2. Providing that the Parliamentary timetable envisaged by the Cabinet is adhered to, I cannot say that what was proposed is operationally impossible, subject to the appointed day being deferred until 12th December, as to which see the Annex. But the consequences of attempting to introduce the scheme in this fashion could, in my judgment, be disastrous. I set out in the Annex an analysis of the effects of the proposal, which can be summarised thus:

(i) The burden on the administrative machine would be increased at a time when it is bound to be under severe pressure; and there would be a real risk of breakdown. Even if this were avoided, the quality of service must suffer.

(ii) A vital feature of the scheme - allowing old people to claim on a written return of income - could no longer be introduced at the outset. In addition the pilot scheme for the introduction of combined order-books would have to be deferred, possibly for some months.

(iii) The publicity programme would be seriously weakened - I comment separately on this in paragraph 5.

Legislative

3. Public money must of course be spent, in effect to implement the Bill, before Royal Assent had been given. But this is not the important factor. It would be impossible to take account from the appointed day of any changes (whether favourable or otherwise) brought about by amendments made after the Summer recess. The appointed
day must be announced in July and it would then be plain that a scheme not yet approved by Parliament was for all practical purposes being implemented. Claims to benefit would be invited and followed up by a home visit to obtain a full statement of the claimant's circumstances, before a statutory scheme existed to which the statement could relate. A practical difficulty which troubles me is that the results of the visit, whenever made, could not be communicated to the claimant until early December.

4. One cannot say that all this rules out what has been proposed, but plainly it involves treating Parliament and particularly the House of Lords with scant courtesy, to which serious exception might well be taken; and in so far as controversy developed about these matters the public standing of our scheme would be damaged. Since the main purpose of the scheme is to secure better public - and political - acceptance of a means-tested benefit I would deplore the creation of controversy over a Bill which, as to merit, will I am sure command general approval. Circumstances could arise in which, for the reasons explained in paragraph 4 of the Annex, payments would unavoidably be made in excess of what Parliament authorised; though this might be thought a very unlikely contingency it could be dealt with by express authority if it arose. A more real risk is that Royal Assent might be delayed beyond mid-November by the need to deal with Lords amendments of a kind which commanded popular support. If the Bill were in fact delayed beyond mid-November the situation would be lamentable: awards would be further delayed, the revision of order books already prepared would soon become impossible and, with Christmas imminent, there is a risk that the whole operation would have to be called off for the time being.

Public relations

5. The dominant consideration in my view is the public relations aspect. I remind my colleagues again that I shall shortly be publishing the results of my Survey of Retirement Pensioners, which will bring out the failure of large numbers of old people to apply for national assistance. Many will see this as an argument for higher pensions. The aged non-pensioners too are building up substantial political interest and support. The Ministry of Social Security Bill is our answer. The new scheme ought, in my view, to be introduced by a well-planned and vigorously executed publicity campaign backed by efficient and humane administration. The latter already exists, and with my original programme neither efficiency nor humanity would be endangered; and with Royal Assent by the summer recess I should have no difficulty in ensuring the sort of publicity we need. With Royal Assent deferred until mid-November the publicity campaign could not take place in the way I had envisaged and would indeed have to be stopped completely at Royal Assent, i.e. the natural time for making the greatest effort. And, because of the overload on the administration, there could well be serious delays in handling the day-to-day business of meeting immediate need as well as dealing with new claims to the new benefits; it would not be practicable to give priority to cases of urgent need because only after investigation could the degree of urgency be established.
6. What in fact would happen can be summarised thus:

**End July:** I should have to announce that, subject to the approval of Parliament, the scheme would operate from 12th December and that administrative work to implement it would be started at once.

**August:** The staff of the National Assistance Board would start re-assessing the two million existing national assistance cases.

**Early October:** Explanatory leaflets and claim forms would be made available locally, but all the information about the scheme would have to be on the basis that it was contingent on Parliamentary approval, and advance publicity would thus lose much of its impact. Worse still, there being no Ministry of Social Security and no Commission, it would have to be explained that claims would be handled at the offices of the National Assistance Board, in that name.

**October-November:** National Assistance Board local officers would be visiting new claimants and taking declarations of circumstances; they would necessarily go out as Board’s officers and introduce themselves as such. Concurrently, we should be repeating in the Lords debates that the intention of the scheme was to get away from the misconceptions associated with national assistance.

**Late November:** The Minister and Commission would be appointed.

**December:** The benefits would be paid, but with no advance notification of the amount awarded. For the reasons explained in paragraph 5 of the Annex there could be no publicity at this stage at all. Also I should have had to explain the deferment of two attractive features of the scheme - see paragraph 2 above.

**January-February:** The full-blooded and unconditional publicity campaign which I had envisaged for September-October might begin if, so soon after the main operation and at a particularly difficult time of year, the administrative machine could handle the spate of claims which might be expected to result.

Conclusion

7. The best - indeed the only - programme I can offer is set out above. No additional influx of staff or special dispensations can improve it at this stage. In my judgment it would cause disastrously the public standing of the new scheme at a time when we shall be expected to set out vigorously to establish it as an accepted and fundamental part of social security and as the answer to the situation disclosed by my Survey.

8. I must urge my colleagues that what needs to be done to assure Royal Assent before the summer recess should be done.

M.H.


2nd May, 1966
OPERATIONAL ASPECTS

1. No benefits can be paid under the Bill until the Minister (who will have the duty of paying them) is appointed and has appointed the Commission, who will have the statutory duty of awarding benefit. Given Royal Assent by mid-November, the earliest date by which the Minister and Commission could be appointed under the Act would not allow new benefit payments to be made much before 12th December, which is also the earliest date operationally possible. The appointed day could not be made later because of the risk of payments being delayed in the post before Christmas.

2. Existing recipients of national assistance would have their order books renewed as usual. Some orders in these books would be due for encashment after the appointed day at their existing national assistance rate, and after the Commission had been appointed, the payees would be provided with an additional book for the increase due under the new scheme. This procedure requires about one million more order books and a great many more man-hours than my original plan. (Under the original plan about half of the national assistance recipients would have been provided, as their cases came up for review week by week, with renewal order books reflecting the higher rate from the appointed day.) I can get the million more order books, although there has not been time to consult the Post Office about the practicability of encashing the extra orders immediately before Christmas. The man-hours required to prepare the extra books can only come from making yet further demands on the staff, at a time when they would in any case be under the severest pressure. Starting the reassessment programme on 1st August, the earliest date by which they could finish would be the first week in December, books being despatched in the week beginning 5th December for payment on 12th December. During these eighteen-nineteen weeks the National Assistance Board staff would be working the maximum overtime that is practicable. All the time the ordinary work - some of the most taxing in the social services - must go on. The risk of breakdown could not be brushed aside. Strong representations are already being made by the Staff Associations about the strain on the staff and risks for the public which plainly lie ahead; and of course they have no inkling of the latest proposal.

(1)
3. Three further points must be made about the reassessment period: 1st August - end November:

(i) The start of reassessment could not be deferred beyond 1st August without pushing the appointed day into the Christmas postal period.

(ii) Once the programme has started no changes in the scheme (beneficial or otherwise) could be incorporated in the order books prepared for the appointed day.

(iii) The third reading in the House of Commons must, therefore, be secured by 1st August if benefits are to be paid this year.

(iv) The appointed day would have to be announced when the Bill leaves the House of Commons and regardless of the feelings of the House of Lords, or of complications arising from any Lords' amendments.

4. The fact that amendments made as a result of the Lords' consideration of the Bill could not be incorporated in the additional books means that any beneficial amendments would have to be implemented at a later date, with arrears, as order books were renewed. If the amendments resulted in less favourable allowances to particular individuals (amendments which were unfavourable overall can no doubt be ruled out) overpayments must result; and special provision would have to be made to cover this irregularity.

**Effect on the scheme**

5. Handling of new claims. Under my original plan the main publicity drive to attract claims to the new benefit from people not already receiving national assistance was planned to start not less than two months before the appointed day. But no publicity drive could be contemplated during the period of perhaps no more than two weeks which would elapse under the new timetable between Royal Assent and the appointed day. If new claims were made in substantial numbers during this very short period, the effect could only be to produce serious delays. Widespread delays would sour the atmosphere of goodwill on which we have counted to start off the new scheme. But this is not the most serious consideration. The claims coming in would be of two kinds. First there would be those claimants attracted by the new scheme but not in urgent need, e.g. a pensioner with capital who only qualifies because of the higher disregards. Secondly, many claims would come from people in urgent need who under present arrangements would have sought and obtained national assistance immediately, e.g. a woman newly widow whose husband's occupational pension has died with him or the family man suddenly incapacitated by a road accident. It would be impossible...
to pick out these urgent cases for priority treatment because they often cannot be identified before they have been investigated. Some of these people would receive a greatly worsened service and would be temporarily in great hardship. Such failure to meet real need promptly would provoke strong public reaction. It is essential therefore that under the timetable remitted for consideration by the Cabinet any advance publicity for the new scheme should be brought to an end before Royal Assent and not resumed until the New Year.

6. Apart from this crucial difficulty the timetable would have other consequences detrimental to the impact of the new scheme.
   (i) Claims would have to be invited on a contingent basis for a benefit under a Bill to which Parliament had not given approval.
   (ii) Leaflets and claim forms would have to be provided for use by the public before Royal Assent.
   (iii) Claims for the new benefit would have to be determined before the Commission exists, on a statement of circumstances which did not relate to any statutory scheme, and on which no decision could be given to the claimant until early December irrespective of the date of his application.
   (iv) Since the Ministry of Social Security and the Commission would not exist, claim forms would have to be dealt with at Area Offices of the National Assistance Board, in that name, and at home visits by local officers of the Board. The presentational difficulties of this are obvious.

7. Publicity
   (i) The publicity campaign I contemplated undertaking some two months before the appointed day - which would have included full coverage in the press, radio and television, and posters - could not be undertaken in anything like the way I had envisaged; there would be no statutory scheme to publicise and publicity would therefore have to be conditional and half-hearted. This impression of half-heartenedness would be made worse by the fact that the passage of the Act, the creation of the new Ministry and Commission, the inception of the new benefit would all occur when publicity had to be suspended.
(ii) A full-blooded publicity campaign would still be required to support the new scheme; but this could not be undertaken until after Christmas. This means that up to some date in the New Year we should have done little to tell new claimants about a benefit that had been available from early December, and which had been approved by the House of Commons in July. Apart from the general damage this would do to the Government's credit and to the image of the new scheme in its crucial early days, there would no doubt be pressure from late claimants for back-dating to 12th December. This would, however, have to be resisted because of the administrative burdens it would involve and the precedent it would create.

(iii) January and February are the heaviest months for local offices because of seasonal unemployment and sickness, and on any reasonable judgment they are the worst time to have a publicity campaign and attract new claims. One would therefore either have to postpone the campaign until March or risk a deterioration in service in early 1967 which would further damage the image of the new scheme.

8. **Postal declarations.** A feature of my proposals is that old people who prefer not to be visited in connection with their claim may make a written return. This feature (which has been the subject of experiment) is only workable when the local office staff have time to follow up any claims where the old person has said he wishes to send in a written return but fails to do so - otherwise there is a real risk of hardship arising. In the situation described above there would not be staff time for this follow-up action during the period before or immediately after Christmas, so that this facility could not be offered to claimants until the New Year. Any publicity would have to make this clear.

9. **Combined order books.** This innovation has already been publicised and seems to be an important attraction. It is expensive in man-power during the transitional period of conversion of existing cases to combined books. For the same combination of reasons as apply to postal declarations, the original proposal to introduce a pilot scheme in January 1967 would have to be dropped; and because work might be starting in the new Ministry in March-April 1967 in preparation for a general uprating of contributory and non-contributory benefits it might be impossible to make even a start on the combined books operation until the late summer of that year.
CABINET

ROYAL COMMISSIONS ON LOCAL GOVERNMENT:
TERMS OF REFERENCE AND ORGANISATION

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

Following approval by the Cabinet on 27th January (CC(66) 4th Conclusions, Minute 4) of proposals for setting up a Royal Commission on local government organisation there have been consultations with the Departments principally concerned about the terms of reference. It might be convenient if we were to set out our proposals for the terms of reference of the Royal Commissions.

Terms of Reference

2. We propose the following terms of reference for each Commission:

"To consider the structure of Local Government (outside Greater London)(1) in relation to its existing functions; and to make recommendations for authorities and boundaries and for functions, having regard to the size and character of areas in which these can be most effectively exercised and the need to sustain a viable system of local democracy."

3. While this formula would require the Commissions to examine structure in relation to functions at present exercised by local government, in making recommendations they would not in terms be debarred from proposing some changes.

4. We are sure however that it would be wrong to charge the Commissions with a full study of the distribution of functions between central and local government. To do so would lead them deeply into questions of Government organisation; it would provoke requests from interested bodies for the Commissions to hear evidence and to examine the case for radical changes in administration of major services, on which they will not necessarily be equipped to form judgments; it would prolong their work by diverting effort from the main task of getting the structure right.

(1) England only.
5. On the other hand, we would not wish to exclude the possibility that the Commission should, in the light of the ideas on structure they evolve for existing functions, examine whether that structure could conveniently accommodate some function not at present discharged by local government; or whether the transfer from local government of an existing function might not facilitate the creation of a suitable organisation for the main local government jobs. But we think they should embark on examination of questions of this kind only after consultation with the Government.

6. The suggestion has been made that the need for such consultation should be given formal expression in the terms of reference. We are sure this would not be right. We should not ask the Commissions to serve under terms of reference which would openly reserve to the Government freedom to change the terms as they thought fit. We think the purpose could best be secured by an exchange of letters between the Chairmen and ourselves, setting out an understanding that the extent to which the Commissions should concern themselves with examining the distribution of functions between central and local government would be a matter for consultation. The Commissions will no doubt be giving guidance to bodies and persons wishing to submit evidence and this will enable them to steer evidence towards the structure for discharging present functions. We may, of course, have to give a fuller account of our intentions about functions, but this can be done much more satisfactorily in an explanatory statement than in formal terms of reference.

7. We have ascertained that these terms of reference would be acceptable to the Chairmen designate, but that they would not be content with a form which formally left the scope of the Commission's work to be altered from time to time by the Government.

Composition of Royal Commissions

8. We shall be seeking the Prime Minister's agreement to the nominations for membership.

Timing

9. We have impressed on the prospective Chairmen and members the need for urgency in carrying through their work. They will aim to make their report available in not much more than 2 years, and this should make it possible, if then desired, to legislate in the fourth session of this Parliament.

10. We would propose to announce the terms of reference and give the composition of the Royal Commissions as soon as The Queen's approval has been signified.
Staffing of English Commission

11. For the Commission to make the rapid progress we require it will need to concentrate attention on the main issues and have available a ready source of information over the whole field of its work. It will need to be able to commission studies on a wide variety of subjects. For this purpose it is proposed that the Commission should have available a research organisation, headed by an academic with wide experience in this field, which will be able to draw on Universities as well as being supported by specialist staff which will be made available from the resources of the Ministry of Housing and Local Government.

W. R.
R. H. S. C.

Whitehall, S. W. 1.

3rd May, 1966
CABINET

IRON AND STEEL NATIONALISATION

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

At their meeting on 7th April (CC(66) 18th Conclusions, Minute 4) the Cabinet asked the Ministerial Committee on Iron and Steel Nationalisation to consider whether it would be desirable to extend the provisions of the Bill to the British Iron and Steel Federation (BISF) as well as the timing of the introduction of the Bill within the 1966/67 Session. The Committee considered these problems on 3rd May and reached the following conclusions.

British Iron and Steel Federation

2. The Committee were fully agreed that it would be unwise to try and deal with the problems raised by the existence of the BISF in the Bill now to be introduced. The main objections to doing so are as follows:-

(a) The BISF is not a legal entity and we are far from having any full knowledge of the complex organisation of either the Federation itself or its various subsidiary companies. Nor have we any power to obtain this information. In this situation the drafting of satisfactory provisions about the Federation presents immense difficulties. It would also mean that the introduction of the Bill would have to be delayed.

(b) The inclusion in the Bill of satisfactory provisions about the Federation would almost certainly make it a 'hybrid' Bill. Although with our increased majority this would not prevent the passing of the Bill, it would greatly slow down the speed of progress through both Houses of Parliament and might make it impossible to pass the Bill in a single session. This would delay the date at which the National Steel Corporation would take over effective control of the industry. We are all agreed that this should be achieved as soon as possible in order to give the maximum time for structural reorganisation of the industry before the next Election. This is the best hope for ensuring that this settlement of the steel industry's affairs will be a lasting one.
3. The Minister of Power believes that it should be possible to achieve our objectives in relation to the Federation by negotiation now that it is clear that nationalisation will be carried through. This would involve an early withdrawal of the nationalised companies from the Federation and the early transfer of the central trading activities to the National Steel Corporation. If for any reason this proved impractical it would be possible to have a further short Bill to deal with the Federation and this could be drafted with full knowledge of the organisation and structure of the Federation obtained by the Corporation. We also intend to do what is possible to ensure that the Directors of the nationalised companies are not placed in a position where there would be any conflict between their responsibilities to the nationalised industry and their interests outside the nationalised sector.

Timing and Introduction

4. The Committee discussed the advantages and disadvantages of delaying the introduction of the Bill until the autumn which would, among other things, give a further opportunity to see if the steel industry now has any new and specific ideas on the future of the industry. The general view of the Committee was that nothing would be gained by delay and a good deal would be lost. Delaying introduction would mean delay in taking over effective control; and for the reasons given in paragraph 2(b) above this would be most undesirable. Moreover, the general view was that delay in introduction would reduce the chances of getting co-operation from those elements in the industry who are prepared to discuss with us how best to organise the industry after nationalisation. It would lead to increasing practical difficulties in the development of the industry. For these reasons we think it important that the Second Reading of the Bill should be taken as soon as possible.

Compensation

5. The Committee also agreed that we should not consider ourselves bound by the precise terms of compensation set out in the White Paper although the general basis for determining compensation ought to be retained. The provisions for compensation have been reviewed by the Ministers principally concerned on this basis.

G.B.

Department of Economic Affairs, S.W.1.

10th May, 1966
CABINET

HIGHER EDUCATION WITHIN THE FURTHER EDUCATION SYSTEM

NOTE BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

I am circulating for the information of my colleagues a draft White Paper entitled “A Plan for Polytechnics and Other Colleges—Higher Education in the Further Education System”. It has already been cleared with the Social Services Committee.

The White Paper is due to be published on Tuesday, 24th May, 1966.

C. A. R. C.

Department of Education and Science, W.I.,
13th May, 1966.
A Plan for Polytechnics and other Colleges
INTRODUCTION

1. Much has changed since the White Paper of 1956 on Technical Education* and the introduction of the four-tier system of Colleges of Advanced Technology, Regional Colleges, Area Colleges and Local Colleges. Following the recommendations of the Committee on Higher Education† in 1963, under the Chairmanship of Lord Robbins the Colleges of Advanced Technology have been transferred to the university sector, and the Council for National Academic Awards has been established to provide degrees for students in non-university institutions. In a recent report the National Advisory Council on Education for Industry and Commerce has drawn attention to the need for the further concentration of courses in the interests of the most effective use of resources. And the present Government have committed themselves to an even greater expansion of higher education than was forecast in the Robbins report. They have announced their intention of developing a distinctive sector of higher education within the Further Education system to complement the universities and colleges of education.

2. It is now necessary in the light of these developments to review the existing pattern of provision of higher education in the Further Education system of England and Wales. This the Government have done in consultation with the national bodies representing the local education authorities and the teachers in technical colleges, and with the National Advisory Council on Education for Industry and Commerce and the Council for National Academic Awards. Valuable help has been received from an informal advisory group under the chairmanship of the then Joint Minister of State for Education and Science, Mr. Reg Prentice, M.P., consisting of individuals with experience of further education and of industry. The Government now propose a further evolution of the present pattern on the lines outlined in this White Paper.

3. The Government and the local education authorities have been putting substantial and increasing resources into the technical, commercial and art colleges since the White Paper of 1956 was published. The object of developing a new pattern now is to see that the rapidly mounting demand for higher education within the system of Further Education is met in such a way as to make the best possible use of these resources without prejudicing opportunities for the tens of thousands of less advanced students who wish to take courses at intermediate and lower levels. The Government believe that this can best be done by concentrating full-time courses of higher education as far as practicable in a limited number of strong centres with the staff, buildings and equipment needed both to achieve and maintain high standards and to provide the right setting for an active community of staff and students.

* Cmd. 9703. † Cmd. 2154.
4. Within higher education there are two other sets of students no less important than those who have the time and ability to take full-time or sandwich courses of degree standard. The first are those who are seeking a qualification that requires a course of higher education which is below degree standard; the second are the many thousands of students who, being already in employment, can find time only for part-time day and/or evening courses, whether they lead to a degree or to a qualification below that standard. The Government believe it to be of the utmost importance that the leading colleges concerned with higher education should be comprehensive in the sense that they plan their provision of courses to meet the needs of students in all three categories. The comprehensive range and character of the work of these centres will broadly distinguish them from other kinds of higher education institution. As mixed communities of full-time and part-time teachers and students, they will as a whole have closer and more direct links with industry, business and the professions.

THE PRESENT POSITION

5. Last year there were about 40,000 full-time and sandwich students in advanced courses in technical, commercial and art colleges in England and Wales. Of these students nearly 12,000 were working for degrees and 8,000 for the Higher National Diploma (H.N.D.); almost half were sandwich students. About 7,000 of them were studying art. A further measure of the substantial scale of provision is that more than 100,000 students were studying to obtain recognised qualifications by attending part-time day and evening courses at an advanced level. Of these about 2,500 were working for degrees and more than 50,000 for Higher National Certificates (H.N.C.). These figures represent a remarkable achievement on the part of local education authorities and colleges. By their foresight and vigour in recent years they have expanded provision in anticipation of the growing demand and simultaneously improved standards. This has set a firm foundation on which to build for the future.

6. All but one of the 25 Regional Colleges and more than 30 Area Colleges and Colleges of Commerce are offering full-time degree courses. About 100 other colleges are providing full-time advanced courses and a similar number offer only part-time courses at the same level. This does not include 40 Colleges of Art engaged in advanced work.

7. The volume of advanced work varies greatly from college to college. 25 have more than 500 full-time students; seven have more than 1,000. At one extreme eight colleges have over 500 full-time degree students; at the other are nine colleges with fewer than 50 such students.

8. The figures given in the preceding paragraphs refer to students in courses which are classified as “advanced” in the statistics of the Department of Education and Science. There are also growing numbers of students of 18 and over in other courses which are above G.C.E. Advanced level in standard but are not classified as “advanced”. References to “higher education” in this White Paper include courses of this type.
FUTURE NEEDS

9. The National Plan* (paragraph 23, page 198) makes clear the Government's intention that there should be available in 1969/70 in Great Britain places for over 70,000 full-time and sandwich students following advanced courses in institutions of further education. This compares with the estimate of 51,000 by 1973/74 put forward in the Report of the Committee on Higher Education. Over 60,000 of these places will be in England and Wales. This does not include the provision needed for the students referred to in paragraph 8 above. These combined demands for full-time and sandwich courses are likely to increase still further during the nineteen-seventies. Numbers of part-time students are also expected to increase, though not at the same rate.

FUTURE PATTERN

10. It will be possible to meet these rapidly expanding needs and at the same time to provide properly for the no less important needs of students at other levels only if a greater concentration of full-time higher education can be secured. The effect of distributing it as widely as at present is that many departments and colleges are too small to sustain high academic standards and to provide a satisfactory corporate life. This also involves an uneconomical use of resources—not least of teachers qualified to undertake the higher levels of work. A considerable measure of concentration is therefore essential.

POLYTECNICS

11. The Government believe that the best results will be achieved by developing higher education on polytechnic lines wherever practicable. This will enable staff and students to enjoy the advantage of belonging to institutions offering a wide variety of disciplines and it will concentrate expensive resources in fewer centres. The Secretary of State for Education and Science therefore proposes, in full consultation with the Regional Advisory Councils for Further Education, to designate a limited number of major centres in which a wider range of both full-time and part-time courses can be developed. As comprehensive academic communities they will be expected to cater for students at all levels of higher education.

12. In so designating the Secretary of State will take account of the likely demand for higher education places, the needs of industry, the availability of lodgings and other residential provision, and the desirability of achieving a reasonably balanced provision in different fields of study over the country as a whole. Special attention will be given to the claims of Regional and other colleges which have already established a reputation as centres of higher education and at which highly qualified staff have been appointed and substantial capital resources committed. It is proposed that as a generic term these major centres should be called "Polytechnics". This will not prevent particular institutions from using their present or other titles.

13. In some places the right course will be to develop a single college as a Polytechnic. But where two or more colleges in the same or neighbouring local education authority areas are substantially engaged in higher education

the authorities concerned will be encouraged to link them to form a stronger and better balanced unit. This might occur by the merger of existing colleges or of part of their work: in other cases some form of federal structure may be appropriate. Care will be taken to respect existing relationships and to take into account special needs in particular fields of study.

14. The Secretary of State aims to settle the list of Polytechnics for about ten years and not to add to it within this period. The purpose of this policy is to give the authorities and colleges concerned a firm foundation for the development of the designated colleges and to guide individual authorities, the Regional Advisory Councils and the Department of Education and Science in the allocation of resources. Other authorities and colleges will also know where they stand and will be able to concentrate on their responsibilities for other categories of students.

15. When, after considering the advice of the Regional Advisory Council and any views that may be submitted by the Regional Economic Planning Council the Secretary of State has decided in principle upon the establishment of a Polytechnic, the local education authority or authorities concerned will be invited to submit proposals for its constitution and development. Designation will be given only when the Secretary of State is satisfied that the proposed Polytechnic will be capable of making an effective long-term contribution as a major centre of higher education. He will wish in particular to be satisfied that there are proper plans for the development of the work in appropriate fields of study on the comprehensive lines described above, and that wherever appropriate possibilities of merger or other arrangements for closer association between colleges have been fully explored. He will also need to be satisfied that the government of the Polytechnic will be on acceptable lines (see paragraph 25). But full account will be taken of variations in circumstances, and there may be exceptional cases requiring special treatment. Where appropriate, designation will be provisional in the first instance.

16. In the long term the Polytechnics will be expected to concentrate wholly or largely on students of 18 and over pursuing courses of higher education. Courses at other levels, however, may well continue for some time while the demand from higher education students is growing and pending the provision of satisfactory alternative facilities elsewhere.

17. It is impossible to give any exact indication of the size that a Polytechnic should aim at achieving by a given date. This will depend both on the level of regional and national demand and on the resources that can be provided from time to time. It is unlikely, however, that the full educational and economic advantages of developments on polytechnic lines will be secured in institutions with less than about 2,000 full-time students and, while there may be exceptions, the Polytechnics will normally be expected to have in mind long-term plans for growth to at least 2,000 full-time students plus part-time students from the areas they serve.

18. The number of colleges to be designated as Polytechnics has not been fixed precisely in advance. It is an essential part of the Government's policy that the selection shall be made in full consultation with Regional Advisory Councils and local education authorities, and the number will also be affected.
by the extent to which it is possible to form mergers or federations. The Appendix contains a summary of the preliminary proposals which are being sent to Regional Advisory Councils for consideration and gives an indication of the limited number of Polytechnics that the Secretary of State is contemplating.

OTHER CENTRES OF HIGHER EDUCATION

19. While the aim of policy is that full-time and sandwich courses should as far as practicable be concentrated in the Polytechnics it is not intended that they should have a monopoly of full-time higher education within the Further Education system. Their work will need to be supplemented by that of many other colleges, particularly in specialist fields, and it is obvious that higher education courses for part-time students will need to be distributed over a still larger number of colleges.

SPECIALIST CENTRES

20. Special consideration will be given to the position of art and other colleges which already have established reputations in specialist fields and to which substantial resources have been committed. In some cases the best arrangement may be to include the college (or the relevant part of its work) in a Polytechnic; and in others the college may be able to establish academic links with a suitable Polytechnic. Full-time courses of higher education in specific professional fields such as art, architecture, agriculture, social work, management studies, nautical studies, institutional management and catering, which are already recognised under nationally settled arrangements, will continue if the need for them can be established in terms of current criteria for the approval of courses. After progress has been made with the designation of Polytechnics the Secretary of State proposes, however, to review the provision in these fields with the bodies concerned with a view to deciding whether any changes should be made in the existing pattern.

FULL-TIME HIGHER EDUCATION AT OTHER COLLEGES

21. Existing courses will continue until they have been completed by students already in them or arrangements can be made to place the students in other courses.

22. Full-time higher education must also continue where there are special needs which cannot be met by the Polytechnics and specialist centres, and where there is adequate student support. These needs may be due to special local circumstances, the impracticability of transfer to a Polytechnic until additional accommodation becomes available, or student demand that cannot be catered for otherwise. The test of need will be whether a proposal to continue or to launch a course satisfies the criteria for the approval of courses in force from time to time. It is not, however, proposed that colleges not already engaged in full-time higher education shall embark on it save in exceptional circumstances. (The criteria currently in force are set out in Circular 11/66 issued by the Department of Education and Science on 12th April, 1966, and the report that accompanied it on Size of Classes and Approval of Further Education Courses of the Committee on Technical College Resources appointed by the National Advisory Council on Education for Industry and Commerce.)
PART-TIME HIGHER EDUCATION

23. In view of the travelling difficulties of many part-time students there must be a wider distribution of part-time courses and while everything possible should be done to enable part-time higher education students to take advantage of the facilities of the major centres, it is intended that colleges at present offering H.N.C. and other part-time higher education courses shall continue them subject to the criteria for approval in force from time to time. Regional Advisory Councils and authorities will, however, be asked to examine the scope for the further concentration of particular fields of study at selected colleges in order to improve educational standards and to secure the most effective use of resources while taking reasonable account of the travelling difficulties of part-time students. Colleges not already engaged in part-time higher education should not undertake it in the absence of exceptional circumstances.

24. Proposals for part-time degree courses will not be entertained from colleges which have no full-time higher education courses unless the course is to be conducted in close association with a Polytechnic or other college that is offering degree courses in the same field.

GOVERNMENT OF COLLEGES

25. Separate consideration is being given to the pattern of government and academic organisation appropriate to colleges engaged in full-time or part-time higher education, and the representative bodies will shortly be consulted about the guidance which should be given on this subject. It will be a condition of the designation of Polytechnics that their arrangements are consistent with those recommended.

RELATIONS BETWEEN POLYTECHNICS AND OTHER COLLEGES

26. There will be great educational benefit in the establishment of close academic and other links between the Polytechnics and other colleges engaged in higher education, whether full-time or part-time, within the surrounding area. Authorities which are invited to prepare schemes for the establishment of Polytechnics will be asked to take this into account, and the Secretary of State hopes that all concerned will co-operate in developing such links to the fullest practicable extent. The Secretary of State is also anxious that mutually advantageous links with universities shall be developed through sharing of staff, joint use of communal and other facilities and in other ways.

27. The Government believe that by contributing to the more economic use of the resources available for further education generally the new arrangements will be of great benefit to all colleges and not only to those which are engaged in full-time or part-time higher education. The courses which are offered at other levels are no less important to the community, and the existing area and local colleges in particular will have a special responsibility for meeting the rapid increases in demand that will result from the Industrial Training Act. Their invaluable contribution to the educational and economic needs of the nation must in no way be prejudiced by the development of higher education. The Government will continue to give them all possible support.
28. (i) The decision to develop and expand higher education within the Further Education system necessitates a review of the existing provision with the object of using the available resources to the maximum advantage in order to build up a strong and distinctive sector of higher education which is complementary to the universities and colleges of education. In particular full-time and sandwich courses of higher education must be concentrated in a substantially smaller number of centres than at present.

(ii) After full consultation with the Regional Advisory Councils and local education authorities concerned, the Secretary of State will designate a limited number of Polytechnics as the main centres for the future development of full-time higher education within the Further Education system. Though there will be no question of creating a rigid or ossified pattern irrespective of traditions and individual circumstances, the object will be to develop them as large and comprehensive institutions offering full-time, sandwich and part-time courses of higher education at all levels. The Secretary of State's preliminary proposals for the establishment of Polytechnics are set out in the Appendix.

(iii) Designation may be final or provisional in the first instance but it is not intended to add to the list of Polytechnics for at any rate about 10 years. Before a Polytechnic is designated account will be taken of the possibility of associating one or more colleges by merger or otherwise in order to form a more effective unit. It will be a condition of designation that the government and academic organisation are on acceptable lines.

(iv) The object will be to reduce substantially the number of colleges engaged in full-time higher education but colleges not designated as Polytechnics will continue to offer full-time courses of higher education where they satisfy the criteria for approval of courses in force from time to time. Existing provision for courses in specific professional fields under nationally settled arrangements will be reviewed in due course.

(v) Colleges already engaged in part-time higher education will continue with such work subject to the criteria for approval of courses in force from time to time.

(vi) In the absence of exceptional circumstances colleges not already engaged in higher education will not be expected to embark on it.

APPENDIX

The following preliminary proposals for the establishment of Polytechnics within their Regions are being sent to Regional Advisory Councils for advice. Where in the light of their views it is decided to proceed with a proposal to establish a Polytechnic, the local education authority or authorities concerned will be invited to prepare for consideration by the Secretary of State a scheme on the lines set out in this White Paper. (The colleges named are those which are substantially engaged in full-time and other higher education in the area and in the Secretary of State's view should prima facie be considered for inclusion in the list of Polytechnics. Existing Regional Colleges are asterisked.)
NORTHERN
(1) Newcastle upon Tyne—Rutherford College of Technology,* Municipal College of Commerce, College of Art and Industrial Design.
(2) Sunderland—Sunderland Technical College,* College of Art.
(3) Middlesbrough—Constantine College of Technology (see also YORKSHIRE).

NORTH-WESTERN
(1) Liverpool—College of Technology,* College of Building,* College of Commerce, College of Art.
(2) Manchester—John Dalton College, College of Commerce, College of Art and Design.

YORKSHIRE
(1) Huddersfield—College of Technology.*
(2) Leeds—College of Technology,* College of Commerce, College of Art.
(3) Sheffield—College of Technology, College of Art.
(4) Middlesbrough—Constantine College of Technology (see also NORTHERN).

EAST MIDLANDS
(1) Leicester—Regional College of Technology,* College of Art.
(2) Nottingham—Regional College of Technology,* College of Art and Design.

WEST MIDLANDS
(1) Coventry and Warwickshire—It is proposed that the authorities should be invited to consider the possibility of a scheme for a Polytechnic in which the Lanchester College of Technology* at Coventry and the Rugby College of Engineering Technology* would be associated. Consideration would be given to the inclusion of the Coventry College of Art.
(2) Wolverhampton—College of Technology, College of Art.
(3) Birmingham—It is proposed that the Birmingham education authority should be invited to prepare a scheme for the establishment of a Polytechnic taking account of the existing provision for advanced technical education in the City and the work of the College of Commerce and the College of Art and Design.

EAST ANGLIAN
Hertfordshire—Hatfield College of Technology* (see also LONDON AND HOME COUNTIES).
LONDON AND HOME COUNTIES

(1) Inner London—It is envisaged that there should be, say, five Polytechnics in the Inner London area based on existing Regional and other colleges substantially engaged in full-time and other higher education.

(2) Brighton—College of Technology,* College of Art.

(3) Hertfordshire—Hatfield College of Technology* (see also EAST ANGLIAN).

(4) Kingston upon Thames—College of Technology,* College of Art.

(5) North London—Enfield College of Technology, Hendon College of Technology, Hornsey College of Art.

(6) South-East Essex—West Ham College of Technology,* Barking Regional College of Technology,* South-West Essex Technical College and School of Art. Discussions between the authorities concerned with a view to the establishment of a new higher education institution in this area have been proceeding for some time.

SOUTHERN

(1) Oxford—College of Technology.

(2) Portsmouth—College of Technology,* College of Art and Design.

SOUTH-WESTERN

(1) Plymouth—College of Technology,*

(2) Bristol—it is proposed to invite the authority to prepare a scheme for a Polytechnic taking account of the work of the Bristol College of Commerce and the West of England College of Art, and the possibilities for the further development of full-time and part-time higher education at the Bristol Technical College as the site at present occupied by the University of Bath designate becomes available.

WALES

Glamorgan—Treforest College of Technology.* Discussions will take place with the Welsh Joint Education Committee and individual authorities concerned with a view to ascertaining what would be the best arrangements for higher education in the North Wales area.
Memorandum by the Lord President of the Council

When the Cabinet considered on 20th April the wider use of Select Committees (CC(66) 19th Conclusions, Minute 4) I was invited to arrange for the Committee on Parliamentary Procedure to consider the procedure which might be adopted by the proposed new Committees and other practical problems arising from the experiment. The Prime Minister subsequently announced in the Debate on the Address that we should propose for discussion that "a Committee or Committees be set up responsible to the House, representative of the House as a whole, to review any issue which might be considered appropriate within the field of administration of some of our great social Departments, and that in due course these Committees should report their findings to the House".

2. The Ministerial Committee have now considered the procedures which might be suggested in discussion with the Opposition Parties.

Relationship of Ministers to Parliament

3. The Ministerial Committee considered that the problem of the procedure to be adopted, and indeed of the form of the Committees, were inseparable from the fundamental question: do we want to see a change in the relationship between Ministers and Parliament? It is arguable that the concept of Ministerial responsibility to Parliament has become unreal, because the House lacks effective means of exercising continuing and informed criticism and control of the executive, and that the balance should be redressed by providing the House with organs for this purpose. If this argument is accepted, it seems to follow that we should contemplate a type of Committee with power at its own discretion to scrutinise the administration and consider the policy of the Department or Departments with which it is concerned; and once we accept a shift in the balance of real power as between Parliament and the Government it is not easy to see how we could in the long run resist the appointment of Committees to scrutinise the work of the Overseas and Defence Departments, or prevent the consideration of topics which were acutely controversial on party lines. Nevertheless, some members of the Committee thought that it was right in principle to strengthen the authority of Parliament and that the risks should be accepted. There is likely to be pressure in the House for us to move in this direction.
4. A possible alternative which does not seem to involve so much change in the relationship between Parliament and the executive is to enable Members to participate effectively in the formation of policy so that the House of Commons is seen less as a critic over against the Government than as a partner in the development of policy and the means of executing it. My Committee took the view that in launching our experiment we should be clear which of these purposes we wished the new Committees to serve and should be careful lest procedures introduced at the outset should create precedents which we might find later to be in conflict with our long-term intentions.

5. Opinion in the Ministerial Committee tended on the whole towards a system of Committees which the Government could use to secure the assistance of Members in the investigation of problems and the development of policy rather than one which would develop a critical function wholly outside Government control, though they recognised that any Committees would in time press for greater freedom of initiative.

Possible types of Committee

6. Against this background of principle, my Committee considered that a choice should be made between three types of Committee:—

(a) Committees specialising in the work of a particular Department, or, as a preferable variant, in a specified field of work which would include topics which are not at present the responsibility of any one Department, such as civil science or the social services;

(b) Standing Committees analogous to Standing Committees for the consideration of public Bills, to which topics could be referred by the House on the Motion of the Government, the membership, or part of it, being changed with each reference;

(c) Advisory Committees of Members appointed to consider questions of future policy within the field of a particular Department.

7. Type (a) would go furthest to enhance the authority of Parliament. It might at the outset be content to deal with topics specifically referred to it within its field, but would be likely in time to develop an independent initiative; it might also tend to focus its attention more on the investigation of current administration and the consideration of current policies than on the formation of new policies for the future.

8. Type (b) would give the Government through the House complete control over the selection of topics for consideration. But the Committees would have no continuity and would develop no body of knowledge in a particular field. If they were given at the outset topics of real substance to consider they might satisfy current Parliamentary demand for a greater share in policy-making; but they might not be of as much help to Ministers as type (c) in creating a body of informed and sympathetic opinion on the problems of a particular Department.
9. Type (c), which might possibly be appointed by the Minister concerned and report to him rather than to the House would, like (b) give Members the opportunity of participating in policy-making; it would also enable them to accumulate specialised knowledge and experience, and hence to present more valuable reports. A continuing Committee would no doubt in time wish to select its own topics for consideration; but the Minister should be able to establish with it a relationship of confidence which would enable him to exert considerable influence on its choice; he could, for example, offer the Committee several topics among which to choose, or himself choose among topics proposed by them; and he would be able to explain why it would be inopportune to consider particular topics at a particular time. How attractive this type of Committee would be to Members, and consequently how much time they would be prepared to give to it, might well depend on how far they felt they were in fact able to bring an independent influence to bear on the formation of policy on topics of real importance, and in some areas (particularly perhaps in the Home Office field) it might not be easy to reconcile this with the avoidance of subjects of party controversy.

10. My Committee considered that the key to the extent of any transfer of power from the executive to Parliament lay in the control of the selection of topics for consideration by the Committees. In the long run control, or a decisive influence, is more likely to be retained with the (b) or (c) type of Committee than with type (a). Moreover, if the Committee system spread to overseas affairs and defence, type (a) might well be the most embarrassing form of Committee to have operating in these fields.

11. My own view is that types (b) or (c) are more compatible with the system of government which we have evolved in this country than type (a), which has developed in the United States in a quite different context as virtually the only means of bringing Ministers and Congress into contact, and there it is not concerned, except indirectly, in the positive formation of policy. In our system Parliament already has means of scrutinising administration in the Public Accounts Committee and the Estimates Committee. If Parliament is to move into the field of policy, otherwise than in debate in the House, I believe it should do so through partnership rather than confrontation.

12. Whatever type of Committee were adopted, it would be desirable to ensure that Committees did not embark on a topic on which the Government had already promised legislation, and that they did not consider themselves free to recommend major public expenditure. It would plainly be embarrassing to resist a recommendation for expenditure endorsed by the House of Commons. And yet the Government could not act on such recommendations without disrupting its own system of priorities and opening the way to the development of powerful lobbies operating through Committees sympathetic to their interests. We thought, therefore, that it should be made clear, perhaps by a statement by the Prime Minister, that, since the Government were responsible for determining priorities and had fixed expenditure limits for each Department, they would be unlikely to be able to accept recommendations involving increased expenditure on particular services. If this were not effective, it might be necessary for Committees to be formally excluded by their terms of reference from recommending major increases in public expenditure.
Procedure

13. My Committee consider that the new Committees should be encouraged to adopt informal procedure. They should avoid taking votes, which would emphasise divisions on party lines, and they should not feel bound to publish all their evidence: it might be appropriate, for example, that they should publish written evidence but not normally oral. We thought it better that Ministers should not take the chair of the Committees; this would clearly be inappropriate for type (a) Committees, and for the other two types might be interpreted as an attempt by the executive to exercise excessively tight control; chairmanship would in any event impose too great a burden on busy Ministers. We thought, however, that the Minister responsible for the topic or Department under consideration should be an ex officio member of the Committees, but should be free to be represented, and normally would be represented, by a junior Minister. This would enable him to engage in informal discussion with the Committee which would give him a better opportunity of explaining the consideration affecting his thinking on the topic in question than would a formal appearance as a witness. It should be open to him to give formal evidence if he or the Committee so desired; normally such evidence should not be published, but, since publication would sometimes be desirable, there should be no formal ban on publication. The Committees should have power to send for officials and other witnesses, but it would need to be established that officials would not answer questions on policy and they should also be able to talk to the Committee informally and without their oral evidence being published. The Committees should be free to travel and to take evidence formally or otherwise, anywhere in the country.

Staff

14. The Ministerial Committee considered a proposal that the new Committees might be served by an officer of the House, who might be a senior ex-civil servant, with a staff of three or four which might also serve the Estimates Committee. It has been suggested that the work of all these Committees would be facilitated if they could call upon the advice of an officer with experience of the Government machine who would stand in much the same relationship to them as that of the Comptroller and Auditor General to the Public Accounts Committee (PAC). But the Ministerial Committee were doubtful about this proposal. In relation to Committees concerned with the formation of policy, the parallel with the Comptroller and Auditor General would not be very close; and the arrangement might be resented as an attempt to derogate from the status and independence of the Clerks. My Committee thought that at the outset of the experiment it would be preferable to provide the Committees with joint secretaries - a Clerk and an officer of the Department concerned - following the precedent already established in the staffing of Speaker's Conferences. This would not preclude the development of more elaborate arrangements if the new Committees progressed from experiment to permanency.
Relationship between the new Committees and the Public Accounts Committee and the Estimates Committee

15. There is clearly some risk of overlap between the work of the new Committees and that of the PAC and the Estimates Committee, rather more perhaps with type (a) Committees than with either of the others, but increasing to the extent that Committees of any sort are able to obtain a measure of control of their own programme of work. There are some topics aspects of which could legitimately be of concern to both the existing Committees and to the new Committees; but it would be important to avoid more than one dealing with a particular topic at a given time, not least because duplication might add intolerably to the extra burdens which the new Committees will inevitably impose on the Ministers and Departments with which they are concerned. It may be possible during the experimental period to persuade the Estimates Committee to observe a self-denying ordinance with regard to Departments whose problems are being considered by the new Committees; as a permanent arrangement a co-ordinating Committee of Chairmen may be necessary.

Conclusion

16. We must shortly put specific proposals for an experiment to the Opposition parties. I invite the Cabinet to consider on which of the three types of Committee suggested in paragraph 6 they wish to see the experiment based; and, as to procedure, to agree -

(i) that the Government should at the outset retain control of topics to be referred to the Committees;

(ii) that it should be made clear to Committees that they should not make recommendations for significant increases in public expenditure;

(iii) that relevant Ministers should be ex officio Members, with discretion to be represented by a junior Minister but should not be in the Chair;

(iv) that the procedure should be informal allowing for off-the-record discussions with both Ministers and Officials;

(v) that Committees should be free to travel and take evidence anywhere in this country;

(vi) that at the outset the Committees should have joint secretaries, a Clerk and a civil servant from the relevant Department;

(vii) that during the experimental period the Estimates Committee should be asked not to investigate Departments on topics which were currently the subject of the Committee's work and that we should consider, in consultation with the Chairman, the establishment of a Chairman's Committee.

H.B.

Privy Council Office, S.W.1.

16th May, 1966
CABINET

THE HOSPITAL BUILDING PROGRAMME

Memorandum by the Minister of Health

My review of the hospital building programme has now been agreed by the Social Services Committee and by the Prime Minister. Whilst the pattern of the future hospital service remains based upon the District General Hospital as foreshadowed by the previous Government in January, 1962 (Cmnd. 1604), there are substantial changes both in the presentation of the hospital building programme and in the programme itself. The 1962 Plan listed building schemes in two quinquennia, but they were not precisely defined or costed. It is now clear that nothing like the number of schemes listed could possibly have been carried out. Care has been taken to make the new programme both realistic and flexible, and I have avoided public commitment to start future schemes at particular dates.

The Command Paper is to be published on 24th May and copies are attached for the information of the Cabinet.

K.R.

Ministry of Health, S.E.1.

17th May, 1966
THE HOSPITAL BUILDING PROGRAMME
A REVISION OF THE HOSPITAL PLAN FOR ENGLAND AND WALES

Presented to Parliament by the Minister of Health
by Command of Her Majesty
May, 1966

LONDON
HER MAJESTY'S STATIONERY OFFICE
PRICE NET

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Introduction

1. The Hospital Plan which was presented to Parliament in 1962 (Cmnd. 1604) established a pattern and standards of provision for the forward planning of the hospital service. Its basic principles remain valid, but medicine has continued to advance and an increased rate of growth of the population is now foreseen. Moreover, it is now clear that many of the schemes shown in the original Plan as expected to start by 1970/71 were inadequately defined and imprecisely costed; consequently, even though greater resources are now being provided for hospital building than ever before, it is clear that the expectations of the original Plan could not possibly have been fulfilled. The Ministry has therefore undertaken a comprehensive review of the Plan in conjunction with the Regional Hospital Boards and Boards of Governors of teaching hospitals.

2. Starting from the basis of the increased resources now being provided for hospital building, and of a restatement of the pattern and standards of provision to which the forward planning of the hospital service should conform, the purpose of the review has been to relate the schemes which it is now proposed to carry out as realistically as possible to the resources likely to be available. The distribution of the available resources between Regions has been re-examined in relation to the latest population projections, and the priority of individual schemes reviewed with special attention to the needs of the psychiatric and geriatric services. The content and cost of each scheme has been assessed as accurately as is possible at this stage.

3. The 1962 Plan explained how the development of the hospital service was complementary to the development of services for prevention of illness and for care in the community; in 1963 and again in 1964, the plans of the local authorities for development of their health and welfare services were also published. These have recently been revised for the second time. There has also been a report from the Sub-Committee of the Central Health Services Council on the future role of the family doctor, and the Government have conducted, with the representatives of the profession, a major recasting of the arrangements for general practice with the object of helping him to fulfil his role in a modern Health Service. In reviewing their plans, hospital authorities were particularly asked to ensure that the development of hospital, local authority and family doctor services was considered as a whole. Much remains to be learned about the interaction of the various services and there is room for experiments in different forms of collaboration, but it is essential to look at hospital development not in isolation, but as part of a nexus of health and welfare services designed to meet the needs of people who will wish, whether in sickness or in health, to live whenever possible in their own home.

Standards of Provision

4. In the 1962 Plan, the following national standards of hospital provision were set out as a basis for assessing the probable need for hospital beds and supporting facilities in 1975:
Acute beds 3·3 per 1,000 population
Maternity beds Sufficient to fulfil the recommendations of the Committee on Maternity Services (1959) for a national average of 70 per cent. of confinements to take place in hospital, with a stay of ten days after confinement in the normal case and the provision of some seven ante-natal beds per 1,000 births. (This gave a national average of 0·58 beds per 1,000 population in 1975, on the basis of the national projections of birth rate and population then current).
Geriatric beds 10 per 1,000 persons aged 65 and over.
Mental illness beds Reducing to 1·8 per 1,000 population.
Mental subnormality beds 1·3 per 1,000 population.

5. The significance of the bed as the unit for measuring the hospital provision required can be exaggerated. The quality of hospital provision can often be greatly improved and the number of in-patients treated can be increased by improving such facilities as pathology laboratories, X-ray departments, operating theatres and physiotherapy departments. Over the last ten years progress has been made in this direction, but substantial opportunities remain for improving the hospital service in this way rather than by providing additional beds. Moreover, a trend has already begun, and may be expected to grow, for those needing hospital care who would in the past have become in-patients to receive treatment as day-patients or out-patients, returning to their own homes after treatment. The domiciliary health and welfare services are increasingly able to play their part in this.

6. On the other hand, it must be expected that as medicine advances new forms of in-patient treatment will be developed which will make fresh demands in terms of hospital beds: for example, the current development of intermittent dialysis for chronic renal failure.

7. Studies to improve our knowledge of hospital needs continue. The most comprehensive is a study by the University of Manchester Medical Care Research Unit of the caseload of the hospitals in the Liverpool Region, taking account of the severity of illness on admission, the extent to which adverse social conditions affect hospital use, the extent of recurrent need for hospital care, and the tempo of work and the efficiency of the hospitals. Other studies seek to evaluate different forms of care. There are, for example, two studies being carried out by Departments of the University of Newcastle-upon-Tyne. One is estimating the use of resources, including hospital beds, under different methods of care for geriatric patients; the other is studying the needs of the elderly for hospital and community services arising from mental infirmity.

8. In 1962, it appeared that in those areas where the whole range of services for the elderly inside and outside hospital was well developed, the necessary hospital provision was being achieved with about 10 geriatric hospital beds per 1,000 persons aged 65 and over. No firm evidence to justify a revision of this ratio is at present available, but new factors are emerging. For example, the
growing appreciation of the needs of old people and the fact that the number of the very old among the elderly population is gradually increasing will give rise to an increased demand for hospital beds; these factors may however be offset to some extent by the trend towards more day hospital provision. The latest indications appear to point to a need for slightly higher provision for geriatrics, but firmer evidence is required before conclusions can be drawn. Hospital Boards and local authorities will together keep the requirements under review, in the light of the principles that have been laid down for the care of the elderly.

9. The 1962 Plan accepted the forecast, supported by a statistical inquiry, that an already perceptible decline in the number of hospital beds required for mental illness would continue, and that 1.8 beds per 1,000 population could be taken as the probable limit of requirements by about 1975, on the assumption that the average length of stay of patients admitted in the years 1954–1956 continued to apply. A further inquiry on a comparable basis is in progress but will not be completed for some time. The number of beds in use has continued to fall and an interim assessment of trends in the long-stay hospital population, and of admission and discharge date, does not suggest that the ratio assumed earlier need be changed at this stage. There remain factors affecting the requirement which cannot be precisely evaluated.

10. Because it was not possible at the time to quantify the effect of the various factors governing the future requirement of beds for mental subnormality, it was provisionally assumed in Cmnd. 1604 that the national average of 1.3 beds then available per 1,000 population could be taken as a broad guide to future requirements. There is no reason yet either to adopt this estimate as a firm basis for long-term national planning or to propose some different ratio. Research into the prevalence of subnormality and into other aspects of the problem continues. Plans for increasing local authority training centres and residential provision for subnormal adults are still in the early stages of fulfilment. In many areas there are still considerable waiting lists for admission to hospital. The right course in the circumstances is to ask Boards to make their own estimates of bed needs in the light of the special requirements in each Region.

11. As the service develops and studies continue, the time may come (as Cmnd. 1604 foresaw) when it is clear that the bed ratios there set out for different categories of patients should be modified. But for the present no sufficient reason to change any of them has appeared. They are, of course, only broad guides which often need to be amended in the light of local study to take account of regional and local variations from the general pattern.

**Population**

12. The population projections to which these ratios have to be applied are however substantially higher than those used in the 1962 Plan. Then it was assumed that the population of England and Wales would increase from 46.2 million in 1961 to 49.2 million in 1975. But the latest estimates show that the population has already reached 47.8 million and is expected to be 54.2 million by 1981. Looking further ahead still, the projection for the year 2001 is 66.3 million: if the ratios set out in paragraph 4 are still to apply, we should, on that basis, need about 70,000 more hospital beds in the year 2001 than we have now. The latest population projections for each Regional Hospital Board area are given in the Regional chapters; they take account of decisions on planned
population movements taken up to October 1965. These estimates are subject to revision from time to time.

Pattern of Development

13. It is still planned to base the hospital service of the future on a network of district general hospitals providing a wide range of treatment and diagnostic facilities for in-patients and out-patients, and including units for active psychiatric and geriatric treatment. This policy points to the closure of hospitals which do not conform to this pattern, and in the interests of economy closure should take place as soon as possible. But, because of the greater increase of population now expected, it is probable that the closure of many such hospitals will be delayed longer than had been foreshadowed since they will need to be retained in use, though perhaps for different purposes.

14. This pattern of development will afford opportunities for greater participation by general practitioners in hospital work and for linking developments in hospital medicine with work in general practice. Already between a quarter and a third of all general practitioners hold sessional hospital appointments and further opportunities will become available for part-time work. In some district general hospitals there are arrangements for family doctors to assume responsibility for the care of suitable patients, and there will be scope for further experiments in the use of small hospitals for patients who no longer require the full facilities of the district general hospital and can be cared for by their own family doctors. Other small hospitals may be developed as outpatient centres.

15. The teaching hospitals will play an increasing part as district general hospitals serving the communities around them; in London in particular, some are moving from the centre to suburban districts where improved hospital services are badly needed.

The Hospital Building Programme

16. The rate at which hospital building can be undertaken will continue to depend on a number of factors, including the availability of staff qualified to plan and design hospitals, the capacity of the construction industry to deal with the total load put upon it at any time, and the financial provision which can be made for hospital building having regard to the strength of the economy and to other claims on national resources.

17. Moreover, new hospital buildings generally require more staff—and therefore cost more to run—than those they replace, not only because of the increased scale of basic provision that may now be required, but because the new buildings make it possible to provide specialised services that are needed but could not previously be accommodated. It is estimated that new building at the current rate (about £73 million a year) gives rise to approximately £10 million additional running costs each year, which corresponds to an annual increase of about 8,000 hospital staff. Studies of the numbers of staff required by different types of hospital, and of the most efficient ways of running hospitals, are in progress over a wide front; and steps are being taken to train more doctors and to recruit and train more nurses and other hospital workers (see paragraphs 26–29 below). But the limitation of available manpower, as
well as of money for running the service, has a bearing on the amount of building work which can be done.

18. Any forecast of the capital sums which will be available from year to year must be subject to prevailing economic conditions; but, for the purposes of this review, a somewhat greater provision of resources over the coming years has been assumed in revising the programme than in the original Hospital Plan. Roughly £1,000 million will be spent over the next ten years.

19. In considering the distribution of resources between regions, a number of factors have been taken into account. Regard has been paid to the present state of the services provided for patients in each region, to the condition of the hospitals, and to the rate of population growth now forecast. By taking account of these factors this programme will enable progress to be made both in the country as a whole and particularly where the deficiencies are greatest. The Ministry’s aim is to achieve a common satisfactory standard of service in all parts of the country. Each Regional Hospital Board will be given from year to year its programme in money terms, and will be required to match its capital expenditure with these allocations and to adjust its plans accordingly. Variations from the estimated cost of schemes will have to be met by alterations in the programme of schemes, not by alterations to the amount of money to be made available.

20. Within this framework it is for the Regional Hospital Boards to keep under review the priority of particular schemes within their programmes, in continued consultation with local interests and with the Ministry. Special attention has been and will continue to be paid to psychiatric and geriatric provision to ensure that it has sufficient priority. For example, though the total number of beds needed for the mentally ill is expected to diminish, the quality of the service can be radically improved by providing treatment at the general hospital and by setting up special units for groups of patients who may need special facilities, such as children and adolescents. The demands of medicine are constantly developing, and account must be taken of planned movements of population, for example, through the establishment of further New Towns. It is therefore important that the hospital building programme remain fluid and that there should be a willingness to adapt it to changes of need, even though this may mean the postponement of some schemes in favour of others.

21. The priority of teaching hospital schemes within the programme has been determined and will be kept under review by the Ministry. The needs of the expanding medical schools (see para. 27) have been taken into account. The teaching hospital building programme must be a flexible one for the reasons mentioned above and also because some changes may be necessary as a result of the recommendations of the Royal Commission on Medical Education (see para. 27).

22. As the Hospital Building Programme has developed, the larger projects have become more prominent. These big schemes have naturally taken longer to plan and have sometimes had to be deferred in favour of smaller but urgent improvements. These large schemes are however the essence of the long term development of the hospital service and many are now under construction or about to be started. When the 1962 Hospital Plan was being prepared, only three schemes costing over £1 million had been completed, costing less than three per cent. of the total cost of hospital building completed since 1948. Another 13
schemes were under construction. By 1965 17 schemes of this size had been completed and the number in progress was 43, to a total value of £97 million, or well over half the cost of all the hospital building projects then in progress. At the present time only one thirtieth of the total cost of schemes in progress is for those costing less than £30,000 each. The proportion of total resources spent on large schemes continues to increase.

23. It is impossible to estimate precisely the cost of a scheme whose precise content is still unknown, and it may therefore be misleading to set a starting date; so much was demonstrated by the history of the original Plan. In the last few years however much experience has been gained and applied in the costing of large hospital building schemes once their content has been settled. Moreover, the design and cost guidance material distilled from experience and made available to hospital Boards and their professional advisers has greatly increased (see paras. 30–32 and 37–42). In the present review care has been taken to cost individual schemes as accurately as is possible at the stage of planning reached, and to draw up realistic building programmes within the capital allocations likely to be available. Nevertheless, these costings may well be modified as the content of schemes becomes clearer and as their design is worked out.

24. It cannot be too often stressed that these are flexible programmes. They are flexible because they must accommodate a number of variables: changing priorities both national and local, variations in cost arising from alterations in the scope of particular schemes or from such other causes as changes in building methods, variations in money allocations from year to year according to the resources made available to particular regions and to the hospital service as a whole. For example, if more economical planning and design and more efficient building methods come to be adopted, some schemes may start, and finish, earlier than was originally anticipated. In that event, provided the country's economic strength allowed, and the Government's social priorities demanded, the allocation of greater resources in total to health, the programmes could be significantly accelerated. There are many imponderables which argue against trying to lay down a rigid plan.

25. Since therefore both the priority of individual schemes and their costing, and hence their timing, must be kept continuously under review, it would hardly be appropriate to publish in this Paper (and thus give an illusory permanence to) the detailed programmes as they now stand. The regional chapters show how the service is expected to develop in each region and list the most important schemes (those expected to cost more than £250,000) at present in progress or expected to start within the four-year period, 1966/67 to 1969/70, but do not attempt to assign starting dates except by indicating those expected to start this year. Schemes expected to start after 1969/70 are also listed in two broad classes of priority.

Medical Staff

26. Hospital Boards have reviewed their future needs for medical staff in accordance with the recommendations of the report of 1961 on Medical Staffing Structure in the Hospital Service. The number of consultant staff is currently being increased up to totals approved by the Ministry for the period up to the
end of 1968. In deciding on these totals and in agreeing to increases in the numbers of junior and intermediate staff, the Ministry has had to take into account the current shortage of doctors.

27. There is no means of overcoming this shortage quickly. The number of doctors newly qualifying at British medical schools is, however, increasing and will continue to do so. In 1966/67 and 1967/68, the University Grants Committee is providing for the start of schemes which will increase the student entry at existing schools by 250—the equivalent of three new medical schools of average size. A new medical school and teaching hospital is being planned at Nottingham. Considerable further expansion will however be necessary to overcome existing shortages and improve services. The Royal Commission on Medical Education, appointed in 1965, will report on what changes may be needed in the pattern, number, nature or location of medical schools and the content of medical education.

Other Staff

28. Studies are being made into the extent of the need for other hospital staff. The Ministry is studying with hospital authorities the deployment of nurses in 125 acute hospitals. Other aspects of manpower needs are being examined by the Department of Sociology, University College of South Wales and Monmouthshire, by the Department of Applied Social Science, the University of Nottingham and by the Department of Sociology and Social Administration, the University of Southampton. To remedy present deficiencies and man new hospital buildings the service will need a continuing increase in numbers of staff. It will also meet growing competition from other forms of employment. More effective methods of recruitment are needed: the methods of recruiting school-leavers to nursing and to other hospital careers, and of attracting back to the service women who have left it on marriage, are being improved. The hospital service will have to adjust itself to still greater dependence on married women, whether in full-time or in part-time employment.

29. Training schemes and the structure of careers in the service will be further developed. The Salmon Committee has reported on the senior nursing staff structure, the administrative functions of the senior nursing grades and the methods of preparing staff to occupy them. The National Staff Committee which was set up in 1964 for the more effective co-ordination of appointments, training and movement of administrative and clerical staff has produced a number of reports which have been commended to hospital authorities: complementary Regional Staff Committees were set up in 1965. The training of a number of other classes of staff is being examined and developed.

Hospital Design and Research

Design Guidance

30. In the early years of the National Health Service there was little opportunity to gain experience of the design of modern hospital buildings. With a larger building programme and more experience of hospital planning, it is now possible to take advantage of the unity of the hospital service and to make available for the use of all hospital authorities the distilled experience of the hospital service in Britain and elsewhere.
31. The Ministry's guidance is made available to hospital authorities and those who work for them in a number of documents, of which the most important are the Hospital Building Notes and Equipment Notes, which offer guidance on the design and equipment of the various departments of a hospital. Each Building Note is accompanied by a statement of the cost within which a department can be built to the standards in the note. Without reducing those standards, the cost allowances have been increased by only 9 per cent. since they were introduced in 1961, although building costs generally have increased by about 18 per cent. in the same period. This reflects the greater efficiency that has been achieved in providing hospital buildings of the desired standard.

32. The next stage in providing this guidance is to advise on the most efficient ways in which hospital tasks can be carried out in new buildings and how the various hospital departments can most efficiently be combined in whole hospitals. Already experience of how hospital buildings can most satisfactorily discharge their functions has enabled the Ministry to reduce its detailed study of Boards' plans and so accelerate the planning process.

Research Studies

33. The hospital building is a framework for the efficient discharge of functions whose performance may itself be subject to improvement. Almost all research into the efficient operation of hospitals is therefore germane to their design. There are some 200 such studies in hand, including those mentioned in paragraph 7 and the Ministry is currently providing about £250,000 a year for work of this kind, in addition to considerable support from the Nuffield Provincial Hospitals Trust, the King Edward's Hospital Fund and similar bodies.

34. Examples of research of this kind are a study by the Social Medicine Research Unit of the Medical Research Council of the effects of differences in treatment as between patients referred to certain teaching hospitals and to certain non-teaching hospitals in London. A preliminary study by the Institute for Operational Research of the methods of serving food to patients; and a study of the effect of length of stay in hospital by the Medical Care Research Unit of the Department of Preventive Medicine and Public Health, the University of Sheffield.

35. The Ministry is itself carrying out studies into various aspects of hospital activity, such as the deployment of nurses, progressive patient care, the cost of food, mechanical and electrical aids, the planned maintenance of equipment, and now has a small group of full time research officers.

36. Some of the benefits of automation are already apparent in certain hospital departments. The introduction of automatic data processing will not only simplify many existing tasks but will provide valuable information for management and will assist planners in the design of new hospital buildings.

Design Standardisation

37. Hospital building is complex and whatever economies may be achieved many of its essentials will remain expensive. Much more can be done, however, short of rigid uniformity, to reduce unnecessary variety and so lessen the work of design. The Ministry and the Hospital Boards, in co-operation with the Scottish Home and Health Department and the Ministry of Health and Social Services in Northern Ireland, are working on the application to hospital design
and construction of the principles of industrialised building. All hospital design is now linked to the national system of preferred dimensions and within this system study groups are drawing up specifications for a range of building and engineering components, to encourage longer production runs and lower prices. Limited ranges of doors, storage units, window assemblies, partitions and directional signs have already been provided, with a saving of time to the designer, improvement of design and reduction of cost. It is hoped in due course to cover about 80 per cent. of hospital building components in this way. The National Health Service has had the willing co-operation of architects, engineers and quantity surveyors and of manufacturers.

38. It may be advantageous to carry standardisation further to enable the service to get the utmost value from its resources, though it must never be allowed to prevent experiment or adaptability to changing needs. The possibility of designing standard departments of hospitals for general use is now being examined. The designs for such standard departments would be modified from time to time in the light of experience.

39. Work is also being done to improve and rationalise the ranges of loose equipment. Working groups have been set up to study various kinds of supplies and equipment and to produce guidance on specifications and purchasing methods. These studies should lead to the provision of items more appropriate to hospitals' requirements, a reduction in the variety of types purchased and better value for money. Although the items considered so far are mainly non-medical, for example, textiles and furniture, a start has been made in the more difficult field of medical equipment. The Ministry's scientific and technical staff has been expanded and is now increasingly engaged in the development and evaluation of medical equipment: more than 50 projects are currently being centrally financed and supervised. A study is being made of the methods by which the hospital service might best obtain the wide range of medical and domestic goods which it requires.

40. An experiment is also being undertaken to evaluate the contribution which can be made to hospital building by proprietary building “systems”. Under this, seven major contractors have been asked to construct hospital buildings (mainly maternity units) using their own systems adapted to the national system of preferred dimensions. It is hoped from this experiment to discover how easily the systems can be adapted to a common dimensional pattern, and to the particular context of hospital building.

41. The Ministry is also as part of these activities undertaking, in co-operation with Regional Hospital Boards, three major building development schemes, including a complete district general hospital at Greenwich.

42. Two experimental schemes of special interest are those at Eastburn (Yorks.) and at Crewe which, taking advantage of larger than average sites, promise to provide cheaper accommodation than has previously been possible.

Conclusion

43. The National Health Service inherited too many old and out-of-date hospitals. The Government's firm intention is to provide modern hospitals for the entire country. Good progress is now being made towards this end. How
soon it can be achieved depends, more than anything, on the progress of the national economy.

44. The particular aim of this review has been to bring greater realism to hospital planning. The Government will give to hospital building as large a share of resources as the country can afford. But at all times the main problem will be how to get the best possible value from the resources provided. This means increasing acceptance of techniques and standards fitting the needs of a national service, not solely designed for particular hospitals. The Service must develop as a whole. The planning that is summarised in this Command Paper has at all times had that end in view.
REGIONAL PROGRAMMES
THE NEWCASTLE HOSPITAL REGION

Emphasis of the programme

The Newcastle Hospital Region has a population of about 3.09 million, which is expected to increase to 3.36 million by 1981. The elderly form a substantial proportion of this increase, and indeed the number of people aged 65 and over in the region, at present 343,000, is expected to increase by 30% to 446,000 in 1981.

The major problems of the region are:

(i) to provide for this increased population and in particular for the heavy demands on hospital services likely to be made by the substantial increase in the numbers of the elderly;

(ii) the need for replacing or improving many existing hospitals;

(iii) the general need, apart from the increase in population, for more geriatric and psychiatric services.

The general basis of the programme is one of making progress on the provision of district general hospital facilities throughout the region, and of supplementing this progress by minor schemes (under £100,000) to increase geriatric and psychiatric provision and to improve existing facilities. More accommodation for the mentally subnormal is also being provided. The Regional Board has had to keep in mind the practical and economic difficulties which long intervals between phases of development can create and this factor has influenced the timing of the start and phasing of some of the major redevelopments.

Pattern of development

The intended pattern of development of the hospital services in the region is now as follows:

Newcastle area

The intention is to concentrate the general hospital services of the area in three hospitals: a new hospital at Freeman Road, Newcastle; the teaching hospital, concentrated in a redeveloped Royal Victoria Infirmary; and a redevelopment of Newcastle General Hospital.

St. Nicholas mental illness hospital, Newcastle, will serve the Newcastle, Gateshead, and N.W. Durham areas.

Gateshead area

The intention is to concentrate the general hospital services for this area at Queen Elizabeth Hospital, Gateshead.

South Shields area

The intention is to concentrate the general services for this area at a new hospital on the site of South Shields General Hospital. The completion of the first two phases of this development will release beds elsewhere in the area for geriatric use.
South East Northumberland, Wansbeck, Berwick, and Alnwick areas

The long term intention is to concentrate the general hospital services in South East Northumberland at a completely new hospital, possibly at Rake Lane, Tynemouth; in the Berwick area, by further development at Berwick Infirmary, and in the Alnwick area by development of Alnwick Infirmary.

In the Wansbeck area, it is intended to complete the development of Ashington Hospital. In the long-term it will probably also be necessary, in order to meet the full needs of the area, to build a new district general hospital in addition to Ashington Hospital. In the meantime various interim schemes are in mind to help meet the serious shortage of geriatric beds.

It is intended to complete the development of Northgate and District Hospital for the mentally subnormal. This will be an 800-bed hospital with full supporting facilities and will serve the Wansbeck, Newcastle, Berwick, Alnwick and South East Northumberland areas.

St. Mary's mental illness hospital, Stannington, and St. George's mental illness hospital, Morpeth, will serve the South East Northumberland, Wansbeck, Berwick, Alnwick, and Hexham areas.

Hexham area

The long-term intention is to develop Hexham General Hospital into the main district hospital.

The development of Prudhoe Hospital for the mentally subnormal has recently been completed. This hospital will serve the Hexham, Newcastle, Gateshead, South Shields, N.W. Durham, Sunderland, and Durham areas.

North West Durham, South West Durham, and Durham areas

The intention is to concentrate the general hospital services for the N.W. Durham area by redeveloping Shotley Bridge General Hospital. The intention in the S.W. Durham area is to concentrate the general hospital services by redeveloping Bishop Auckland General Hospital. The long-term intention in the Durham area is to build a district general hospital at Durham to serve the general hospital needs. In the meantime various minor schemes to improve diagnostic and geriatric accommodation and the accident service are in mind. It is intended to develop Earls House Hospital, Durham, for the mentally subnormal. This hospital will serve the Durham, Sunderland, Hartlepool and North Tees areas.

Sunderland area

It is difficult to forecast with any accuracy the size of the population which will in future need to be served in this area, which includes the new town of Washington, but in the long term it is likely that three or four district general hospitals will be needed together with a new hospital for the mentally subnormal. It is intended to begin with the redevelopment of Ryhope General Hospital. It will probably also be necessary to carry out some interim development elsewhere with a view to improving supporting services in the area.
Cherry Knowle Hospital, Ryhope, for the mentally ill will serve the Sunderland and South Shields areas.

**North Tees-side, South Tees-side and the Hartlepool areas**
The general hospital services in the North Tees-side area will be concentrated at the new North Tees General Hospital, Stockton. The completion of the first two phases of this development will release beds elsewhere in the area for geriatric patients.

Winterton mental illness hospital will serve the North Tees-side, Hartlepool, S.W. Durham, Durham, Darlington, and Northallerton areas. It is intended to carry out improvements to the hospital, including upgrading of the in-patient accommodation which will permit better grouping of patients.

The long-term intention in the South Tees-side area is to concentrate the general hospital services for the area in three new hospitals, the first of which will be built on part of the St. Luke’s Hospital site. A new hospital for the mentally subnormal will also be required. It will be necessary to make some interim provision to help meet the shortage of geriatric beds. St. Luke’s mental illness hospital, Middlesbrough, will serve the South Tees-side and Northallerton areas.

The intention in the Hartlepool area is to concentrate the general hospital services for the area by a redevelopment of West Hartlepool General Hospital.

**Darlington and Northallerton areas**
The intention is to concentrate the general hospital services for the Darlington area at Darlington Memorial Hospital.

Aycliffe Hospital for the mentally subnormal will serve the Darlington, North Tees-side, S.W. Durham, South Tees-side, and Northallerton areas. The long-term intention in the Northallerton area is to develop Friarage Hospital, Northallerton. In the meantime minor improvements will be necessary.

**East and West Cumberland areas**
The intention in the East Cumberland area (which includes North Westmorland) is to provide most of the hospital services by a redevelopment of Cumberland Infirmary, Carlisle. It is intended to build a new small hospital at Penrith and, in the long term, at Kirkby Stephen. Garlands mental illness hospital at Carlisle, will serve the East and West Cumberland areas. The new West Cumberland Hospital is now in operation as the district general hospital serving the West Cumberland area. A re-allocation of beds to meet the needs of psychiatry is under consideration. It is intended to build a small new hospital at Millom.

Dovenby Hall Hospital for the mentally subnormal will serve the East and West Cumberland areas. A scheme for the provision of 60 more beds is expected to start shortly.
Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress

Ashington Hospital—maternity department, 120 bed ward block, operating suite, and ancillary services.
Darlington Memorial Hospital—development as district general hospital—phase I (psychiatric unit and accident and orthopaedic unit).
Gateshead, Queen Elizabeth Hospital—development as district general hospital—phase I (consultative out-patient department and part of X-ray department).
Stockton, North Tees General Hospital—new district general hospital—phase I (maternity department and psychiatric unit).

Schemes which it is hoped to start within the period up to 1969/70

Ashington Hospital—final phase of development.
Bishop Auckland General Hospital—first phase of development—accident and outpatient departments (expected to start this year).
Durham, Earls House Hospital—280 additional beds and ancillary services.
Morpeth, Northgate and District Hospital—second phase of development.
Penrith—new 75-bed hospital.
Shotley Bridge General Hospital—second phase of development—maternity unit.
South Shields General Hospital—out-patient department, medical records department, and part X-ray department (expected to start this year).
Stockton, North Tees General Hospital—phase II—600 additional beds and ancillary services.
West Hartlepool General Hospital—first phase of development—260 acute and geriatric beds and supplementary services.

According to present plans the start of these schemes will be followed by the start of:

Bishop Auckland General Hospital—second phase of development—maternity department and ancillary services.
Carlisle, Cumberland Infirmary—first phase of development.
Darlington Memorial Hospital—second phase of development—700 additional beds and ancillary services.
Durham, Dryburn Hospital—accident and orthopaedic departments.
Gateshead, Queen Elizabeth Hospital—second phase of development.
Middlesbrough, South Tees Hospital—new district general hospital—first and second phases of development.
Millom—new hospital.
Newcastle, the Teaching Hospital—first phase of development.
Newcastle, Freeman Road Hospital—new district general hospital—first phase (700 beds and ancillary services).
Newcastle General Hospital—first phase of development.
Shotley Bridge General Hospital—third phase of development.
South Shields General Hospital—second phase of development—maternity department and ancillary services.
Sunderland, Ryhope General Hospital—first and second phases of development.
West Hartlepool General Hospital—second phase of development.
Winterton Hospital—improvements including upgrading of accommodation.

Other and later prominent developments in the region are expected to include:

- Alnwick Infirmary—development.
- Berwick Infirmary—development.
- Friarage Hospital, Northallerton—development.
- Hexham General Hospital—development.
- S.E. Northumberland area—a new district general hospital.
- South Tees area—a new hospital for the mentally subnormal.
- Sunderland area—a new district general hospital.
- Sunderland area—a new hospital for the mentally subnormal.
- Wansbeck area—a new district general hospital.

There will also be further phases of development of those district general hospitals and hospitals for the mentally subnormal on which a start will already have been made.
THE LEEDS HOSPITAL REGION

Emphasis of the programme

The Leeds Hospital Region has a population of about 3.19 million. This is expected to increase to about 3.42 million by 1981. The elderly form a substantial proportion of this increase; the number of people aged 65 and over in the region, at present 375,000, is expected to increase by about 35% to 519,000 in 1981.

The main consideration in formulating a hospital programme for the region is not so much the need to make provision for the relatively small increase in total population as the need to replace out-dated accommodation, to continue to rationalise the pattern of hospital services throughout the region and to reduce the present unevenness in the level and standard of facilities in different areas. Thus, although the programme includes the building of several new hospitals and the substantial redevelopment of others the aim is not any significant overall expansion in the number of beds (except for maternity beds) but the development of a more rational pattern that will allow something like the existing number of beds to be better situated, more effectively used and supported by improved diagnostic and treatment facilities. A deficiency in the present standard of these supporting facilities, particularly in out-patient and accident departments, is a common feature in many parts of the region and for this reason a good deal of the programme consists of the development of such departments. This type of development will generally be undertaken in the first phase of the building of new hospitals or of the redevelopment of existing hospitals; the bulk of ward accommodation, maternity units, acute and medium stay psychiatric units, geriatric admission units and supporting facilities will generally be built in the later phases of these major developments.

The Regional Board have, however, maintained a place in the early part of the programme for the start of several major geriatric and psychiatric developments.

Acute and medium stay units will also be provided at the larger mental illness hospitals in the region where long stay beds may be expected to be reduced in number.

The programme also makes provision for the commencement of redevelopment of Leeds General Infirmary which, as the teaching hospital for the region, will have to provide for an increased output from the Leeds University Medical and Dental Schools. Some teaching facilities will also be provided at St. James’s Hospital, Leeds.
Pattern of development

The pattern of development of the hospital services in the region is now expected to be as follows:

Leeds and Otley area

The services of the area will centre ultimately on St. James's Hospital and Leeds General Infirmary, both of which are to be rebuilt on their existing sites, and in the meantime Otley General Hospital will also continue to serve the Wharfedale area. Cookridge Hospital will be developed to provide additional geriatric beds. Psychiatric services in the area will be provided at St. James’s Hospital and at High Royds and Stanley Royd Hospitals. Mental subnormality services for the area will continue to be provided at Meanwood Park Hospital which will also serve other areas in the region.

Hull and East Riding area

When the new 542-bed hospital in Hull is completed this year it will join Hull Royal Infirmary (Sutton), Kingston General Hospital, Westwood Hospital, Beverley and Castle Hill Hospital, Cottingham in providing district general hospital services for the area. Psychiatric services in the area will be largely centred on De la Pole Hospital and Broadgate Hospital (mental illness) and Brandesburton Hall (mental subnormality); these services will be shared by other areas.

Scarborough, Bridlington, Malton and Whitby area

The services of the area will be centred at Scarborough General Hospital, which is to be redeveloped on its present site, and new hospitals to be built at Bridlington and Whitby. Acute psychiatric beds will be provided in the later stages of the redevelopment of Scarborough General but for the remainder of its psychiatric services the area will continue to look towards the hospitals in the East Riding and York areas.

York and Selby area

The services of the area will be centred on a new district general hospital to be built on a site adjacent to Bootham Park Hospital. Later stages of this development will include the provision of geriatric admission beds and short-stay psychiatric beds. Longer stay geriatric beds will be found at the City Hospital and in new building on an adjacent site. Apart from acute psychiatric beds ultimately to be provided at the new hospital, mental illness services for the area will largely be centred on Clifton and Bootham Park Hospitals. Mental subnormality services will be centred on Claypenny, Whixley and Rawcliffe Hall Hospitals where additional beds are to be provided. All these psychiatric hospitals will also continue to serve other areas.

Harrogate and Ripon area

The services of the area will be centred on a new district general hospital to be built at Harrogate. Later stages of this development will include acute psychiatric beds but for the remainder of its psychiatric services the area will continue to look towards the York area.
Bradford, Bingley, Keighley, Skipton and Ilkley area

The services for the major part of the area's population will be centred at Bradford Royal Infirmary and a new district general hospital in Bradford. The Keighley, Skipton area will be served by a new district general hospital at Eastburn. Bierley Hall Hospital will be developed to provide new geriatric accommodation. Acute psychiatric beds will be provided as part of the new hospitals in Bradford and Eastburn and the remaining mental illness services will continue to be provided for this and other areas of the Region at Scalebor Park, Lynfield Mount and High Royds Hospitals, all of which are being, or are to be expanded, or modernised. Westwood Hospital will continue to provided mental subnormality services for this and other areas.

Halifax area

The services of the area will ultimately be concentrated at a new district general hospital on the site of the present Halifax General Hospital. Apart from short-stay beds which will be associated with the new hospital, geriatric and psychiatric accommodation will be provided by development of Northowram Hospital. Mental subnormality services will ultimately be housed in new accommodation on a site to be selected in the area.

Huddersfield area

The services of the area will be centred at the new 508-bed hospital at Lindley, Huddersfield, which will be brought into commission this year and at St. Luke's Hospital where major redevelopment was completed in 1965. St. Luke's and Storthes Hall Hospitals will together provide a comprehensive mental illness service for the area, the latter hospital also continuing to serve other areas. Mental subnormality services will continue to be provided by facilities in neighbouring areas but ultimately will be provided by new building in Huddersfield on a site to be selected.

Wakefield, Dewsbury, Batley and Mirfield area

The services of the area will ultimately be centred at new district general hospitals to be built at Dewsbury and Wakefield, the latter in effect comprising the redevelopment of Pinderfields General Hospital. Apart from short-stay beds ultimately to be associated with the new hospital in Dewsbury, psychiatric provision for the area will be centred at Stanley Royd Hospital (mental illness) and a new hospital for the mentally subnormal at Wakefield. This provision will be shared by other areas.

Pontefract, Castleford, Goole and Howden area

The services of the area will ultimately be centred at Pontefract General Hospital with additional facilities at Castleford which, together with the Bartholomew Hospital, Goole, will satisfy the needs of the area. Apart from the acute psychiatric services to be included in this complex the area will continue to look to its neighbouring areas for mental illness and mental subnormality services.
Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress

Bradford—Royal Infirmary—maternity unit.
Bradford—Lynfield Mount—additional beds and services.
Huddersfield—new hospital.
Huddersfield—nurses’ accommodation and nurse training school.
Hull—new hospital.
Hull—nurses’ home.
Ilkley—Scalebor Park—additional beds and services (to be completed this year).
Leeds—Cookridge Hospital—additional beds at high energy radiation centre.
Pontefract—General Infirmary—additional beds and services (to be completed this year).

Schemes which it is hoped to start within the period up to 1969/70.

Bradford—Bierley Hall Hospital—new geriatric hospital (expected to start this year).
Eastburn—new district general hospital (expected to start this year).
Halifax—General Hospital—maternity unit.
Halifax—General Hospital—acute psychiatric unit.
Halifax—Northowram Hospital—geriatric development (expected to start this year).
Harrogate—new district general hospital (first phase)—out-patient, accident and rehabilitation departments and some beds.
Hull—new hospital—group laundry.
Leeds—St. James’s Hospital (first phase)—accident and out-patient department and 180 beds (preliminary work expected to start this year).
Leeds—St. James’s Hospital (second phase)—maternity unit.
Pontefract—General Infirmary—nurse training school and staff accommodation.
Pontefract—General Infirmary—maternity unit.
Scarborough—General Hospital (first phase)—theatres, X-ray and pathology (expected to start this year).
Wakefield—new hospital for the mentally subnormal.

According to present plans, the start of these schemes will be followed by the start of:—

Bradford—new hospital (first and second phases)—accident out-patient departments, beds and ancillary services.
Bridlington—new hospital.
Castleford area—geriatric development (first phase).
Dewsbury—Staincliffe General Hospital—maternity unit and ancillary accommodation.
Halifax—Northowram Hospital—psychiatric unit.
Harrogate—new hospital (second phase)—maternity unit and staff accommodation.
Hull—Castle Hill Hospital, Cottingham—geriatric development.
Hull—new hospital—maternity unit.
Leeds—Cookridge Hospital—geriatric development.
Leeds—General Infirmary (teaching hospital)—first phase of redevelopment.
Leeds—St. James’s Hospital (third phase)—main ward blocks and ancillary accommodation.
Leeds area—new regional blood transfusion centre.
Scarborough—General Hospital (second phase)—out-patient department and accident unit.
York—new hospital (first and second phases)—accident and out-patient department, beds and ancillary services.

Other and later prominent developments in the region are expected to include:

Beverley—Westwood Hospital—redevelopment including additional beds.
Bradford—new hospital—further development.
Castleford—additional beds.
Dewsbury—new district general hospital.
Halifax—General Hospital—further development.
Halifax—Northowram Hospital—further psychiatric accommodation.
Harrogate—new hospital—further development.
Hull—Royal Infirmary (Sutton)—additional beds and services.
Leeds—General Infirmary (teaching hospital)—further development.
Leeds—St. James’s Hospital—further development.
Scarborough—General hospital (third phase)—new ward blocks and ancillary services.
Wakefield—new district general hospital at Pinderfields General Hospital.
Whitby—new hospital.
York—new hospital—further development.
THE SHEFFIELD HOSPITAL REGION

Emphasis of the programme

The Sheffield Hospital Region has a population of about 4.55 million. This is expected to increase to 5.19 million in 1981. Within these totals, the number of persons aged 65 and over is expected to increase from 516,000 now to 658,000 in 1981, i.e. by more than one quarter.

Most of the hospitals in the region are old and require to be redeveloped to modern standards or replaced. There is a particular shortage of maternity beds: a substantial programme for providing large modern maternity units in the major towns is already under way. Generally the programme aims at the progressive redevelopment of the major general hospitals as district general hospitals providing a comprehensive range of services, including where appropriate facilities for psychiatric and geriatric treatment. Accident and emergency units will be provided at selected district general hospitals. A number of existing geriatric hospitals will be upgraded and enlarged, and further provision for the increasing number of elderly will be made by converting some hospitals at present used for other purposes. A number of new hospitals for the mentally subnormal are now being planned.

The largest projects of all are the new teaching hospitals at Sheffield, on which work has already started, and at Nottingham, on which planning is being pressed forward. Together these two projects will ultimately provide more than 2,000 new beds and the annual number of medical students proceeding to clinical training in the region will be trebled.

Pattern of development

The intended pattern of development of the hospital services in the region is now expected to be as follows:

Sheffield Area
The general hospital services of this area will eventually be based on the City General Hospital, which will be developed as a district general hospital; the Hallamshire Hospital (the new main teaching hospital); and a new district general hospital which will be built at Norton, in the south of Sheffield. New maternity and geriatric units are at present being built at Nether Edge Hospital. Psychiatric services will continue to be provided at Middlewood Hospital, which is being modernised; it will be supplemented in the near future by a temporary psychiatric unit at Norton and eventually by units at the district general hospitals. Large new mental subnormality hospitals will be built to replace the present inadequate units at Grenoside, Aughton Court and Thundcrcliffe Grange; these new hospitals will also serve the Barnsley and Rotherham areas.

Rotherham and Mexborough Area
Hospital services in the Rotherham area will eventually be based mainly on a new district general hospital to be built at Oakwood Hall. The population of the Mexborough area is thought to justify a separate district
general hospital, but it is not yet clear where this will be provided. Extra geriatric beds will be provided at Badsley Moor Lane Hospital; and Wathwood Hospital will eventually be developed to accommodate long stay psychiatric patients. Mental subnormality is at present provided for at St. Catherine's Hospital, Doncaster, but will eventually be provided for at Grenoside, Thundercliffe Grange and Aughton Court.

**Barnsley Area**
The services of this area will be centred on the new district general hospital to be built on the site of St. Helen Hospital, Barnsley; this will include geriatric and psychiatric units. The number of geriatric beds at Mount Vernon Hospital will be doubled and Kendray Hospital will be adapted as a rehabilitation psychiatric unit. Beckett Hospital will be used for long stay psychiatric patients. Mental subnormality services now provided at St. Catherine's Hospital, Doncaster will eventually be provided at Grenoside, Thundercliffe Grange and Aughton Court.

**Doncaster Area**
The services of this area will be based mainly on the Doncaster Royal Infirmary, which is currently being developed as a district general hospital and will include an intensive care psychiatric unit. A new psychiatric rehabilitation hospital will be built at Loversall and St. Catherine's Hospital will continue to provide for mental subnormality and will ultimately be expanded. The number of geriatric beds at Tickhill Road Hospital will be nearly doubled.

**Chesterfield Area**
The services of this area will ultimately be based on a new district general hospital to be built on a site at Ashgate some two to three miles west of Chesterfield. Additional beds for geriatric patients will soon be provided at Walton Hospital. In the long term Scarsdale Hospital will be remodelled and used for the treatment of long stay psychiatric as well as geriatric patients. Whittington Hall Hospital will be further developed and continue to provide mental subnormality services for this area as well as serving North Derbyshire.

**Worksop Area**
A district general hospital will be built on the site of the present Kilton Hospital; it will include a comprehensive psychiatric unit. Mental subnormality services will continue to be provided at hospitals in neighbouring areas. Additional geriatric beds will be provided at Retford and District Hospital to replace unsatisfactory accommodation at Carlton-in-Lindrick Hospital.

**Nottingham and Newark Area**
The services of this area will be concentrated at three district general hospitals: the Nottingham General and Nottingham City Hospitals, which are being developed, and a new teaching hospital to be built on a site adjacent to Nottingham University. The two latter hospitals will also have comprehensive psychiatric units. Long stay psychiatric beds will also
be provided at Ruddington Hall Hospital. Highbury Hospital will be developed to accommodate geriatric patients and further geriatric beds will be added to Basford Hospital. Mental subnormality services will be provided at Balderton Hospital, which is to be further developed, and at a new hospital to be built on the Notts./Derbys. border. A new hospital will be built at Ilkeston for geriatric and long stay psychiatric purposes; but will include general out-patient facilities. Hawtonville Hospital will be developed to provide the acute services for Newark and will include maternity, geriatric and long-stay psychiatric beds.

**Mansfield Area**

The services of this area will ultimately be centred on King's Mill Hospital, Sutton-in-Ashfield, which is to be redeveloped as a district general hospital including a comprehensive psychiatric unit. Supporting services for geriatric patients will be provided at Newstead Hospital. Ultimately a new hospital will be built for the mentally subnormal.

**Derby Area**

The acute services of this area will ultimately be based on the Derbyshire Royal Infirmary and Derby City Hospital, which will be progressively redeveloped as district general hospitals. A comprehensive psychiatric unit will be provided at the Derbyshire Royal Infirmary, but the psychiatric services associated with Derby City Hospital will be provided at Kingsway Hospital. Mental subnormality services will be provided at Aston Hall Hospital, which is to be further developed, and at the new hospital to be built on the Notts./Derbys. border.

**Leicester and Loughborough Area**

The services of this area will be concentrated in the Leicester Royal Infirmary and Leicester General Hospital, which will be progressively redeveloped as district general hospitals, and later at a new district general hospital. Another new hospital will ultimately replace the Loughborough General Hospital. Each of these hospitals will have a comprehensive psychiatric unit. Psychiatric services will continue to be provided at Carlton Hayes and The Towers Hospitals (mental illness) and Leicester Frith and Stretton Hall Hospitals (mental subnormality) will be further developed.

**Lincoln Area**

The services of this area will be concentrated mainly on the site of the Lincoln County Hospital, which will be progressively redeveloped as a district general hospital. St. George's Hospital will serve mainly as a geriatric hospital. Psychiatric services will continue to be provided at existing hospitals. Additional beds for the mentally subnormal will be provided at Harmston Hall Hospital.

**Scunthorpe Area**

The development of the Scunthorpe and District War Memorial Hospital as a district general hospital will continue including a new psychiatric unit.
Other beds for psychiatry will eventually be provided at Scunthorpe on another site. Brumby Hospital will be developed to provide supporting geriatric services. Further provision will be made for mental subnormality services in the Scunthorpe and Grimsby areas together, either at Caistor Hospital or on a new site.

**Grimsbys Area**
The services of this area will be based on a new district general hospital to be provided on a site adjoining Scartho Road Hospital: this will include geriatric and psychiatric units. For mental subnormality additional provision will be made as mentioned above.

**Boston Area**
The services of this area will mainly be based on a new district general hospital, which will include geriatric and psychiatric units. Other beds for psychiatry will continue to be provided at Rauceby Hospital, which is being modernised.

**Grantham Area**
Hospital services for this area will continue to be provided at Grantham and Kesteven General Hospital, which is being progressively re-built; it will include a maternity unit and an increased number of geriatric beds. Psychiatric services will continue to be provided at Rauceby Hospital (see above).

**Major building schemes** (New hospitals and building schemes expected to cost more than £250,000).

*Already in progress*
- Doncaster—Royal Infirmary—development as district general hospital, including maternity and psychiatric units.
- Lincoln—County Hospital—phase I of development as district general hospital (maternity unit).
- Scunthorpe—War Memorial Hospital—new out-patient department.
- Sheffield—Children’s Hospital—laboratories.
- Hallamshire Hospital—foundations for phase II.
- Nether Edge Hospital—geriatric and maternity units.
- Weston Park Hospital—new radiotherapy centre, phase II.

*Schemes which it is hoped to start within the period up to 1969/70*
- Barnsley—St. Helen Hospital—phase I of development as district general hospital (expected to start this year).
- Boston—new district general hospital—phase I.
- Chesterfield—Walton Hospital—development.
- Derby—Royal Infirmary—phase I(b) of development as district general hospital.
- Doncaster—new psychiatric hospital at Loversall.
- Grantham—Grantham and Kesteven General Hospital—maternity unit.
Leicester—Royal Infirmary—phase I of development as district general hospital (maternity unit) and area laundry.
Lincoln—Harmston Hall Hospital—development.
Mansfield—King's Mill Hospital—maternity unit.
Newark—Balderton Hospital—phase III.
Nottingham—City Hospital—further remodelling of ward units, new maternity unit and other developments.
General Hospital—block of wards and departments.
New teaching hospital—phase I.
Rotherham—Badsley Moor Lane Hospital—development.
Scunthorpe—War Memorial Hospital—remodelling of existing out-patient department.
Sheffield—Aughton Court Hospital—development.
Blood transfusion centre—new accommodation.
City General Hospital—operating theatres and central sterile supply department (expected to start this year).
Hallamshire Hospital—phase II of new teaching hospital.
Norton site—temporary psychiatric unit.

According to present plans, the start of these schemes will be followed by the start of:

Barnsley—Mt. Vernon Hospital—additional geriatric beds.
St. Helen Hospital—phase II of development as district general hospital.
Boston—new district general hospital—phase II.
Chesterfield—Whittington Hall Hospital—development.
Derby—City Hospital—phases IA and IB of development as district general hospital.
Royal Infirmary—phase II of development as district general hospital.
Doncaster—Tickhill Road Hospital—additional geriatric beds.
Grimsby—new district general hospital—phase I.
Leicester—General Hospital—phase I of development as district general hospital.
Royal Infirmary—phases II and III of development as district general hospital.
Lincoln—County Hospital—phase II of development as district general hospital.
Nottingham—Highbury Hospital—development.
New teaching hospital—further phases.
Rotherham—new district general hospital—phase I.
Scunthorpe—War Memorial Hospital—further development.
Sheffield—City General Hospital—new accident and emergency unit.
Grenoside—new hospital for mentally subnormal.
Thundercliffe Grange Hospital—development.
Worksop—Kilton Hospital—phase I of development as district general hospital.

Other and later prominent developments in the region are expected to include:

Chesterfield—new district general hospital.
Derby—Aston Hall Hospital—further development.
Ilkeston/Heanor—new geriatric hospital.
Leicester—Leicester Frith Hospital—development.
  New district general hospital.
  Stretton Hall Hospital—development.
N. Lincs.—new hospital for mentally subnormal.
Loughborough—new hospital.
Mansfield—King's Mill Hospital—development as district general hospital.
  New hospital for mentally subnormal.
Muxborough—new district general hospital.
Newark—Hawtonville Hospital—development.
Nottingham—General Hospital—further development.
Notts./Derbys. border—new hospital for mentally subnormal.
Sheffield—Children's Hospital—development.
  City General Hospital—further development.
  Jessop Hospital for Women—development.
  New district general hospital at Norton.

There will also be further phases of development of those district general hospitals on which a start will already have been made.
THE EAST ANGLIAN HOSPITAL REGION

Emphasis of the programme

The East Anglian Hospital Region has a population of about 1,620,000. This is expected to increase to 1,880,000 by 1981. One of the major problems of the region is to provide for this increased population, particularly in Ipswich and Peterborough and in the Cambridge and South West area.

There is a general shortage of acute and maternity beds, and many hospitals are in old buildings and deficient in out-patient and diagnostic facilities. Great importance is attached to remedying these deficiencies.

The programme includes substantial expenditure on redeveloping Addenbrooke’s Hospital which will continue as a teaching hospital for the region and will provide a district service for Cambridge and the surrounding area.

Numerically the region is well off for geriatric and mental illness beds and the Regional Board’s aim is to continue the policy of upgrading, to provide acute units in district general hospitals as they are built and day hospitals where possible. The Board’s programme pays due regard to the need for more mental subnormality beds.

Pattern of development

The pattern of development of the hospital services in the region is now expected to be as follows:

Cambridge and South West Area

The services for the area will centre on Addenbrooke’s Hospital which is being redeveloped on a new site.

Future developments will include a new district hospital for Huntingdon (where interim improvements are proposed) and redevelopment of the Tower Hospital, Ely, and Saffron Walden General Hospital. Improvements at these hospitals will supplement the general services and geriatric provision for the area. Chesterton Hospital, Cambridge is to be improved and will continue as a geriatric hospital. Fulbourn Hospital for mental illness is currently being upgraded and there are further plans to reorganise and extend facilities there. The first phases of the new Ida Darwin Hospital for the mentally subnormal are under construction at Fulbourn.

West Suffolk Area

The needs of this area will be met by a district general hospital at Bury St. Edmunds which will include beds for geriatrics and the mentally ill. Major redevelopment is planned at the Risbridge Home, Kedington and at the Jane Walker Hospital, Nayland to increase the region’s facilities for mentally subnormal patients.

Ipswich and East Suffolk Area

The services for this area will be developed at two new district general hospitals for Ipswich which will include geriatric and mental illness beds. Work on a new geriatric unit is currently in progress at the Heath Road Wing of the Ipswich and East Suffolk Hospital. Major upgrading is also in
progress at Stow Lodge Hospital which will continue to form part of the geriatric service for the area. St. Clement’s Hospital, Ipswich will continue to provide mental illness beds for the area.

**Norwich and Cromer Area**
The phased redevelopment of the Norfolk and Norwich Hospital will provide the first district general hospital for the area. A second one will eventually be needed. The area’s geriatric needs will be met at the second district general hospital and at Wayland Hospital, Attleborough and elsewhere. Hellesdon Hospital for mental illness will continue to serve this area and the Great Yarmouth and Lowestoft area.

**Great Yarmouth and Lowestoft Area**
A new district general hospital is proposed eventually to meet the needs of this area, and will include geriatric and mental illness beds. Work on a new maternity unit at Northgate Hospital is due to start later this year and other interim improvements at Great Yarmouth and Lowestoft are proposed.

**King’s Lynn and Wisbech Area**
The needs of this area are to be met mainly by a new district general hospital at King’s Lynn which will include geriatric and mental illness beds. Interim improvements are being undertaken at Wisbech.

**Peterborough and Stamford Area**
Peterborough Memorial Hospital is at present being redeveloped to provide a district general hospital for the area. It is planned eventually to build a second district general hospital at Peterborough and to redevelop the Stamford and Rutland Hospital, both of which will include geriatric beds. Improved facilities will also be provided at the County Hospital, Doddington.

The later developments at Peterborough will include mental illness provision and there will also be a new hospital for mental subnormality to meet regional needs.

**Major building schemes** (New Hospitals and building schemes expected to cost more than £250,000).

*Already in progress*
Cambridge—new regional blood transfusion service headquarters.
Fulbourn Hospital—improvements to engineering services.
Ida Darwin Hospital—new mental subnormality hospital, phase I and staff housing.
Ipswich and East Suffolk Hospital (Heath Road Wing)—geriatric unit.
Norfolk and Norwich Hospital—boiler-house, mortuary, workshops and new maternity unit.
Peterborough Memorial Hospital—redevelopment, phase II, including main ward block, out-patient and accident departments.

*Schemes which it is hoped to start within the period up to 1969/70*
Cambridge—new Addenbrooke’s Hospital, phase II (expected to start this year).
Ida Darwin Hospital—phases II and III.
Ipswich—new district general hospital, phase I.
King’s Lynn—new district general hospital, phase I.
Norfolk and Norwich Hospital—diagnostic and treatment departments.
Northgate Hospital—new maternity unit (expected to start this year).
Peterborough Memorial Hospital—redevelopment, phase III.

According to present plans, the start of these schemes will be followed by the start of:

Bury St. Edmunds—district general hospital, phase I.
Cambridge—new Addenbrooke’s Hospital, phase III.
Hellesdon Hospital—new area laundry.
Ipswich—new district general hospital, phase II.
King’s Lynn—new district general hospital, phase II.
Norfolk and Norwich Hospital—new main ward block.
Peterborough—second district general hospital, phase I.

Other and later prominent developments in the region are expected to include:

Bury St. Edmunds—completion of district general hospital.
Ely—redevelopment of Tower Hospital.
Great Yarmouth and Lowestoft—new district general hospital.
Hellesdon Hospital—upgrading and extension.
Huntingdon—new general hospital.
Ida Darwin Hospital—completion.
Ipswich—completion of first district general hospital.
Ipswich—second district general hospital.
King’s Lynn—completion of district general hospital.
Nayland—major redevelopment of Jane Walker Hospital.
Norfolk and Norwich Hospital—completion.
Norwich—second district general hospital.
Peterborough—completion of second district general hospital.
Peterborough—new mental subnormality hospital.
Saffron Walden General Hospital—redevelopment.
Stamford and Rutland Hospital—redevelopment.
THE NORTH WEST METROPOLITAN HOSPITAL REGION

Emphasis of the programme

The North West Metropolitan Hospital Region has a population of about 4.2 million. This is expected to increase to 4.9 million in 1981. The problems in the region are those of renewal where necessary and expansion to provide for this increased population and the increases that have already taken place together with shifts of population within the region. As an example, in the Stevenage, Bracknell and Hemel Hempstead areas the creation of new towns makes the provision of additional hospital facilities a matter of more than usual urgency.

A new hospital is needed to replace the King Edward Memorial Hospital, Ealing, which is under very heavy pressure and in need of improved facilities; and a new hospital (in association with the Medical Research Council’s Clinical Research Centre) is being built at Northwick Park to serve parts of the adjoining London Boroughs of Brent and Harrow. Elsewhere the emphasis will be on redeveloping and expanding existing hospitals by stages to provide a district service to match the needs of the areas dependent on them. Apart from the increase in beds, the Board propose to continue improving diagnostic and treatment facilities, including out-patient, accident and emergency departments, operating theatres and pathological services where deficiencies exist.

The programme also includes substantial expenditure on teaching hospitals, in particular a completely new Royal Free Hospital and, later, a start to the rebuilding of St. Mary’s Hospital. The teaching hospital projects are designed primarily to provide up-to-date facilities for treatment of patients, but will also make more extensive provision for the clinical work of the associated medical schools and specialist postgraduate institutes.

In the field of psychiatry, psychiatric units for mental illness are proposed at a number of district general hospitals. This will enable these hospitals to provide beds and day hospital facilities for the mentally ill as an integral part of the general hospital service. A regional unit is proposed for adolescent psychotics and another for the long-stay needs of psychopaths complementary to the pioneer diagnostic and treatment centre for psychopaths now building at West Hendon. A substantial number of additional beds for mental subnormality is also proposed. Additional accommodation will be provided at hospitals for the mentally ill and for the mentally subnormal to meet the considerable development which is taking place in all forms of occupational therapy.

Additional geriatric beds are intended which will be added to as opportunity offers by re-allocation from other specialities.

Provision of much needed residential accommodation, improvement of engineering services and the extension of hospital laundry facilities are also proposed.
Pattern of development

The pattern of development of the hospital services in the region is now expected to be as follows:—

**Inner London Area**

This is the area served mainly by the Paddington and North London Hospital Groups and by the teaching hospitals situated within the region, notably four large undergraduate hospitals (Royal Free, University College, Middlesex and St. Mary's, Paddington). There are also a number of postgraduate hospitals (including Hammersmith). Rebuilding of Charing Cross Hospital at Fulham will take the main hospital now at Agar Street, W.C. 2, outside the regional boundary (see p.44) and the first phase of the Chelsea Postgraduate Medical Centre (see p.44) will provide accommodation to take St. John's Hospital for Diseases of the Skin, St. Mark's Hospital for Diseases of the Rectum and Colon, and the St. Peter's, St. Paul's and St. Philip's group of hospitals (urology) all of which are presently situated within the region.

District general hospital services within this area will be provided by the teaching hospitals and by the Paddington General, Royal Northern, Whittington, and St. Charles' Hospitals. The new Royal Free Hospital at Lawn Road and the opportunity for providing more closely integrated facilities in Paddington on the rebuilding of St. Mary's Hospital will make important contributions to improved local services.

The area looks to Friern Hospital and to Horton and Springfield Hospitals (in the South West Metropolitan Region) for the treatment of mentally ill patients and to Leavesden and Harperbury Hospitals for beds for the mentally subnormal. It is hoped in the long-term to provide within the region for the population of this area at present served by Horton and Springfield Hospitals. The Tavistock Clinic, for out-patients only, is being rebuilt at Hampstead and is expected also to house the Child Guidance Training Centre and the Tavistock Institute.

**North and Central Middlesex Area**

The services of the area will centre on district general hospitals to be provided by the redevelopment of Edgware General Hospital and Mount Vernon Hospital, the building of the new hospital and clinical research centre (in association with the Medical Research Council) at Northwick Park, and the further development of the Central Middlesex and Willesden General Hospitals.

The area will look to Napsbury, Shenley, Hill End and St. Bernard's Hospitals and to Springfield Hospital for the treatment of mentally ill patients. It looks to Harperbury, Leavesden and Cell Barnes Hospitals for beds for the mentally subnormal. It is hoped in the long-term to provide within the region for the population of this area at present served by Springfield Hospital. A psychiatric unit for mental illness is to be included in the new Northwick Park Hospital.

**South West Middlesex Area**

The services of the area will centre on district general hospitals to be provided by the development of West Middlesex, Ashford and Hillingdon
Hospitals on their present sites and the building of a new hospital on a site at Southall to replace the existing King Edward Memorial Hospital, Ealing.

The area will look to St. Bernard’s Hospital and to Springfield Hospital for the treatment of mentally ill patients. For mentally subnormal patients it is served partly by Leavesden Hospital, and partly by Normansfield which it is proposed to extend and which is within the area. In the long term it is hoped to provide within the region for the population of this area at present served by Springfield Hospital.

**Barnet, Mid- and West Hertfordshire Area**

Most of the acute work for the Barnet area will be concentrated at Barnet General Hospital. St Alban’s City Hospital will continue as a district general hospital. With the recent addition of a psychiatric unit, the new Queen Elizabeth II Hospital, Welwyn, now provides a full district general hospital service. West Herts. and St. Paul’s Hospitals will continue to provide a district general hospital service which will ultimately be concentrated on a new site and Shrodells Hospital, Watford, is in course of redevelopment as a district general hospital by the provision of maternity and psychiatric services.

The area will look to Hill End and Napsbury Hospitals, in addition to the new unit at the Queen Elizabeth II Hospital, for the treatment of mentally ill patients, and to Harperbury and Cell Barnes Hospitals for beds for the mentally subnormal. New psychiatric units for mental illness are proposed at Barnet and Shrodells Hospitals.

**Luton and Hitchin Area**

The services of the area will centre on a new district general hospital to be built near Stevenage, on the redeveloped Luton and Dunstable Hospital and on expanded maternity services at the Luton Maternity Hospital which is adjacent to the Luton and Dunstable Hospital. A second district general hospital is proposed later in the Luton area.

The area looks to Fairfield Hospital for the treatment of mentally ill patients and to Bromham and Cell Barnes Hospitals for beds for the mentally subnormal. The new hospital to be built near Stevenage will include a psychiatric unit for the mentally ill, and a similar unit will be provided at Luton and Dunstable Hospital.

**Bedfordshire Area**

The services of the area will ultimately centre on a district general hospital on the Bedford General Hospital (South Wing) site where all general hospital services will be concentrated.

The area looks to Fairfield Hospital for the treatment of mentally ill patients and to Bromham Hospital for beds for the mentally subnormal. A psychiatric unit for mental illness is proposed at Bedford General Hospital.
Windsor, Slough and Maidenhead Area.

The services of the area will—at least in the short term—centre on district general hospitals to be provided by the redevelopment of King Edward VII (Windsor) and Heatherwood (Ascot) Hospitals and by further development of the new hospital recently built at Wexham Park, Slough. Maidenhead Hospital will remain a centre for out-patient work and might even come to rival Windsor as a hospital centre. A site has been earmarked at Bracknell for hospital development.

The area looks to St. Bernard’s Hospital for the treatment of mentally ill patients and to Church Hill House and Leavesden Hospitals for beds for the mentally subnormal. Church Hill House Hospital will be extended. A psychiatric unit for the mentally ill is proposed to be added to the new Wexham Park Hospital.

**Major building schemes** (New hospitals and building schemes expected to cost more than £250,000).

*Already in progress*

Ashford Hospital, Middlesex—new maternity department, ante-natal clinic and related works (phase I).
Ashford Hospital, Middlesex—new out-patient and accident departments.
Central Middlesex Hospital, N.W.10—extensions to out-patient, accident and x-ray departments.
Edgware General Hospital—operating theatres and central sterile supply department.
Hillingdon Hospital—redevelopment—phase I.
Isleworth, West Middlesex Hospital—redevelopment—phase I.
Northwood, Mount Vernon Hospital—out-patient and accident departments.
St. Albans City Hospital—redevelopment—phase I.
Tavistock Clinic, W.1.—rebuilding on new site at Hampstead.
University College Hospital, W.C.1—new out-patient department and services.
Watford, Shrodells Hospital—new maternity and ante-natal department.
Wembley, Northwick Park—new hospital.

*Schemes which it is hoped to start within the period up to 1969/70*

Ascot, Heatherwood Hospital—development—phase II.
Barnet General Hospital—psychiatric unit.
Bedford General Hospital—new ward block and related works.
Bracknell, Church Hill House—additional beds, staff accommodation and related works.
Hospital for Sick Children and National Hospitals for Nervous Diseases, W.C.1.—joint redevelopment—phase I.
Luton and Dunstable Hospital—psychiatric unit.
Luton Maternity Hospital—improvements—phase II.
Royal Free Hospital—new hospital at Lawn Road, N.W.3 (expected to start this year).
Royal Northern Hospital, N.7.—staff accommodation.
Stevenage, Lister new hospital (expected to start this year).
Southall, St. Bernard's Hospital—extension of laundry.
University College Hospital, W.C.1.—remodelling of Obstetric Hospital.
Watford, Shrodells Hospital—psychiatric unit.

According to present plans, the start of these schemes will be followed by the start of:

Ascot, Heatherwood Hospital—additional beds and staff accommodation.
Ashford Hospital—maternity department—phase II.
Ashford Hospital—redevelopment—phase I.
Bedford General Hospital—psychiatric unit.
Barnet General Hospital—redevelopment—phase I.
Central Middlesex Hospital, N.W.10.—redevelopment—phase I.
Eastman Dental Hospital—rebuilding.
Edgware General Hospital—new kitchens, dining rooms and stores.
Hammersmith Hospital, W.12.—redevelopment—phase I.
Hospital for Sick Children and National Hospitals for Nervous Diseases, W.C.1.—joint redevelopment—phase II.
King Edward Memorial Hospital, W.13.—rebuilding at Southall.
Luton and Dunstable Hospital—additional beds and related works.
Middlesex Hospital, W.1.—improvements.
Regional adolescent psychotic unit.
Regional long-stay unit for psychopaths.
St. Albans City Hospital—new out-patient and accident departments.
St. Mary's Hospital, Paddington—rebuilding.
Slough, Wexham Park Hospital—psychiatric unit.
University College Hospital, W.C.1.—improvements.
University College Hospital, W.C.1.—metabolic block.
Watford, Shrodells Hospital—redevelopment—phase I.
Whittington Hospital, N.19.—redevelopment—phase I.

Other and later prominent developments in the region are expected to include:

Ascot, Heatherwood Hospital—redevelopment.
Ashford Hospital, Middlesex—redevelopment, including psychiatric unit.
Bedford General Hospital—further redevelopment.
Central Middlesex Group—psychiatric unit.
Edgware General Hospital—redevelopment, including psychiatric unit.
Hemel Hempstead—new district general hospital.
Hillingdon Hospital—further redevelopment.
Isleworth, West Middlesex Hospital—further redevelopment including psychiatric unit.
Luton—new district general hospital.
Maidenhead, St. Mark's Hospital—provision of out-patient services.
Northwood, Mount Vernon Hospital—redevelopment.
Royal Northern Hospital, N.7.—redevelopment.
St. Albans City Hospital—further redevelopment.
St. Charles' Hospital, W.10.—redevelopment.
Slough, Wexham Park Hospital—completion.
Stevenage, Lister New Hospital—completion.
Windsor, King Edward VII Hospital—redevelopment.
Southall, St. Bernard’s Hospital—extension of laundry.
University College Hospital, W.C.1.—remodelling of Obstetric Hospital.
Watford, Shrodells Hospital—psychiatric unit.

According to present plans, the start of these schemes will be followed by the start of:

Ascot, Heatherwood Hospital—additional beds and staff accommodation.
Ashford Hospital—maternity department—phase II.
Ashford Hospital—redevelopment—phase I.
Bedford General Hospital—psychiatric unit.
Barnet General Hospital—redevelopment—phase I.
Central Middlesex Hospital, N.W.10.—redevelopment—phase I.
Eastman Dental Hospital—rebuilding.
Edgware General Hospital—new kitchens, dining rooms and stores.
Hammersmith Hospital, W.12.—redevelopment—phase I.
Hospital for Sick Children and National Hospitals for Nervous Diseases, W.C.1.—joint redevelopment—phase II.
King Edward Memorial Hospital, W.13.—rebuilding at Southall.
Luton and Dunstable Hospital—additional beds and related works.
Middlesex Hospital, W.1.—improvements.
Regional adolescent psychotic unit.
Regional long-stay unit for psychopaths.
St. Albans City Hospital—new out-patient and accident departments.
St. Mary’s Hospital, Paddington—rebuilding.
Slough, Wexham Park Hospital—psychiatric unit.
University College Hospital, W.C.1.—improvements.
University College Hospital, W.C.1.—metabolic block.
Watford, Shrodells Hospital—redevelopment—phase I.
Whittington Hospital, N.19.—redevelopment—phase I.

Other and later prominent developments in the region are expected to include:

Ascot, Heatherwood Hospital—redevelopment.
Ashford Hospital, Middlesex—redevelopment, including psychiatric unit.
Bedford General Hospital—further redevelopment.
Central Middlesex Group—psychiatric unit.
Edgware General Hospital—redevelopment, including psychiatric unit.
Hemel Hempstead—new district general hospital.
Hillingdon Hospital—further redevelopment.
Isleworth, West Middlesex Hospital—further redevelopment including psychiatric unit.
Luton—new district general hospital.
Maidenhead, St. Mark’s Hospital—provision of out-patient services.
Northwood, Mount Vernon Hospital—redevelopment.
Royal Northern Hospital, N.7.—redevelopment.
St. Albans City Hospital—further redevelopment.
St. Charles’ Hospital, W.10.—redevelopment.
Slough, Wexham Park Hospital—completion.
Stevenage, Lister New Hospital—completion.
Windsor, King Edward VII Hospital—redevelopment.
Emphasis of the programme

The North East Metropolitan Hospital Region has a population of about 3·4 million. This is expected to increase to 3·8 million in 1981.

The region has to provide not only for a population increase of about 12 per cent. but also for a shift in the balance of population caused by migration from east London to the new towns of Harlow and Basildon and to other long-established but growing communities such as Colchester. New district hospitals are required at both Basildon and Colchester. Elsewhere the programme will be one of rebuilding existing hospitals. The Regional Board will continue to improve diagnostic and treatment facilities so that greater use can be made of existing beds and with the improved facilities more patients can be treated satisfactorily without their becoming in-patients. Wherever possible the Board are proceeding accordingly, but in some areas, the rapid growth of communities has outstripped hospital provision to the extent that the provision of new beds as well as improved facilities is the only feasible course. A programme for the development of accident and emergency departments is under consideration by the Board.

The Board will continue to increase their provision for the mentally sub-normal and are devoting substantial sums to the upgrading of their psychiatric hospitals. They are also providing and planning additional facilities for short and medium stay psychiatric patients at district general hospitals.

The population aged 65 and over is expected to increase from 437,000 in 1965 to about 483,000 in 1981. In addition to the provision of geriatric units in district general hospitals the Board intend to upgrade a number of hospitals devoted to the geriatric services.

Pattern of development

*Inner London* (City, London Boroughs of Hackney and Tower Hamlets). The population of this area has declined since the war (although this trend may well be halted in the 1970’s) and consequently the number of acute beds in relation to the population is very much above the norm.

Although there is a case for retaining some extra beds in the area because of social conditions and on account of the relief given to peripheral hospitals under pressure, it should be possible to rationalise the hospital services in the area in conjunction with the two general teaching hospitals, St. Bartholomew’s and The London Hospitals. Discussions are taking place between the hospital and University authorities concerned about the future relationship of these two hospitals with others nearby in providing a full district service and in making teaching facilities available for increased intakes of students at the two medical colleges.

So far as can be seen, the district service for this area will eventually be provided mainly by new district general hospitals at Poplar and on the site of St. Leonard’s, the Hackney, Bethnal Green and Mile End and
London Jewish Hospitals in addition to St. Bartholomew's and The London Hospitals.

The Board are providing a psychiatric unit of 90 beds at Hackney Hospital which, with the similar unit at St. Clement's Hospital, will reduce the dependence of this area on Long Grove Hospital, Epsom, in the South West Metropolitan Region. Improvements will be carried out at St. Matthew's Hospital, N.1 to provide a better service for geriatric patients.


The changes in the boundaries of Regional Hospital Boards on 1st April, 1965 following the re-organization of London government resulted in the North East Metropolitan Regional Hospital Board assuming responsibility for the provision of hospital services for virtually the whole of the London Borough of Enfield and in the transfer to that Board of Highlands Hospital. This hospital has of course been brought within the Board's general plans for the area but the main district general hospitals will be at Chase Farm, Enfield; North Middlesex, Edmonton; and on the site of St. Ann's, Tottenham.

Facilities at St. Michael's Hospital, Enfield, which caters for the elderly, will be improved.


New district general hospitals will eventually be built at Woodford Green and Forest Gate. These, together with Whipps Cross and East Ham Memorial Hospital, will provide the main district service for the area. Psychiatric services will continue to be provided at Claybury and Goodmayes Hospitals. An adolescent unit will shortly be built at Goodmayes Hospital.

Improved facilities for geriatric patients will be provided at Langthorne Hospital, Leytonstone.


District hospitals for the area are Barking, King George (Ilford), Oldchurch, Rush Green and Harold Wood Hospitals and these will continue to be developed.

Warley Hospital for mental illness will continue to provide psychiatric services. South Ockendon Hospital will continue to serve as one of the region's main hospitals for the mentally sub-normal.

*West Essex and Hertford.*

The principal general hospitals for the area are Princess Alexandra, Harlow; St. Margaret's, Epping; Herts and Essex, Bishop's Stortford; and Hertford County Hospital. Work on the psychiatric unit at Princess Alexandra Hospital is proceeding and will virtually complete the new hospital as planned. Any major expansion of Harlow new town would however give rise to the need to consider extending the hospital. The question of hospital provision for the Bishop’s Stortford area awaits a decision on the future of the airport at Stansted and the possible siting of a new town there.
Mid Essex.
The services in this area will eventually centre on the new district general hospital to be built on the site of Broomfield Hospital. In the meantime improvements to operating theatres and other services at Chelmsford and Essex and St. John’s Hospitals are to be carried out.

North East Essex.
The main hospital facilities in the area will be provided by a new district general hospital to be built at Colchester, supplemented by increased provision at Clacton. Royal Eastern Counties Hospital, Colchester will continue to be one of the main centres of the Region for the mentally sub-normal and Severalls Hospital will continue as one of the Region's main psychiatric hospitals. Heath Hospital, Tendring, which provides geriatric services will be improved.

South East Essex.
The district general hospitals for the area will be at Basildon, Orsett, Southend-on-Sea and Rochford. Psychiatric services will continue to be provided for parts of this and surrounding areas by Runwell Hospital and the short-stay unit at Rochford Hospital.

Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress
Barking—major developments at Barking Hospital.
Epping—new out-patient/accident centre and boiler plant at St. Margaret’s Hospital.
Harlow—psychiatric unit at Princess Alexandra Hospital.
The London Hospital—nurse training school.
Orsett—major developments at Orsett Hospital.

Schemes which it is hoped to start within the period up to 1969/70
Basildon—phase I of a new district general hospital.
Brentwood—new central heating plant at Warley Hospital (expected to start this year).
Edmonton—a new maternity unit and clinical block at North Middlesex Hospital (expected to start this year).
Enfield—a new maternity unit and clinical block at Chase Farm Hospital.
Harold Wood—a new maternity unit and boiler plant at Harold Wood Hospital (expected to start this year).
The London Hospital—phase I of new clinical block.
Orsett—a further ward block, additional facilities and staff accommodation at Orsett Hospital.
Romford—a new maternity unit at Rush Green Hospital (expected to start this year).
St. Bartholomew’s Hospital—new pathology department (expected to start this year).
Southend—extending and improving Southend General Hospital (expected to start this year).
Tottenham—a new hospital on the site of the existing St. Ann's Hospital.

According to present plans, the start of these schemes will be followed by the start of:

Chelmsford—new district general hospital at Broomfield.
Colchester—new district general hospital.
Forest Gate—new district general hospital on the site of Forest Gate Hospital.
Ilford—major extensions and improvements to King George Hospital.
Poplar—a new hospital to replace St. Andrew's and Poplar Hospitals.
St. Leonard's Hospital, N.1—phase I of re-development.
Stoke Newington—extension of Bearsted Maternity Hospital.
Woodford—new central heating plant at Claybury Hospital.

Other and later prominent developments in the region are expected to include:

Basildon—completion of hospital, including psychiatric unit.
Bishop's Stortford—development.
Brentwood—development at St. Faith's Hospital.
Edmonton—further re-development of North Middlesex Hospital.
Enfield—Chase Farm, re-development.
Harold Wood—completion of development.
Hornchurch—major developments at St. George's Hospital.
Leytonstone—major developments at Whipps Cross Hospital.
Leytonstone—provision of better facilities for geriatric patients at Langthorne Hospital.
Rochford—new psychiatric unit.
Romford—extensions and improvements at Oldchurch Hospital.
St. Leonard's Hospital—further phases of development.
Woodford—new district hospital.
Woodford—new hospital for mentally sub-normal at Claybury.
THE SOUTH EAST METROPOLITAN HOSPITAL REGION

Emphasis of the programme

The South East Metropolitan Hospital Region has a population of about 3.46 million. This is expected to increase to 3.83 million in 1981. One of the major problems of the region is to provide for this increased population, particularly in East and Central Kent and East Sussex; the provision of further hospital facilities is a matter of some urgency in the expanding areas of Ashford, Canterbury, Maidstone, Eastbourne, and Brighton. The main emphasis in the Regional Board's programme is on the redevelopment of existing hospitals, with early provision of new outpatient, accident, and maternity departments.

The Board's programme provides for substantial upgrading of their hospitals for the mentally ill. They are also proposing to make an early start on the upgrading of Laughton Lodge Hospital for subnormal patients. Geriatric services will be improved by the provision of more day hospitals and further geriatric beds will be made available in some areas by a reallocation of existing acute beds.

Pattern of development

The intended pattern of development of the hospital services in the region is now as follows:

**Inner London Area A (1)**
This area includes part of Lambeth and Southwark London Boroughs. The services of this area will be provided mainly by the hospitals of the Guy's and King's College Boards of Governors. The hospitals which were formerly administered by the Bermondsey and Southwark Hospital Management Committee are now under the control of the Guy's Board of Governors, and those which were formerly administered by the Camberwell Hospital Management Committee are now under the control of the King's College Board. These regroupings will improve the services in the area and there will be changes and upgradings at the hospitals concerned to facilitate these improvements. A new ward block is being constructed at King's College Hospital.

**Inner London Area B (2)**
This area includes the London Boroughs of Lewisham and Greenwich. The services of the area will centre around the new Greenwich District Hospital, which is about to start building, and on the existing Lewisham, Brook General, and St. Nicholas' Hospitals. Considerable upgrading has already been carried out at Lewisham, Brook General and St. Nicholas' Hospitals and further development is to take place at Brook General Hospital.

**Outer London Area (3)**
This area includes parts of the London Boroughs of Bexley and Bromley. The services of the area will centre around Farnborough and Bromley.
Hospitals and the new hospital at Sidcup; the first phase of the latter has been completed and subsequent phases are included in the Board’s proposals. Bromley Hospital will require an accident centre and development of its diagnostic departments.

**North West Kent and Medway Area (4)**
The services of the area will centre around the new hospital which will be built at Gravesend and the new Medway Hospital which is being developed at the former Royal Naval Hospital, Gillingham, and the existing West Hill, Joyce Green and Sheppey Hospitals. Further development of the diagnostic and out-patient departments is required at West Hill Hospital. Bexley, Stone House, and Mabledon Hospitals will provide psychiatric services for the areas (2), (3) and (4); Darent Park will provide subnormality service for areas (1) and (2) and parts of areas (3) and (4).

**Central Kent Area (5)**
The services of the area will continue to be provided by the hospitals of the Tunbridge Wells and Central Kent Groups and by Sevenoaks Hospital, which have been extensively upgraded, until new hospitals can be developed near Maidstone and Tunbridge Wells. Psychiatric services in this area will be provided by Oakwood Hospital. Leybourne Grange will provide subnormality services for areas (5), (6) and (7) and parts of areas (3) and (4).

**East Kent Area (6)**
The services of the area will centre on Kent and Canterbury Hospital and the new District Hospital to be built at Ashford; the improvement of the diagnostic and out-patient departments at the former will form part of the considerable development which is planned. These hospitals will be supported by the Isle of Thanet District Hospital and the existing hospitals of the South East Kent Group. Psychiatric services in this area will be provided by St. Augustine’s and St. Martin’s Hospitals.

**East Sussex Area (7)**
The services of the area will continue to be provided by the hospitals of the Hastings, Eastbourne, Mid-Sussex and Brighton and Lewes Groups. Considerable development of the Royal Sussex County Hospital is to take place. Early provision of an accident department is planned at this hospital, and accident departments will be needed at the Princess Alice Memorial Hospital, Eastbourne, and the Royal East Sussex Hospital, Hastings. Psychiatric services in this area will be provided by St. Francis, Lady Chichester, and Hellingly Hospitals. Laughton Lodge Hospital will provide a subnormality service for the same areas as Leybourne Grange.

**Major building schemes** (New hospitals and building schemes expected to cost more than £250,000).

_Already in progress_

Canterbury, Kent and Canterbury Hospital—accident centre, theatres and diagnostic facilities.
Dartford, West Hill Hospital—accident centre, theatres and diagnostic facilities.
Gillingham, Medway Hospital—boiler house, laundry, and central sterile supply department.
Greenwich, new district general hospital—staff residential accommodation.
King's College Hospital, S.E.5—ward block.
Sidcup, new district general hospital—maternity department.

Schemes which it is hoped to start within the period up to 1969/70

Brighton, Royal Sussex County Hospital—accident centre, theatres and diagnostic facilities.
Canterbury, Kent and Canterbury Hospital—out-patient department and diagnostic facilities.
Dartford, West Hill Hospital—out-patient department and diagnostic facilities.
Gillingham, Medway Hospital—accident centre, theatre and diagnostic facilities.
Gravesend, new hospital—maternity department as the first phase of development.
Greenwich, new district general hospital—industrial zone.
—maternity department, wards and out-patient department (expected to start this year).
Guy's Hospital, S.E.1—second stage of partial rebuilding.
Maudsley Hospital S.E.5—staff hostel and nurse training school.
Sidcup, new district general hospital—out-patient department, theatres, diagnostic facilities and accident centre.
Woolwich, Brook Hospital—accident centre, theatres and diagnostic facilities.

According to present plans, the start of these schemes will be followed by the start of:

Ashford, new district general hospital—accident centre, theatres, diagnostic facilities, wards and maternity department as phase I.
Brighton, Royal Sussex County Hospital—redevelopment.
Bromley Hospital—accident centre, theatres and diagnostic facilities.
Canterbury, Kent and Canterbury Hospital—theatres and wards.
Eastbourne, Princess Alice Memorial Hospital—accident centre, theatres and diagnostic facilities.
Folkestone, Royal Victoria Hospital—maternity department.
Gravesend, new hospital—out-patient department and diagnostic facilities.
Lewes, Laughton Lodge Hospital—redevelopment of accommodation.
Sidcup, new district general hospital—wards.
Regional blood transfusion centre.

Other and later prominent developments in the region are expected to include:

Ashford, new general hospital—out-patients department.
Brighton, Royal Sussex County Hospital—maternity department.
Bromley Hospital—maternity department and wards.
Eastbourne, Princess Alice Memorial Hospital—out-patient department.
Gillingham, Medway Hospital—maternity department and out-patient department.
Gravesend, new hospital—accident department and wards.
Hastings, Royal East Sussex Hospital—redevelopment.
Maidstone, new district general hospital—first phase of development.
Sidcup, new district general hospital—wards.

New district general hospitals will eventually be sited at Haywards Heath, Hove, and Tunbridge Wells.
Emphasis of the programme

The South West Metropolitan Hospital Region has a population of about 3.27 million. This is expected to increase to 3.71 million in 1981. The major problem of the region is to provide for this increased population, particularly in Surrey and the South Coast areas, where the growth of new residential areas has already placed a burden on the existing hospital services. In the new town of Crawley a new general hospital is now being built, a new district general hospital is to be built at Frimley to serve the Aldershot, Frimley and Camberley area, and St. Peter’s, Chertsey, is to be re-built as a district general hospital. Elsewhere the Regional Board are concentrating mainly on redevelopment of existing hospitals, including improvement of diagnostic and treatment facilities, particularly in out-patient and accident departments.

A start will be made on rebuilding or redeveloping several of the undergraduate teaching hospitals in the region, all of which provide, or will provide, district services for significant parts of the residential areas of London. The concentration at Chelsea of a group of postgraduate teaching hospitals will begin.

The Board are proposing to incur substantial expenditure on modernising psychiatric services and providing additional beds for the subnormal. They intend to make an early start on the further rebuilding of the Royal Earlswood Hospital. Acute psychiatric units are to be provided at St. Mary Abbots Hospital and Kingston Hospital and several others are planned. A geriatric unit is to be built at Tolworth Hospital and a further unit in the Croydon/Redhill area. Emphasis is placed on rehabilitation services for the elderly.

Pattern of development

The intended pattern of development of the hospital services in the region is now as follows:

Inner London area

The services of the area will centre around the teaching hospitals of St. Thomas’, Westminster, Charing Cross (which is to be rebuilt at Fulham) and St. George’s (which is to be developed at Tooting); St. Stephen’s, St. Mary Abbots, South London Hospital for Women and Children, St. James’ and other Regional Board hospitals. Tooting Bec Hospital provides psychiatric services; Springfield Hospital provides psychiatric services for the North West Metropolitan Region.

Carshalton and Epsom area

The services of the area will centre around St. Helier Hospital where new theatres and other improvements are nearly completed, and Epsom District Hospital which is to be developed. Queen Mary’s Hospital for Children will continue to provide acute and subnormal beds for children. Banstead and West Park Hospitals provide psychiatric services for the region, Horton Hospital for the region and the North West Metropolitan Region,
and Long Grove for the North East Metropolitan Region. Mental subnormality services are provided by the Manor Hospital and by St. Ebba's Hospital.

Kingston, Chertsey and Woking area

The services of the area will centre around Kingston Hospital which is to be developed and St. Peter's Hospital, Chertsey, which is being rebuilt as a new district hospital. A new hospital may be found to be needed in this area when the developments now proposed have been completed and their effect assessed. Ellesmere Hospital has been upgraded for geriatric purposes and Tolworth Hospital is to be developed. Brookwood and Holloway Hospitals provide psychiatric services, the latter for an area wider than the region. Bottley's Park Hospital provides a service for the subnormal.

Croydon and Redhill area

The services of the area will centre around Mayday Hospital, Croydon, Croydon General Hospital, Dorking General Hospital, the new hospital which is now being built at Crawley, and Redhill General Hospital. An accident centre and other improvements are now in progress at Mayday Hospital and a further accident centre will be provided at Redhill General Hospital. Further geriatric beds will be provided to support Queen's Hospital. In the long term a new district general hospital will be needed between Croydon and Redhill. Warlingham Park and Netherne Hospitals provide psychiatric services for the region, while Cane Hill Hospital provides these services for the South East Metropolitan Region. The Royal Earlswood and St. Lawrence's Hospitals provide mental subnormality services.

Aldershot, Farnham and Guildford areas

The services of the area will centre round Farnham Hospital and the new district general hospital to be built at Frimley and the existing hospitals in Guildford, where further development is proposed. The Milford Chest Hospital is to be developed as a centre for thoracic surgery.

Worthing and Chichester area

The services of the area will centre round St. Richard's Hospital, Chichester, Worthing Hospital, and Southlands Hospital. Further out-patient and diagnostic facilities and beds are needed in this area. Geriatric services are provided at Swandeau and other hospitals. Graylingwell Hospital provides psychiatric services.

Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress

Carshalton—St. Helier Hospital—theatres, adaptations to out-patients and physiotherapy departments. Repairs to foundations.
Chertsey—St. Peter's Hospital—theatres, central sterile supply department.
Crawley Hospital—completion of hospital.
Croydon—Mayday Hospital—extension to casualty, X-ray and pharmacy departments.
Farnham Hospital—ward block and staff accommodation.
Kingston Hospital—boiler house. Kitchen, dining room and stores.
Redhill—Royal Earlswood Hospital—boiler house, school, two villas.
Westminster Hospital, S.W.1 Page Street Wing)—diagnostic, treatment, service and teaching departments.

Schemes which it is hoped to start within the period up to 1969/70

Charing Cross Hospital, S.W.6—rebuilding (expected to start this year).
Chelsea—St. Stephen's Hospital—building of new ward block.
Chertsey—St. Peter's Hospital—maternity unit.
Chichester—St. Richard's Hospital—out-patient department, accident department, theatres and diagnostic services. Maternity unit.
Epsom District Hospital—theatres, ward block, kitchen and staff accommodation.
Farnham Hospital—a second new ward block, kitchen and dining room.
Kingston Hospital—theatres and ward block.
Kingston—Tolworth Hospital—geriatric ward block (expected to start this year).
Queen Charlotte's Hospital, W.6—rebuilding, and redevelopment of Chelsea Hospital for Women.
Queen Mary's Hospital, Roehampton—staff residences.
Redhill General Hospital—accident centre and diagnostic services.
Redhill—Royal Earlswood Hospital—further villas.
Royal Marsden Hospital, Sutton—further development of ward and other accommodation.
St. George's Hospital, Tooting—first stage of redevelopment.
St. Thomas' Hospital, S.E.1—second stage of rebuilding and expansion, Tooting—new blood transfusion centre.
Worthing—Southlands Hospital—outpatient department, accident department, theatres and diagnostic services.

According to present plans, the start of these schemes will be followed by the start of:

Brompton Hospital, S.W.3—improvements to services.
Chelsea—postgraduate teaching hospitals: building of postgraduate centre.
Chertsey—St. Peter's Hospital—ward block and other departments.
Croydon—Mayday Hospital—further development.
Frimley—new district hospital—first phase.
Guildford—development of the hospital services.
Redhill—Royal Earlswood Hospital—further villas and staff accommodation.
St. George's Hospital, Tooting—second stage of redevelopment.
St. Thomas' Hospital, S.E.1—third stage of rebuilding and expansion.
Worthing—additional beds.

Other and later prominent developments in the region are expected to include:

Croydon/Redhill—additional geriatric accommodation.
South West London—further development of the maternity and geriatric services.
South West Surrey—additional subnormal accommodation.
THE WESSEX HOSPITAL REGION

Emphasis of the programme

The Wessex Hospital Region has a population of about 1.88 million. This is expected to increase to 2.28 million in 1981. Planned and voluntary migration since the war has created many residential areas and an urgent demand for additional hospital facilities.

The major problems of the region are:

(i) to provide for the increase in population mainly in the Basingstoke, Bournemouth, Portsmouth and Southampton areas;

(ii) to improve the diagnostic and treatment facilities at hospitals in other parts of the Region;

(iii) the need for the Regional Board to provide at selected district general hospitals regional specialties usually associated with a teaching hospital;

(iv) the need for more beds for the mentally subnormal.

The aim of the programme is to provide new district general hospitals in the areas with large increase in population, and to supplement these major projects by smaller schemes which will improve existing services in other areas. The Board also plan to increase the provision of assessment beds for the elderly and the mentally ill, together with day hospital and rehabilitation facilities closely linked with community care. An additional 450 beds for the mentally subnormal will be provided to serve the areas such as Bournemouth/Poole and North Hampshire which do not now contain any local hospital services for the mentally subnormal.

Pattern of development

The intended pattern of development of the hospital services in the region is now as follows:

Portsmouth and Isle of Wight Area

The general hospital services of the area will be based on Portsmouth and Newport, Isle of Wight. At Portsmouth both St. Mary’s and Queen Alexandra Hospitals are to be developed as complete district general hospitals. At St. James’ Hospital, Portsmouth a psychiatric assessment unit with day hospital facilities will be provided and the further stages of a new unit for children will be completed. With the expected growth in population in this area there may be a need, in the longer term, for a third district general hospital between Portsmouth and Southampton.

Central and North Hampshire Area

The general hospital services of the area will be concentrated at district general hospitals at Basingstoke and Winchester. A completely new hospital is to be provided for Basingstoke. The Royal Hampshire County Hospital, Winchester is to be re-built. Psychiatric services are provided at Park Prewett Hospital, Basingstoke, where an alcoholic unit to serve the region has been established.
Southampton and Salisbury Area

The general hospital services of the area will be based on Southampton and Salisbury. At Southampton both the General Hospital and the Royal Hants Hospital are to be developed as complete district general hospitals. Services for the mentally ill are provided at Knowle Hospital, where upgrading of existing wards will continue, and at the Old Manor Hospital, Salisbury where a psychiatric assessment unit with day hospital facilities will be added.

Bournemouth and Dorset Area

The general hospital services of the area will be based on Poole, Bournemouth and Dorchester. The new district general hospital now being built at Poole is expected to be completed in 1968. A new district general hospital will be started at Bournemouth. Herrison Hospital, Dorchester will remain the main hospital for the mentally ill. St. Anne’s Hospital, Bournemouth, will be the short-stay psychiatric hospital for the Bournemouth and Poole areas and day hospital facilities will be provided at the Herbert Hospital and elsewhere in Bournemouth. A unit for seriously disturbed adolescents will be provided at the Herrison Hospital.

Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress

Poole—new district general hospital—phase II.
Portsmouth—St. Mary’s Hospital—new maternity unit.
Southampton—General Hospital—new boilerhouse, laundry etc.

Schemes which it is hoped to start within the period up to 1969/70

Schemes which it is hoped to start within the period up to 1969/70 are:
Basingstoke—maternity unit (expected to start this year).
Basingstoke—district general hospital—new wards, operating theatres, accident department and ancillary departments.
Portsmouth—Queen Alexandra Hospital—new wards, operating theatres, accident department and ancillary departments.
Southampton—Royal South Hants Hospital—radiotherapy centre (expected to start this year).
Southampton—General Hospital—regional blood transfusion centre.
Southampton—General Hospital—new wards, operating theatres, accident department and ancillary departments.
Winchester—Royal Hampshire County Hospital—maternity unit.

According to present plans, the start of these schemes will be followed by the start of:
Basingstoke—completion of new district general hospital.
Bournemouth—first phase of new district general hospital.
Portsmouth—Queen Alexandra Hospital—further development as district general hospital.
Poole—district general hospital—addition of 60 beds.

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Southampton—Royal South Hants Hospital—new maternity unit.
Southampton—Royal South Hants Hospital—new wards, operating theatres and ancillary departments.
Winchester—Royal Hampshire County Hospital—new wards, operating theatres and ancillary departments.

Other and later prominent developments in the region are expected to include:

Dorchester—a new district general hospital.
Newport, Isle of Wight—a new district general hospital.
Portsmouth/Southampton area—a new district general hospital.
Salisbury—a new district general hospital.

There will also be further phases of development of those district general hospitals on which a start will already have been made.
THE OXFORD HOSPITAL REGION

Emphasis of the programme

The Oxford Hospital Region has a population of about 1.77 million. This is expected to increase to 2.31 million in 1981. The major problem of the region is to provide for this increased population. In addition to the natural growth and influx of population to the main centres in the region, there are several planned developments in prospect. These include a new town in the neighbourhood of Bletchley, Buckinghamshire, and a large increase in the population of Northampton. The further development of the Swindon or West Berkshire area is also under consideration. Except in the new towns, there is generally the nucleus of a district general hospital in each area of the region, and the major part of the Board's programme consists of developing these hospitals. The Board proposes to place strong emphasis on the improvement of diagnostic and treatment facilities, particularly in out-patient and accident departments. This should enable greater use to be made of existing beds.

The programme also includes substantial expenditure for the Board of Governors of the United Oxford Hospitals on the redevelopment of the Oxford teaching hospital.

There is a great need for more hospital accommodation for the mentally subnormal in this region and the Board are planning to build a new hospital for this type of patient near Northampton. They are also proposing to redevelop the hospital for mentally subnormal patients at Manor House, Aylesbury. The Board will continue with their programme of modernising hospitals for the mentally ill and providing psychiatric beds in district general hospitals. Units for special categories of psychiatric care, e.g., adolescent unit and psychopathic unit, will be provided. The Board will be devoting a share of the funds to replacing unsatisfactory geriatric accommodation and providing acute geriatric assessment units in district general hospitals.

Pattern of development

The pattern of development of hospital services in the region is now expected to be as follows:

Central Area

The district general hospital services for Oxford will continue to be provided by the hospitals of the teaching group except for specialist orthopaedic services which are provided by the Nuffield Orthopaedic Centre. A new teaching hospital is to be built at Manor Road, Headington. When this is complete the work of the teaching hospital will be concentrated at the Radcliffe Infirmary and the new hospital at Manor Road. Psychiatric services for the area will continue to be provided by the Warneford Hospital and Littlemore Hospital which also serves the North Western area.

Northern Area

The services of the area will centre round district general hospitals at Northampton and Kettering with a smaller acute and maternity hospital at Corby. The existing hospitals at Kettering and Northampton are being
redeveloped. Hospital services in Wellingborough will eventually be centralised on one site. An entirely new hospital for the mentally subnormal will be built near Northampton. Services for the mentally ill will continue to be provided at St. Crispin Hospital where improvements to existing accommodation are being made.

**North-Western Area**

Banbury is the centre of this area, and the Horton General Hospital will be developed to serve as a district general hospital. Unsatisfactory geriatric accommodation at Neithrop Hospital will be replaced. Outlying small hospitals will continue so far as can be foreseen to serve the relatively isolated communities with a small number of beds for acute and geriatric patients.

**Western Area**

The main hospital centre will be at Swindon and further development of the new Princess Margaret Hospital is planned. Eventually a second general hospital is likely to be needed at Swindon. Cirencester will continue to look towards Swindon for many of its acute facilities but the intention eventually will be to centralise hospital services in Cirencester on one site. Accommodation for the mentally subnormal will continue to be provided at Pewsey where further upgrading will be necessary.

**Southern Area**

The main facilities will continue to be provided at the Royal Berkshire and Battle Hospitals, in Reading, which will be developed as complementary district general hospitals. Increase of population may warrant a district general hospital at Newbury. It is proposed to redevelop facilities in Wallingford, Wokingham and Henley to provide a small number of beds for local needs. Psychiatric services will be based on Borocourt Hospital for the mentally subnormal and Fairmile Hospital for the mentally ill; further modernisation of both of these hospitals will be necessary.

**Eastern Area**

Stoke Mandeville and High Wycombe Hospitals are being developed as the main acute, maternity and geriatric centres for this area. Supplementary facilities are provided at Amersham. It is likely to be necessary in time to provide a new hospital to serve the proposed new town in North Bucks. Meanwhile a maternity unit and diagnostic centre at Bletchley will serve as a basis for this development. Manor House Hospital, Aylesbury for the mentally subnormal is to be redeveloped. Psychiatric facilities will be at St. John’s, Stone, with associated units at the district general hospitals.

**Major building schemes** (New hospitals and building schemes expected to cost more than £250,000).

*Already in progress*

Amersham General Hospital—redevelopment—phase I.
Bletchley—general practitioner maternity unit.
Borocourt Hospital—development—phase II.
High Wycombe—Wycombe General Hospital—development phase I.
High Wycombe—Wycombe General Hospital—development phase II.
Reading—Royal Berkshire Hospital—development phase I.
Stone—St. John’s Hospital—engineering services.

Schemes which it is hoped to start within the period up to 1969/70

Amersham General Hospital redevelopment, phase II.
Aylesbury—Manor House Hospital redevelopment—phase I.
Kettering General Hospital development—phase II.
Littlemore Hospital—new boiler-house and engineering services.
Northampton General Hospital—preliminary stages of development.
Oxford—new teaching hospital—phase I.
Reading—Battle Hospital development—phase I.
Reading—Royal Berkshire Hospital—maternity unit and residential accommodation (expected to start this year).
Reading—Royal Berkshire Hospital—new boiler-house and engineering services.
Swindon—Princess Margaret Hospital—maternity unit (expected to start this year).
Swindon—Princess Margaret Hospital—accident and emergency department.
Upton, near Northampton—new mental subnormality hospital, phase I.

According to present plans, the start of these schemes will be followed by the start of:

Aylesbury—Manor House Hospital—development phase II.
Aylesbury/High Wycombe laundry and industrial area.
Banbury—Horton General Hospital—development phase I.
Daventry—Danetre Hospital—diagnostic centre and maternity unit.
High Wycombe—General Hospital—maternity department.
High Wycombe—General Hospital—further development.
Kettering—General Hospital—maternity department.
Northampton—General Hospital—development phase I.
Northampton/Kettering area laundry.
Oxford—new teaching hospital—phase II.
Oxford—new blood transfusion centre.
Oxford/Banbury area laundry.
Reading—Royal Berkshire Hospital—accident and emergency department.
Reading—Royal Berkshire Hospital—further development.
Stoke Mandeville Hospital—development phase I.
Swindon—Princess Margaret Hospital—development phase IV.
Upton—new mental subnormality hospital—phase II.

Other and later prominent developments in the region are expected to include:

Remaining phases of redevelopment at Stoke Mandeville Hospital, Aylesbury.
Further phases of Amersham General Hospital redevelopment.
Further phases of development of Horton General Hospital, Banbury.
Further development at Northampton.
Remaining phases of development at Kettering General Hospital.
Annexe to provide beds at Corby.
Centralization of the hospital services at Wellingborough.
Further schemes at the Royal Berkshire and Battle Hospitals, Reading.
Development at Newbury.
Second district general hospital at Swindon.
Redevelopment at Cirencester.
Development of the Nuffield Orthopaedic Centre, Oxford.
THE SOUTH WESTERN HOSPITAL REGION

Emphasis of the programme

The South Western Hospital Region has a population of just over 3 million. This is expected to increase to about 3·37 million in 1981. The proportion of elderly people is very high. There are at present 422,000 people aged 65 and over in the region and the number is expected to increase by over 19 per cent. to about 505,000 in 1981. During the summer months, up to 5 million holiday-makers visit the South West. One of the main problems of providing a modern hospital service for the region is the distance between the main centres of population and the many small, relatively isolated communities to be served. Road and rail communications are long, and can be seriously impeded by bad weather in winter and holiday traffic in summer.

The region is at present served by a large number of small and medium sized hospitals. The main emphasis of the Regional Board's programme is on providing district general hospitals throughout the region. Existing hospitals are to be redeveloped in Bristol, Exeter, Yeovil, Torquay, Gloucester, Plymouth, Bath and Cheltenham. New hospitals are to be built in Exeter, Plymouth, Barnstaple, Truro, Weston-super-Mare, Taunton and South Bristol. But many smaller existing hospitals will still be needed, especially for geriatric units, and these are to be upgraded to modern standards and extended where necessary.

The number of existing psychiatric beds exceeds long term needs. The intention is to upgrade the main hospitals for the mentally ill, to reduce the number of beds by closing less satisfactory units and to provide acute psychiatric units in all the new district general hospitals. Existing hospitals for the mentally subnormal will be upgraded and reduced in size and the distribution improved by building new units at Gloucester and in Cornwall.

Pattern of Development

The pattern of development of the hospital services in the region is now expected to be as follows:

**North Gloucestershire Area**

General hospital services will centre on a reconstructed Gloucestershire Royal Hospital and the General Hospital at Cheltenham which will eventually be redeveloped. Mental illness provision will be based on Coney Hill Hospital, with a psychiatric unit at the Gloucestershire Royal nearby, and eventually at Cheltenham. A new hospital for mentally subnormal patients is planned for Gloucester. Additional geriatric provision will also be made, including a new wing at the Dilke Memorial Hospital.

**Bristol Area**

Services for Bristol itself will be based on four main hospitals, the United Bristol, Southmead, Frenchay and the new South Bristol Hospitals. The Bristol teaching hospital is being redeveloped on the St. Michael's Hill site, and major improvements are being carried out at Southmead and Frenchay. A new hospital is planned to serve South Bristol. Additional geriatric
provision will include a unit at the teaching hospital and a new unit at Manor Park Hospital. A new district general hospital will be built at Weston-super-Mare, and this will enable the Royal Hospital to be used for geriatric purposes. Mental subnormality services will be based on Stoke Park Hospital, which is to be redeveloped, and Hortham and Brentry Hospitals which also serve the Bath area. Mental illness patients will continue to be served by Glenside, The Manor and Barrow Hospitals, and acute units at the teaching hospital and Weston.

**Bath Area**
The intention is to concentrate the main hospital provision at Combe Park, Bath and, ultimately, a smaller hospital at Trowbridge. Mental illness services will be based on Roundway Hospital, Devizes, which will be further modernized, and an acute unit at Combe Park.

**South Somerset Area**
Services for the area will eventually centre on a new district general hospital at Lyngford, Taunton and the smaller reconstructed General Hospital at Yeovil. Bridgwater Hospital will also be redeveloped. Additional geriatric provision will be made, including new units at Summerlands and Verrington, near Yeovil. Yeovil General Hospital will include a unit for mental illness patients, but the main centre will remain at Tone Vale Hospital, Taunton, which is being upgraded, until it is finally replaced by provision at Lyngford. Mental subnormality provision will be concentrated at Sandhill Park, which is also to be upgraded.

**Devon and Exeter Area**
The main hospital services for Exeter will be concentrated at a new district general hospital at Wonford, and the redeveloped City Hospital. Torbay Hospital is also to be redeveloped, and a new hospital provided at Barnstaple. Geriatric services will centre on Exeter City, Newton Abbot, and the new Barnstaple Hospitals. The unit for mentally subnormal patients at Langdon, Exeter, will be extended. Mental illness services will be mainly concentrated at Exe Vale, with acute units at Wonford, Torquay and Barnstaple.

**Plymouth Area**
A new district general hospital at Derriford, and a redeveloped Greenbank-Freedom Fields Hospital, will provide the main hospital services in Plymouth. Maternity provision will centre on Freedom Fields. Mount Gold Hospital is to be redeveloped. Additional geriatric provision will be made, including units at Mount Gold and Plympton Hospitals. Moorhaven will continue to serve mental illness patients.

**West Cornwall Area**
The main hospital centre will be the new district general hospital at Treliske, Truro, which will release beds elsewhere for geriatric and psychiatric use. A small district general hospital will ultimately be provided for Penzance. A new geriatric unit is to be built at St. Austell. Provision for mental illness patients will be based on St. Lawrence’s, Bodmin, which
is being redeveloped, and acute units at Barncoose, Redruth, and the Royal Cornwall Infirmary, Truro. New developments for mentally subnormal patients are also planned in the area.

Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress

Barnstaple—new district general hospital—phase I.
Bristol—Royal Hospital for Sick Children—new out-patient department.
Bristol—Royal Infirmary—redevelopment—phase I (part).
Bristol—Southmead Hospital—new operating theatres.
Bristol—Southmead Hospital—blood transfusion centre.
Exeter—Wonford—new district general hospital—phase I.
Gloucester—Coney Hill Hospital—reorganisation of engineering services and new laundry.
Taunton—Tone Vale Hospital—reorganisation of engineering services.
Truro—Treliske—new district general hospital—phase II (including maternity unit).
Yeovil General Hospital—redevelopment—phase I (including maternity unit).

Schemes which it is hoped to start in the period up to 1969/70.

Bath—Combe Park—redevelopment (accident and emergency and out-patient departments).
Bristol—Royal Infirmary—redevelopment—new accident and out-patient department—phase I (expected to start this year).
Bristol—Royal Infirmary—redevelopment—new radiotherapy centre.
Bristol—Royal Infirmary—redevelopment—maternity unit.
Bristol—Stoke Park—redevelopment—phase I.
Exeter City Hospital—redevelopment (expected to start this year).
Exeter—Wonford—new district general hospital—phase II (including 424 acute beds).
Gloucester—Royal Hospital—redevelopment—phase III (including 496 beds).
Plymouth—Derriford—new district general hospital—phase I (including 300 acute beds and accident and emergency department).
Torbay—redevelopment—phase Ib (including 112 beds) (expected to start this year).
Weston-super-Mare—new district general hospital—phase I (maternity unit).
Yeovil—redevelopment—phase II (including 266 acute beds).

According to present plans, the start of these schemes will be followed by the start of:

Barnstaple—new district general hospital—phase II.
Bath—Combe Park—redevelopment—phase II.
Bristol—Royal Infirmary—redevelopment—phase II (including ward block).
Bristol—South—new district general hospital—phase I.
Gloucester—Coney Hill—new unit for mentally subnormal patients.
Taunton—Lyngford—new district general hospital—phase I (including accident and emergency department).
Truro—Treliske—new district general hospital—phase IIIa (including accident and emergency department).
West Cornwall—new developments for mentally subnormal.
Weston-super-Mare—new district general hospital—phase II.

Other and later prominent developments in the region are expected to include:

Barnstaple—phase III of new district general hospital.
Bath—Combe Park—further phases of redevelopment.
Bridgwater—Mary Stanley Maternity Home—replacement.
Bodmin—St. Lawrence’s Hospital—further redevelopment.
Bristol—Frenchay Hospital—major improvements.
Bristol—Royal Infirmary—ward block—phase III.
Bristol—South Bristol—further phases of new district general hospital.
Bristol—Stoke Park—further phases of redevelopment.
Bristol—Southmead Hospital—major improvements.
Cheltenham General Hospital—replacement.
Exeter—Wonford—further phases of new district general hospital.
Gloucester—Royal Hospital—further phases of redevelopment.
Launceston Hospital—major extension.
Okehampton & District Hospital—new small hospital.
Penzance—new hospital.
Plymouth—Derriford—further phases of new district general hospital.
Plymouth—Greenbank and Freedom Fields Hospital—redevelopment.
Taunton—Lyngford—further phases of new district general hospital.
Torbay—further phases of redevelopment.
Truro—Treliske—further phases of new district general hospital.
Trowbridge—new hospital.
THE BIRMINGHAM HOSPITAL REGION

Emphasis of the programme

The Birmingham Hospital Region has a population of about 4.98 million, with at present a high proportion of people of working age and a relatively low proportion of the elderly. The population is expected to rise by one-fifth to about 5.97 million in 1981, through a high rate of natural increase accentuated by migration into the region.

The major problems of the region are:

(i) to provide for this large increase in population, anticipating changes in its age structure and distribution resulting from movement to areas of growth and the New Towns proposed at Dawley and Redditch;

(ii) the need for more and better hospital accommodation in areas which already have large populations;

(iii) the need elsewhere for improvements at many existing hospitals of all types, and for better geriatric and psychiatric services.

The principal aim of the programme is to make progress with provision of district general hospitals throughout the region, either by building new hospitals or by reconstructing the diagnostic and treatment departments of existing hospitals, with additions and improvements to the ward accommodation and supporting services. The Regional Hospital Board intend to concentrate certain specialities at selected hospitals to serve regional or sub-regional catchment areas. They will also substantially increase day places for psychiatric and geriatric patients and add to the in-patient accommodation for the mentally subnormal.

The Board of Governors will continue to concentrate the teaching hospital group alongside the Birmingham University Medical School, from which the output of medical students is to be increased.

Pattern of development

The intended pattern of development of the hospital services in the region is now as follows:—*

**Birmingham (North West), Warley and West Bromwich Area**

The services will be based on two district general hospitals, one to be developed on the site of Dudley Road Hospital, Summerfield Hospital and All Saints Hospital by means of new and upgraded accommodation and the other at West Bromwich mainly by new building. All Saints Hospital, and the Psychiatric Early Treatment Centre with mental illness beds are in this area, the latter drawing patients from all parts of the region.

**Birmingham (Central) and South East Staffordshire Area**

The services of the area will be based on the General Hospital, Birmingham, which will be redeveloped, and the district general hospital being built at

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* The Birmingham conurbation has been treated as a whole in the planning of its services though divided for purposes of description into five areas.
Good Hope Hospital, Sutton Coldfield. The psychiatric hospitals in this area are Highcroft Hospital and St. Matthew's Hospital, near Lichfield with mental illness beds, and St. Margaret's Hospital, near Birmingham, with mental subnormality beds. St. Matthew's and St. Margaret's Hospitals also serve other areas.

**Birmingham (East) and Solihull Area**
The services will be based on district general hospitals at East Birmingham Hospital, which will be extended by a combination of new building and adaptation, and at Solihull Hospital, which will have to be rebuilt. Holymoor Hospital with mental illness beds is in this area. Coleshill Hall Hospital, Chelmsley Hospital, Monyhull Hospital, Birmingham, and Middlefield Hospital, Knowle, with mental subnormality beds, are in this area and also serve other areas.

**Birmingham (South West) and North East Worcestershire Area**
The services will be based in the longer term on two district general hospitals—one at Selly Oak and another at Redditch. A large new geriatric hospital will be built at Moseley Hall. The psychiatric hospitals in this area are Rubery Hill Hospital, the newly built John Conolly Hospital and Barnsley Hall Hospital, with mental illness beds, and Lea Hospital, Bromsgrove, with mental subnormality beds. They also serve other areas.

**Birmingham (Edgbaston and district) Area**
The teaching hospital centre at Edgbaston will undertake a district service in addition to its present functions. When new buildings have been constructed it will also provide services for the Birmingham conurbation now given by the Birmingham Accident Hospital and the Birmingham and Midland Eye Hospital.

**North Staffordshire and Shropshire Area**
The services will be based on the district general hospitals already being developed at Stoke and Shrewsbury; on district general hospitals to be developed at Burton-on-Trent and Stafford; and on a new district general hospital for the Dawley district. Psychiatric hospitals in this area are St. Edward's Hospital, near Leek, St. George's Hospital, Stafford and Shelton Hospital, Shrewsbury, with mental illness beds, and Stallington Hall Hospital, near Stoke, with mental subnormality beds. St. George's Hospital also serves other areas.

**South Worcestershire, Worcester and Herefordshire Area**
The services will be based on district general hospitals to be developed in the longer term at Worcester and Hereford. Psychiatric hospitals in this area are Powick Hospital, near Worcester, St. Mary's Hospital and Holme Lacy Hospital, Hereford, and St. Wulstan's Hospital, Malvern, with mental illness beds, and Dean Hill Hospital, Ross-on-Wye, with mental subnormality beds. St. Wulstan's Hospital draws patients from all parts of the region.

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Coventry and Warwickshire Area
The services will be based on district general hospitals at Coventry, Nuneaton, Rugby and Warwick. In the Warwick district the Warneford Hospital, Leamington Spa, the Warwick Hospital and the Stratford-upon-Avon Hospital will have to be improved in order to maintain the existing services until the new district general hospital is built. Central Hospital, near Warwick, and South Warwickshire Children's Recovery Hospital, Stratford-upon-Avon, with mental illness beds, and the Weston Hospital, near Leamington Spa, with mental subnormality beds are in this area.

Wolverhampton, Walsall and South West Staffordshire Area
The services will be based on district general hospitals to be developed at Wolverhampton by extensive new building and adaptation and at Walsall.

Dudley and North West Worcestershire Area
The services of the area will be based on a new district general hospital to be built at Dudley and a district general hospital already being developed from existing hospitals at Kidderminster. The new Lea Castle Hospital, near Kidderminster, with mental subnormality beds, is in this area and also serves other areas.

Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress
Coventry and Warwickshire Hospital (Walsgrave)—main acute ward block, and supporting departments.
Kidderminster—General Hospital (Bewdley Road)—redevelopment (first phase).
Nuneaton—George Eliot Hospital—new maternity unit and staff accommodation.
Oswestry—Robert Jones and Agnes Hunt Orthopaedic Hospital—new geriatric wards and supporting services.
Shrewsbury—Copthorne Hospital—new maternity unit and boiler house.
Stoke—North Staffordshire Hospital Centre—new maternity unit, boilerhouse, and staff accommodation.
Sutton Coldfield—Good Hope Hospital—new maternity unit and supporting services.
United Birmingham Hospitals—new maternity unit and boilerhouse.

Schemes which it is hoped to start within the period up to 1969/70.
Birmingham—Dudley Road and Summerfield Hospitals—extension and improvement.
Birmingham and Midland Eye Hospital and Birmingham Accident Hospital—reconstruction at the teaching hospital centre.
Birmingham—Selly Oak Hospital—extension and improvement.
Birmingham—Moseley Hall Hospital—geriatric wards and supporting services.
Burton-on-Trent—Andressey Hospital—out-patient and accident departments, ward accommodation and supporting services.
East Birmingham Hospital—extension and improvement.
Kidderminster—General Hospital (Bewdley Road)—ward block.
Leamington Spa—Warneford Hospital—extension and improvement.
Ludlow—East Hamlet Hospital—geriatric wards and boilerhouse.
Shrewsbury—Copthorne Hospital—out-patient and accident departments, ward accommodation and supporting services.
Solihull Hospital—maternity unit and staff accommodation.
Stoke—North Staffordshire Hospital Centre—extension and improvement.
Sutton Coldfield—Good Hope Hospital—ward block and supporting services.
United Birmingham Hospitals—General Hospital—redevelopment (first phase).
United Birmingham Hospitals—Queen Elizabeth Hospital—new wing.
United Birmingham Hospitals—teaching hospital centre—school of nursing (first phase).
Walsall—Manor Hospital—geriatric wards and supporting services and inter-group laundry.
Wolverhampton—New Cross Hospital—development (first phase), including maternity unit (expected to start this year) psychiatric unit and supporting services.

According to present plans, the start of these schemes will be followed by the start of:

Birmingham—Selly Oak Hospital—new maternity unit.
Burton-on-Trent Hospital—further development.
Coventry and Warwickshire Hospital (Stoney Stanton Road)—extensions, including out-patient, accident and X-ray facilities.
Coventry and Warwickshire Hospital (Walsgrave)—psychiatric unit.
Dudley district—new district general hospital.
Kidderminster—General Hospital (Bewdley Road)—new maternity unit.
Dawley district—new district general hospital.
Dudley district—new district general hospital.
Rugby—St. Cross Hospital—maternity unit and acute block.
Stoke—North Staffordshire Hospital Centre—development (second phase).
Stoke area—mental subnormality unit.
Solihull Hospital—further development.
Stafford—new district general hospital (first phase).
Sutton Coldfield—Good Hope Hospital—completion.
United Birmingham Hospitals, teaching hospital centre—school of nursing (second phase) and out-patient department.
Walsall—Manor Hospital—development (second phase) including out-patient department.
Warwick Hospital—extension and improvement.
West Bromwich—Hallam Hospital—extension and improvement.
Wolverhampton—New Cross Hospital—development (second phase), including geriatric and acute ward blocks.

Other and later prominent developments in the region are expected to include:

Hereford—new district general hospital.
Redditch—new district general hospital.
Walsall—new district general hospital.
Warwick—new district general hospital.
Worcester—new district general hospital.

There will also be further phases of development of district general and other hospitals on which a start will already have been made.
THE MANCHESTER HOSPITAL REGION

Emphasis of the programme

The Manchester Hospital Region has a population of about 4.55 million. This is expected to increase to 4.95 million in 1981. More significant than the overall increase in population is the movement of population away from the former industrial centres to the newer residential areas, particularly towards South Manchester and North Cheshire where already the population has outstripped the hospital provision and where two entirely new district general hospitals at Wythenshawe and Cheadle are planned.

The main problem in the region is that most of the existing hospitals have their origins in the industrial revolution and, despite much upgrading and increased provision of diagnostic and treatment facilities since 1948 the stage has now been reached where the possibilities of expansion to accommodate the growing work load and the requirements of modern medical developments are physically limited. Accordingly the programme will be mainly one of phased rebuilding of major hospitals either on their existing or new sites. The main deficiency in number and quality of beds is in maternity and acute and, with some exceptions, the first phase of rebuilding will often be the provision of new maternity departments, with additional service facilities where necessary. Growing pressure on the acute hospitals requires that the second phase should be the provision of acute hospital facilities, and, in the main, the provision of psychiatric and geriatric beds will follow on as third phases.

The programme also includes substantial expenditure on the redevelopment of the hospitals in the United Manchester Teaching Group on a site which includes that of the existing Manchester Royal Infirmary.

Over the last 10 years the psychiatric beds in the large mental hospitals have been reduced by 20 per cent. mainly as a result of the development of comprehensive psychiatric departments in general hospitals. This policy will continue. The mental subnormality hospitals have to provide for a large number of patients from the Liverpool Region and are overcrowded. Relief will be afforded by the additional wards currently being built at Cranage Hall Hospital and by increased provision in the Liverpool Region.

Subject to what has been said about phasing of major redevelopment, priority has been given as far as possible to the provision of geriatric and psychiatric hospital facilities. In the Wigan and Stockport areas major schemes for geriatric and psychiatric accommodation respectively have been brought forward. A psychiatric unit of 160 beds is proposed at an early date in South Manchester. Elsewhere accommodation vacated on the completion of other schemes will be upgraded and converted to geriatric or psychiatric use wherever suitable.

Pattern of Development

The pattern of development of the hospital services in the region is now expected to be as follows:—
**Northern Area**

Preston will be developed as the Northern sub-centre for the region in certain specialties, e.g., radiotherapy, plastic surgery, neuro-surgery and neurology. A new district general hospital will be built there and further developments will take place at Sharoe Green Hospital and at Chorley and District Hospital to complement the provision for the Preston and Chorley area. A new district general hospital will also be built in Barrow. The extension and redevelopment of Blackpool Victoria and Royal Lancaster Hospitals to district general hospital standards will continue. Some hospital facilities will be retained at Kendal to provide a partial service to the area.

**North Eastern Area**

Blackburn Royal Infirmary and Burnley and District General Hospital will continue to be developed as district general hospitals. The proposal to redevelop Queen’s Park as the second district general hospital for the Blackburn area has been abandoned in favour of provision in the long term of an entirely new hospital to be built at the opposite end of the town to Blackburn Royal Infirmary. The proposal to build a small maternity unit at Accrington Victoria Hospital has been deferred pending re-examination of the planning and content of the scheme.

**West Manchester Area**

The main service for the Wigan and Leigh area will be provided by three complementary hospitals, Billinge, Leigh Infirmary and the completely redeveloped Royal Albert Edward Infirmary, Wigan; the service for Bolton and district will be centred on the extended and improved Bolton District General Hospital and Bolton Royal Infirmary; Salford and District will be served by the completely redeveloped Hope Hospital and an entirely new district general hospital to be built near the north west boundary of Salford; and Park Hospital in West Manchester will be re-developed as a district general hospital.

**North and East Manchester**

For the foreseeable future the hospital service in this area will continue to be provided mainly by the existing hospitals although a start will be made upon the redevelopment of Ashton General Hospital by the building of a new maternity unit. In the long term new district general hospitals are envisaged at Bury, Oldham and two in North and East Manchester. In the meantime developments will be directed towards the continuing improvement of existing hospitals.

**South Manchester Area**

New district general hospitals will be built at Wythenshawe and Cheadle, and Withington and Stepping Hill Hospitals will be redeveloped and extended as district general hospitals. The redeveloped Teaching Hospitals will provide district general hospital facilities for some 250,000 of the population of Greater Manchester as well as provision in some specialities for a wider catchment area. The Christie Hospital will continue to provide
the main regional radiotherapy service and will be extended. Some improvement of Altrincham General Hospital is being carried out and a new geriatric unit is being provided at Corbar Hall, Buxton, to meet the needs of this isolated area.

South and Mid-Cheshire

The service in South Cheshire will be centred on a new district general hospital to be built near Crewe where an experiment with new systems of building will enable an earlier start to be made than would otherwise have been possible; and in the Macclesfield area on the new district general hospital to be built on the site of the West Park branch of Macclesfield Infirmary. The new hospital at Crewe will afford some relief to the existing hospitals in North Cheshire. Extra mental subnormality accommodation will be provided at Cranage Hall.

Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress

Billinge Hospital, Orrell, Wigan—new maternity unit, boilerhouse, kitchen, residential accommodation, and nurse training school.
Blackpool—Victoria Hospital—new out-patient, accident, and physiotherapy departments.
Burnley—General Hospital—new maternity unit, ante-natal clinic, kitchens, dining room, and residential accommodation.
Corbar Hall, Buxton—new geriatric wards.
Cranage Hall—additional wards, and nurses’ residential accommodation.
Sharoe Green Hospital, Preston—ward blocks, operating theatres, nurses’ residential accommodation and training school, and mortuary.
United Manchester Hospitals—new St. Mary’s Maternity Hospital.
Withington Hospital—new boilerhouse.
Wythenshawe Hospital—new boilerhouse, nurses’ residential accommodation and training school.

Schemes which it is hoped to start within the period up to 1969/70.

Ashton—General Hospital—maternity unit, midwives’ accommodation, and extensions to boilerhouse and laundry.
Billinge Hospital, Orrell, Wigan—geriatric ward blocks.
Blackpool—Victoria Hospital—nurses’ residential accommodation and training school.
Blackpool—Victoria Hospital—kitchen, dining room and stores.
Blackpool—Victoria Hospital—maternity unit and midwives’ accommodation.
Burnley—General Hospital—out-patient, X-ray and physiotherapy departments.
Chorley and District Hospital—maternity unit, kitchen and dining room.
Christie Hospital—nurses’ and medical officers’ residential accommodation, expansion of kitchen and dining room, and acute ward block.
Crumpsall Hospital—improvements to maternity unit, and extension of boilerhouse.
Fulwood, Preston—new district general hospital with sub-regional services.
Lancaster—Royal Infirmary—maternity department, kitchen and dining room.
Leigh Infirmary—theatres and X-ray department.
Leigh Infirmary—acute ward blocks.
Manchester Dental Hospital—major extensions.
South Cheshire—new district general hospital.
Stepping Hill Hospital—maternity unit, and nurses’ residential accommodation.
Withington Hospital—psychiatric unit.
Withington Hospital—group laundry.
Withington Hospital—central catering block.
Wythenshawe—major extensions to complete new hospital.

According to present plans, the start of these schemes will be followed by the start of:

Accrington—Victoria Hospital—maternity unit.
Ancoats Hospital—new out-patient department, and improvements to accident department.
Barrow, first phase of new hospital—maternity unit, boilerhouse, midwives’ accommodation, kitchen, dining room, and stores.
Barrow, second phase of new hospital—acute ward blocks.
Billinge Hospital, Orrell, Wigan—acute ward block.
Bolton—District General Hospital—new maternity unit.
Cheadle, first phase of development of new hospital—maternity unit, midwives’ accommodation, boilerhouse, kitchen, dining room and stores.
Cheadle, second phase of development of new hospital—acute wards.
Crumpsall Hospital—nurses’ residential accommodation and training school.
Hope Hospital—nurses’ residential accommodation, acute ward block and theatres.
Hope Hospital—new out-patient and accident department.
Lancaster—Royal Infirmary—second phase of development as a new district general hospital.
Leigh Infirmary—new maternity unit.
Macclesfield, first phase of new hospital—maternity unit, out-patient department, midwives’ accommodation, boilerhouse, kitchen and dining room.
Macclesfield, second phase of new hospital—acute ward blocks.
Oldham and District General Hospital—new out-patient department.
Park Hospital, Davyhulme (West Manchester)—new out-patient, accident and X-ray departments.
Park Hospital, Davyhulme (West Manchester)—maternity department.
Rochdale Infirmary—new accident department.
Stepping Hill Hospital—psychiatric and psycho-geriatric units.
United Manchester Hospitals—first phase of redevelopment.
Wigan—Royal Albert Edward Infirmary—new out-patient and accident department.
Withington Hospital—new theatre blocks, and sterile supply unit.
Other and later prominent developments in the region are expected to include:

- Ashton—General Hospital—major extensions.
- Barrow—completion of new district general hospital.
- Birch Hill Hospital, Rochdale—major extensions.
- Blackburn Royal Infirmary—wards and accident department.
- Blackburn—new hospital to replace Queens Park.
- Blackpool—Victoria Hospital—additional geriatric, psychiatric and acute wards.
- Bolton Royal Infirmary—extensions.
- Burnley—General Hospital—major reconstructions.
- Bury—General Hospital—major extensions, or development of new hospital.
- Cheadle—completion of new hospital.
- Christie Hospital—completion of adaptations.
- Crunage Hall—completion of developments.
- Crumpsall Hospital—rebuilding.
- Macclesfield—completion of new hospital.
- North Manchester—new hospital.
- Oldham—new hospital.
- Park Hospital, Davyhulme (West Manchester)—major developments.
- Salford—new hospital.
- Stepping Hill Hospital—major developments.
- United Manchester Hospitals—further phases of redevelopment.
- Wigan—Royal Albert Edward Infirmary—rebuilding of wards.
- Withington Hospital—rebuilding.
THE LIVERPOOL HOSPITAL REGION

Emphasis of the programme

The Liverpool Hospital Region has a population of about 2.2m. This is expected to increase to 2.5m. in 1981. The increase in population will present less of a problem than movement of population within the region particularly from the centre of Liverpool to the periphery. This has already been most marked in the north east of the Liverpool area and has made the provision of a new district general hospital to serve this area a matter of urgency. New Towns are being built at Runcorn and Skelmersdale and it is proposed that the hospitals to serve them should grow with the growth of population. The first step will be the provision of diagnostic and therapeutic centres in each town. The hospitals serving the Birkenhead and Chester areas are old and quite unsuitable for redevelopment as district general hospitals and it has therefore been found necessary to build new district hospitals, the completion of which will enable other uses to be made of the existing hospitals. A new district general hospital is also to be provided to serve the Warrington area which at present has insufficient beds for its needs.

The process of rebuilding existing hospitals will continue with the object of improving the facilities rather than of increasing the number of beds. Accident and emergency centres will be concentrated in larger but fewer units enabling an effective service with the most modern equipment to be available at all times of the day or night.

The Regional Board have provided facilities for certain important specialities at regional centres. Two such centres, neuro-surgery at Walton Hospital and radio-therapy at Clatterbridge Hospital have outgrown their existing accommodation and the programme provides for these to be extended and improved.

A new teaching hospital is being built in the centre of Liverpool which will provide improved teaching facilities for a larger number of students and will bring together on one site a number of teaching units which are at present dispersed. Work on a new dental hospital is also in progress; this will replace the existing hospital and will provide facilities which will enable the present student intake to be increased.

Developments some of which have been completed and the remainder of which are in progress will, when commissioned, reduce the dependency of the region on Manchester Region for beds for mental sub-normality patients. There is a sufficiency of beds in the region for patients suffering from mental illness but provision has been made for the programme of improvements to wards and engineering services in the mental hospitals, which is already in progress, to be continued.

Schemes which will provide improved accommodation for the elderly are planned for Chester City and Warrington Hospitals.

Pattern of development

The pattern of development of the hospital services in the region is now expected to be as follows:—
Liverpool Area

The services of the area will centre round a new district general hospital now being built at Fazakerley and the Walton, Broadgreen, and Sefton Hospitals which will be expanded and developed.

The new teaching hospital now being built in the city is also expected to provide a district general hospital service.

The Mill Road Maternity and Liverpool Maternity Hospitals will supplement the maternity services being provided at the general hospitals. Treatment for patients suffering from infectious diseases will be provided at the Fazakerley I.D. Hospital and in the case of tuberculosis at the Aintree Hospital. The Alder Hey Children's Hospital will continue to provide paediatric services for the area but will require additional theatres and new accident and out-patient departments. The considerable expansion of the Olive Mount Children's Hospital which is now in progress will enable a larger proportion of the mentally subnormal children and adolescents to be treated locally, but it will still be necessary for adult patients to be treated outside the area. The majority of elderly medium and long-stay patients will be accommodated at Newsham Hospital at which work on improvements to wards and services will continue.

Further work on improving wards and services will be carried out at Rainhill Hospital which will continue to provide treatment for patients suffering from mental illness.

Southport and Ormskirk Area

Although the services of the area will eventually be centred on district general hospitals at Southport, and Ormskirk or Skelmersdale, these will not be built for many years. In the meantime the services at Southport will be centred on the Southport and Promenade Hospitals and at Ormskirk on the Ormskirk County Hospital. Maternity services at Southport will be provided at the Christiana Hartley Maternity Hospital. A diagnostic and therapeutic centre which will be built at Skelmersdale within the ten-year period will provide out-patient, minor accident and diagnostic services for the New Town, and will form the first phase of the new district general hospital.

Greaves Hall Hospital provides accommodation for mentally subnormal patients from all over the region. A phase has recently been completed which has more than doubled the accommodation at this hospital and work has now begun on a third phase which will still further increase the accommodation. When the new wards are commissioned the region's dependence on the Manchester Region for beds for mentally subnormal patients will be substantially reduced.

St. Helens and Warrington Area

The services of the area will centre round a new district hospital to be built at Winwick and the Whiston, St. Helens, and Warrington Hospitals. A new maternity unit is to be built at Whiston Hospital and the diagnostic services improved, while at Warrington extensive redevelopment is planned. It is envisaged that new district general hospitals will eventually be built.
to take over the work now done at Whiston and St. Helens Hospitals but it will be many years before a start can be made on them.
The Winwick Psychiatric Hospital will continue to provide facilities for patients suffering from mental illness who require medium and long-term treatment.

**Chester and Wirral Area**
The services of the area will centre round new district hospitals to be built at Birkenhead and Chester together with the Clatterbridge Hospital which will be extensively developed.
The Deva Hospital will continue to provide facilities for patients suffering from mental illness who require medium and long-term treatment.

**Major building schemes** (New Hospitals and building schemes expected to cost more than £250,000).

*Already in progress.*
Liverpool—new regional blood transfusion unit.
Liverpool—Olive Mount Children's Hospital—enlarged accommodation for mentally subnormal children.
Liverpool—Walton Hospital—new operating theatres, out-patient and accident departments, and new boiler-house.
Liverpool—new teaching hospital.
—new dental hospital.
Liverpool—Fazakerley—new district general hospital.
Southport—Greaves Hall—new wards and services.

*Schemes which it is hoped to start within the period up to 1969/70.*
Birkenhead—Arrowe Park—new district general hospital.
Clatterbridge Hospital—new laundry, boiler-house, central sterile supply department and pathology laboratory. Work on sewers and roads.
Development of radiotherapy unit Phase III.
Chester—new district general hospital.
Liverpool—Walton Hospital—new neuro-surgical unit, pharmacy, X-ray and central sterile supply departments (expected to start this year).
Warrington General Hospital—redevelopment of accident centre and diagnostic and therapeutic departments, improved ward accommodation, new boiler-house and improvements to nurse training school (expected to start this year).
Whiston Hospital—new maternity unit.
Winwick Hospital—improvements to wards and engineering services.

According to present plans, the start of these schemes will be followed by the start of the following:—
Liverpool—Broadgreen Hospital—new maternity unit.
Liverpool—Sefton General Hospital—extension of maternity unit and rebuilding of out-patient and accident and emergency departments.
Liverpool—Walton Hospital—remaining developments.
Runcorn New Town—new diagnostic and therapeutic centre.
Skelmersdale New Town—new diagnostic and therapeutic centre.
Warrington—new district general hospital.
Wallasey Highfield Maternity Hospital—extension to wards, new theatres and ante-natal clinic.

Other and later prominent developments in the region are expected to include:

New district general hospitals to serve:
Ormskirk.
Runcorn.
St. Helens.
Skelmersdale.
Southport.
South Liverpool and Widnes.
Wallasey.
Redevelopment of existing hospital at Broadgreen.
Liverpool—Alder Hey Children's Hospital—new out-patient and accident departments and new pathology laboratory.
WALES

Emphasis of the programme

Wales has a population of about 2.69 million. This is expected to increase to about 2.92 million in 1981. The increase will, for the most part, occur in the coastal area of the industrial south east where, if present trends continue, it is expected to be of the order of ½ million. An increase is also expected in the north east of some 50,000 and a slight increase in the south west. Over the rest of the country the changes are not likely to be significant in the context of the hospital programme—except that if the proposal to develop a new town in Montgomeryshire is adopted, the population projections for this east central area of Wales will obviously be affected. The population aged 65 and over is expected to increase from 334,400 to 410,500.

The Welsh Hospital Board face the task of meeting the needs of the expanding population in industrial South Wales and also of providing a modern hospital service in the sparsely populated and difficult terrain of rural Wales. They aim to establish a pattern of district general hospitals sited to meet the needs of the population throughout Wales. A due and early share of the available resources will be allotted to the psychiatric and geriatric services.

A new teaching hospital, the University Hospital of Wales, is being developed in Cardiff in conjunction with the Welsh National School of Medicine. The first phase including a dental hospital and school has been completed and work has now started on the main phase. The hospital will provide a fully integrated teaching and treatment complex for an intake of some 100 medical students annually and for 800 in-patients, with a comprehensive consultative and diagnostic centre for out-patients.

Pattern of Development

The pattern of development of hospital services in Wales is expected to be as follows:

Cardiff Area

The acute services for the area will be reorganised around the University Hospital of Wales, which will also have an acute psychiatric admission unit, and at Llandough Hospital. Psychiatric services will continue to be provided for the mentally ill at Whitchurch Hospital. St. David’s and Ely Hospitals will continue to provide services for both the mentally ill and the mentally subnormal; at Ely Hospital additional beds for the subnormal will be provided.

Newport and Abergavenny Area

The acute services will be reorganised around Royal Gwent Hospital, Newport, which is in process of redevelopment, Nevill Hall Hospital, Abergavenny, which is under construction, and a hospital to serve West Monmouthshire at a location to be selected. Psychiatric services will continue to be provided at St. Cadoc’s Hospital, Caerleon, Pen-y-Val
Hospital, Abergavenny and Mid Wales Hospital, Talgarth, all for the mentally ill, and Llanfrechfa Grange Hospital, Cwmbran, for the subnormal.

Merthyr Tydfil and Pontypridd Area

The acute services in the Merthyr and Aberdare area are to be reorganised around a new district general hospital, which will include acute psychiatric and geriatric assessment units. In the Pontypridd and Rhondda area East Glamorgan Hospital, Church Village, is being developed as a district general hospital; acute psychiatric and geriatric assessment units are under construction. The Graig Hospital, Pontypridd, is being rebuilt as a long-stay geriatric hospital. Psychiatric services for the whole area will continue to be provided at Morgannwg Hospital, Bridgend, at which work is in progress on improving facilities, and at Mid Wales Hospital, Talgarth, for the mentally ill, and at Hensol Castle Hospital, Pontyclun, for the subnormal.

Bridgend and Neath Area

In the Bridgend area acute services are organised around Bridgend General Hospital where substantial additions to ward accommodation, consultative, diagnostic and treatment facilities have been effected; more ward accommodation and acute psychiatric and geriatric assessment units are planned.

In the Neath area acute services are organised around Neath General Hospital; additional patient accommodation and treatment facilities are to be provided.

For both areas psychiatric services will continue to be provided mainly at Morgannwg Hospital, Bridgend, for the mentally ill, and mainly at Hensol Castle Hospital, for the subnormal.

Swansea Area

In this area acute services will be organised around the hospital under construction at Singleton Park, Swansea, and Llanelli Hospital where ward accommodation, consultative, diagnostic and treatment facilities have been improved and where additional ward accommodation is to be provided. Psychiatric services will continue to be provided, for the mentally ill, at Cefn Coed Hospital, Swansea, and at Westfa Hospital Day Centre; for the subnormal there are limited facilities in the area and patients are accommodated mainly at Hensol Castle, Pontyclun.

Carmarthen Area

Acute services in this area are being organised around West Wales General Hospital, Glanwgili, Carmarthen, of which a substantial part is complete and in use; more ward accommodation including acute psychiatric and geriatric assessment units is in course of construction. Improved acute services will be further developed at Haverfordwest where the Pembroke County War Memorial Hospital will be upgraded and a new hospital developed at Withybush. Services for the mentally ill will continue to be provided at St. David’s Hospital, Carmarthen. It is intended to provide a new hospital for the mentally subnormal.
Aberystwyth Area
Acute services in this area are being organised around a new hospital under construction on the site of Bronglais Hospital; the first stage containing ward accommodation for about 200 patients, consultative, diagnostic, and treatment facilities, is now complete.
Psychiatric services will continue to be provided at St. David’s Hospital, Carmarthen, for the mentally ill, and at Brynhyfryd Hospital, Forden, and Llys Maldwyn Hospital, Caersws, for the subnormal.

North Wales Area
Acute services in this area will be reorganised around a new hospital near Bangor, a new hospital near Rhyl and Maelor General Hospital, Wrexham, which will be developed and enlarged. Maternity services at St. David’s Hospital, Bangor will shortly be improved, and a geriatric unit is under construction there. Services for the mentally ill will continue to be provided mainly by North Wales Hospital, Denbigh, where improvements are in progress, and a day hospital at Wrexham. Services for the subnormal will be reorganised around a new hospital at Bryn-y-Neuadd, Llanfairfechan on which construction is expected to start this year.

Major building schemes (New hospitals and building schemes expected to cost more than £250,000).

Already in progress.
Aberdare General Hospital—maternity unit.
Caerphilly District Miners Hospital—maternity unit.
East Glamorgan Hospital—psychiatric and geriatric units, boiler-house and laundry.
Graig Hospital, Pontypridd—long-stay geriatric hospital.
Nevill Hall Hospital, Abergavenny—stage 1.
Singleton Park Hospital, Swansea—stage 2.
University Hospital of Wales, Cardiff—main phase.
West Wales General Hospital, Glangwili—stage 4.

Schemes which it is hoped to start within the period up to 1969/70.

*Bridgend General Hospital—stage 2—psychiatric and geriatric units.
Bryn-y-Neuadd Hospital, Llanfairfechan—phase 1 (expected to start this year).
Ely Hospital—Cardiff—additional patient accommodation and treatment facilities.
Llanelly Hospital—additional patient accommodation and maternity facilities.
*Merthyr area—district general hospital scheme—stage 1.
Morriston Hospital—stage 1—area laundry.
*Neath General Hospital—stage 1—new maternity unit.
Pembrokeshire—upgrading County War Memorial Hospital and a new hospital at Withybush—stage 1.
*Rhyl area—district general hospital scheme—stage 1.
According to present plans, the start of these schemes will be followed by the start of:

* Bangor area—district general hospital scheme—stage 1.
  * Bridgend General Hospital—stage 3.
  * Maelor General Hospital—stage 1.
  * Morriston Hospital—stage 2—replacement of wards.
  * Neath General Hospital—stage 2.
  * Nevil Hall Hospital, Abergavenny—stage 2.
  * Royal Gwent Hospital—Newport—stage 2.
  * St. Cadoc's Hospital—Caerlon—replacement of wards.
  * Singleton Park Hospital, Swansea—stage 3.
  * West Monmouthshire area—new general hospital—stage 1.

Other and later prominent developments are expected to include:

* Bangor area—district general hospital scheme—further stage(s).
  * Bryn-y-Neuadd Hospital, Llanfairfechan—further stage(s).
  * East Glamorgan Hospital—further stage(s).
  * Llandough Hospital, Penarth—development.
  * Maelor General Hospital—further stage(s).
  * Merthyr area—district general hospital scheme—further stage(s).
  * Morriston Hospital—further stage(s).
  * Rhyl area—district general hospital scheme—further stage(s).
  * Singleton Park Hospital, Swansea—further stage(s).
  * West Monmouthshire area—new general hospital—further stage(s).
  * West Wales—new hospital for the mentally subnormal—stage 1.
  * Withybush Hospital, Haverfordwest—further stage(s).

* Final decisions on siting of scheme not yet taken.
CABINET

EUROPEAN LAUNCHER DEVELOPMENT ORGANISATION
AND EUROPE; ELDO MINISTERIAL CONFERENCE

Memorandum by the Minister of Aviation

In December, 1965 the Cabinet decided (CC(65) 71st Conclusions, Minute 4) that we should terminate our commitment to ELDO, taking into account the need to minimise the political damage of withdrawal. Subsequently our partners put forward a new proposal for the development of an extended version of the ELDO A launcher (ELDO-PAS), which would launch commercial communications satellites much more cheaply than the ELDO B formerly planned. Our partners also implied that they would be prepared to consider a smaller financial contribution by the United Kingdom. Ministers therefore decided that the new developments justified a postponement of our withdrawal for a period of up to 3 months, during which the views and proposals of our partners could be studied in more detail.

2. At the Ministerial ELDO Conference on 20th-28th April (a report of which is at Annex B of the Appendix to this paper) our European partners repeated their objections to the aide memoire we had sent in February, 1966, prior to the ELDO conference, and urged upon us the need to complete the ELDO A and continue co-operation in ELDO on future programmes. The Conference, however, agreed that the problems of ELDO needed closer study in the light of the proposals for extending the ELDO launcher into the ELDO-PAS system and decided to adjourn until 9th June to allow time for this study.

3. The attached report by the Official Committee on Technology sets out the results of the study by our officials of the new financial, scientific and technological features of the ELDO programmes and invites Ministers to consider whether they wish to re-affirm the Cabinet decision that we should terminate our commitment to ELDO or to reverse the decision and continue with ELDO subject to our percentage contribution to the Organisation being reduced to 25 per cent from not later than 1st January, 1967.

4. The report by officials suggests that the economic, scientific and technological appraisal of the ELDO programme is broadly the same as when the Cabinet decided that we should end our commitment to ELDO. The political objections to withdrawal, however, are now very much greater than they were and there is now the strong probability that we can reduce our financial contribution to the Organisation. In particular, I would also draw the attention of my colleagues to the following aspects:
Technological and Economic Considerations

(a) The new proposals for ELDO-PAS are technically feasible and provide a significant improvement on the original ELDO A programme which was before the Cabinet when the December decision was taken. The cost of ELDO launchers are admittedly likely to be 2-3 times greater than using an equivalent United States launcher but, as mentioned in the official report, there can be no certainty that the Americans will be prepared to make available launchers for commercial purposes.

(b) There is growing interest in the use of satellites for television purposes.

(c) Our ELDO partners have indicated that they are disposed to use their majority powers in ESRQ to insist that E3RO uses ELDO launchers.

(d) We shall be subjected to great pressures at home to expand national space expenditure if we leave ELDO. This could be more expensive as well as less satisfactory. While the amount of technological "fall-out" from space research and development is very arguable, to opt out of the field entirely now while our European allies are continuing, would have an unfavourable effect on our attempts to strengthen and modernise our technology.

Financial Implications

(a) Whereas at the time of the Cabinet decision the total cost of continuing with the initial ELDO programme lay between £48 and £58 million, the present estimate for continuing with the ELDO A programme and for up-grading it to include the ELDO-PAS programme is, on the assumption that our contribution can be reduced to 25 per cent from 1st January, 1967, £42 million.

(b) If we withdraw from ELDO and, as now seems likely, our partners continue without us, we shall have to pay to ELDO £14.5 million as the balance of our commitment.

(c) Provided our partners agree to our contribution being reduced to 25 per cent from 1st January, 1967 for the ELDO A and EDLO-PAS programme, the additional cost (over and above the £14.5 million referred to in (b) above) would be about £27 million—about £5.5 million for the first three years of the programme and about £3.5 million for the last three. Most of the foreign exchange costs would be covered by contracts placed in this country.

Political Aspects

(a) It was made clear to me by the European Ministers at the EDLO Conference that British withdrawal would have a serious effect on our standing in Europe and our approach towards closer European association. Dutch, Belgian and Italian Ministers stressed this as much as the French and German: it would in my view be extremely damaging for us to withdraw at a time when our European partners have intimated their willingness to help us to reduce our financial burden.
(b) It is likely that, if we do withdraw from ELDO, our European partners will go ahead without us. We shall then be effectively excluded from any collaboration in European space technology.

(c) Withdrawal from ELDO could well prejudice our efforts in seeking closer collaboration with Europe in new scientific and technological fields. We can expect a particularly sharp reaction from the French and I am very concerned at the effect this may have on Anglo/French collaboration on which our industrial and military aircraft programme is now based.

(d) The United States Government have made it clear that they are most anxious for us to stay in ELDO and have offered technical help for ELDO-PAS. Withdrawal may forfeit American goodwill on which we are greatly dependent in other fields.

CONCLUSION

5. I made it clear to our partners at the Conference in April that the United Kingdom could not under any circumstances contemplate commitment to the ELDO B programme and I shall re-emphasise this at the resumed Conference on the 9th June. I believe, however, it is important to keep the option open to the United Kingdom to take advantage of technological developments over the next few years and that continued participation in ELDO is the cheapest means of doing this. I consider therefore that the balance of advantage lies, provided our contribution is reduced to 25/30 per cent not later than 1st January, 1967, in our continuing to participate in the ELDO A programme and to agree to its modification to include ELDO-PAS.

6. I ask my colleagues for authority to proceed on this basis at the Conference in Paris on 9th June.

POSTSCRIPT

7. Since the above paper was prepared, the Chief Secretary, Treasury and I saw the Secretary General of ELDO at his request. The latest revised estimates of the ELDO Secretariat for the cost of the ELDOA-PAS programme are substantially below those in the officials' report as they make less allowance for contingencies and firings. Nevertheless it is prudent to base our calculations on the agreed figures in the officials' report.

8. The Secretary General indicated that there would be great difficulty in getting the agreement of other member Countries to the United Kingdom contribution being reduced to about 25 per cent for the original ELDO A programme and considered that our 38.8 per cent could not be lowered below 33 per cent for this part of the programme. This would have the effect of reducing our total contribution over the period 1967-1971 to 29.75 per cent.

F.M.

Ministry of Aviation, S.W.1.

23rd May, 1966

-3-
1. Following the Prime Minister's instructions that Departments should reconsider the new financial, scientific and technological features of the ELDO programmes, the Communications-Electronics and Space Committee (CSC) prepared the attached report, which after amendment has now been endorsed by the Official Committee on Technology (T(0)).

The figures in the report are based on the best estimates that can be provided, and have been agreed interdepartmentally. They show that an ELDO launch will be two to three times as costly as a comparable American launch. On the other hand, as paragraph 7 and Annex C point out, we have been unable to obtain any assurance that the United States would be willing to provide launching facilities for communications or other satellites if these implied potential commercial competition with American undertakings or with international undertakings in which the United States was an active partner. This makes the position decidedly confusing in view of the repeated indications over the past four weeks of American concern that ELDO should remain in being with the United Kingdom as an active partner. The United States take this latter position because (i) they fear that the break-up of ELDO would lead to the growth of national space programmes in Europe (with possible military overtones), and (ii) they see the development of launcher technology as a means whereby the technological gap between America and a united Europe can be reduced. They are convinced that launcher development is a bridge leading to more advanced technologies in a variety of fields.

3. The report does not explore the extent to which a decision on ELDO will affect the development programme of the European Conference on Satellite Communications (CETS). This is because of the double uncertainties in that programme itself. The members of CEITS have not yet decided whether or not the programme should be carried out by
Governments or whether they should rely primarily upon development through commercial consortia. It is only if eventually CETS decides in favour of a governmental programme that ELDO is relevant, but in that event, and should the United States then be unwilling to sell launchers for the development of commercially competitive satellites, the CETS programme could not be carried out if ELDO were abandoned. The United Kingdom's proposed BLACK ARROW launcher could be used only for testing components and sub-assemblies, and would not be capable of launching a complete experimental communications satellite.

(Signed) S. ZUCKERMAN

Cabinet Office, S. Y. T.
20th May, 1966.
Introduction

In December, 1963, the Cabinet decided (CC(65) 71st Conclusions, Minute 4) that we should terminate our commitment to the Organisation, taking into account the need to minimize the political damage of withdrawal. In February, 1966, prior to the ELDO Ministerial Conference, we sent our partners an aide memoire, setting out our doubts about the technological and economic value of the programmes and our concern about the steeply rising costs. This had a hostile reception. While sharing some of our anxiety about costs, our partners strongly contested our low estimate of the technological value of the programmes and stressed the need for continued co-operation in the development of a heavy launching capability for Europe, independent of the United States or Russia. A new proposal was also put forward for the development of an extended version of the ELDO-A launcher (ELDO-PAS), which would launch commercial communications satellites much more cheaply than the ELDO-B previously planned. Our partners also implied that they would be prepared to consider a smaller financial contribution by the United Kingdom. Ministers therefore decided (MISC 110(66) 1st Meeting) that the new developments justified a postponement of our withdrawal for a period of up to three months, during which the views and proposals of our partners could be studied in more detail. The Ministerial ELDO Conference on the 26th-28th April (a report on which is attached as Annex B), agreed to adjourn for this purpose until 9th June. Officials were instructed by the Prime Minister to consider the financial, technological and scientific aspects of the new proposals. These are considered in Annex A attached; the factors which have changed since the Cabinet decision are summarised in the following paragraphs.

Technological and Economic

2. ELDO-PAS is technologically feasible but there is in the programmes little additional work of technological interest to the United Kingdom; nor, despite its ability to place commercial communications satellites in geostationary orbit from an equatorial launching site, does it significantly alter the economic prospects of ELDO in respect of satellite communications, except in so far as it may meet French or other national aspirations outside the global system. Thus there has been no change in our broad economic assessment of the ELDO programmes. In some quarters in the United Kingdom there has, however, been some change of attitude to space technology in
recent months. This may be no more than a shift of feeling and is unquantifiable. There is a growing interest in the possibility of direct broadcasting from satellites and some anxiety about the unforeseeable technological consequences of abandoning work on heavy launchers.

Financial

3. At the time of the Cabinet decision the total cost to the United Kingdom of the ELDO programmes, based on a 38.8 per cent contribution to the initial programme and 25 per cent contribution to subsequent programmes and spread over the five years 1966/67 - 1970/71, lay between £48 and £58 million. It is now estimated that if the Initial Programme were carried through to completion, including the ELDO-PAS perigee/apogee system, the total cost to the United Kingdom over the six-year period 1966/67 - 1971/72, based on a 25 per cent contribution from 1st January, 1967 (to which our partners have yet to agree) would be about £42 million, including a 50 per cent contingency on the estimate for the perigee/apogee system. On the other hand, were we to terminate our commitment and were ELDO to be continued by the other Member States (as might well be the case, contrary to our expectation last December), the cost of withdrawal would be the balance of our financial commitment, i.e. £14.5 million. Thus the net cost of continuing would be about £27 million, with an average of some £5.5 million a year for the first three years and some £3.5 million a year over the last three, the gross cost of either contributions or of terminal expenses being substantially larger in the earlier period. A large part of the cost in foreign exchange of this total sum would be met through contracts from ELDO placed in this country. Should our withdrawal from ELDO lead to the immediate dissolution of the Organisation, our share of the cost of winding it up would be £2 million. If the choice lay between complete collapse and full continuation, the net cost of continuing, taking into account payment for work already done (£2 million), our contribution until 30th June, 1966 (£3 million) and the winding up costs as above, would be some £33 million.

4. It can be argued that it is unlikely that the cost of completing ELDO-PAS will be the total commitment, in that there will be continuing pressure to maintain ELDO and develop more powerful launchers. Although this may be so, the political difficulty to the United Kingdom of withdrawing when ELDO has reached and overtaken the target set in the original agreement would be likely to be less than now, bearing in mind that the United Kingdom had a particular responsibility for the initiation of the current programme. On the other hand there may be a greater pressure
from industry both here and in Europe to continue. Nevertheless, if the United Kingdom now made its intentions unmistakably clear, it would be freer to decide the advantage of continuing, or otherwise, on economic and technological merits when the time comes. But even if the main arguments for continuing in ELDO are political, the reasons which convince our European partners that the programme is worthwhile apply equally to a programme of satellite development. There will therefore be the same political pressure for us to embark on such a programme, for example, that of CETS which could cost the United Kingdom at least £2 million a year over the next five or six years, with possibly heavy liabilities thereafter.

5. The best estimate that can so far be made of the cost to a customer of launching with the ELDO-PAS is that it may be 2-3 times greater than that of using an equivalent United States launcher. This means that there is no prospect of selling launchers for the international satellite communications system unless they are substantially subsidised. On the other hand, from the European point of view one cannot be certain that, except for scientific purposes, launchers would be available from elsewhere.

6. There have been the following important political developments since the Cabinet decision.

7. The United States Government have made it clear in unsolicited advances to ourselves and our partners that they wish ELDO to continue and Britain to remain in it (see Annex C); and have offered technical help for ELDO-PAS. They have said they regard the gap between Europe and themselves in advanced technology as a weakness for the West and consider the development of space (including launcher) technology in Europe is essential to overcome it. They have indicated that they fear our withdrawal would increase the possibility of augmenting the French and German national programmes to include military launcher capabilities. By abandoning ELDO the United Kingdom might forfeit American goodwill, on which we greatly depend in other fields. On the other hand, neither the American State Department nor NASA have given a clear answer as to whether Europe could rely on the United States for launching satellites for other than scientific purposes.
8. The French withdrawal from NATO provides an opportunity, which we are taking in various ways, to give a more positive lead in Europe. This is welcomed by the rest of the Six and is greatly in our interests. Our abandonment of ELDO at this juncture would not only run directly counter to our main line of policy in this respect and prejudice our efforts to forge closer links with European countries, but would leave them even more exposed to unwelcome French influence.

9. Far from welcoming our initiative, or accepting our arguments, our ELDO partners (like the Americans, see paragraph 7 above) have shown basic disagreement from our assessment of the importance of launcher technology. If ELDO were to disappear through our defection, and our partners were in consequence to be denied the possible political, technological and commercial fruits of independent satellite development, they would resent this particularly strongly. In fact they seem likely to carry on the activities of the organisation in some form if we abandon it. They recognise our economic and financial burdens and are willing to go a long way to easing them; but a refusal by us to respond to this willingness will cause widespread resentment.

Conclusion

10. The question for decision by Ministers is whether in the light of:

(a) a broadly unchanged economic, scientific, and technological appraisal (subject to paragraph 2);

(b) the probability that we can reduce the financial cost (paragraphs 3-5);

(c) the increased political objections to withdrawal (paragraphs 7-9);

they wish to reaffirm the decision that we should (effectively) withdraw from ELDO or to reverse the decision, and continue with ELDO, subject to the condition that our percentage contribution to the Organisation is reduced to 25.0 per cent from not later than 1st January, 1967.

18th May, 1966
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I  FINANCE

(a) Cost of the ELDO Programmes

ELDO A

The latest available estimate of the cost of ELDO's initial programme (ELDO-A), based on figures provided by Member States when preparing the 1966 budget, is about £158 million. Of this about £80 million has already been spent and a total of £120 million authorised to cover commitments to the end of 1966.

ELDO B

The original Secretariat estimate of the cost of the ELDO B programme before detailed studies had been made was £130 million without any contingency. On the basis of partially completed project studies, they have now revised the estimate to £261 million. The Ministry of Aviation suggest the addition of a 4.0 per cent contingency, which would take the total estimated cost to £365 million.

(b) Cost of Withdrawal from ELDO

When Ministers decided that we should terminate our commitment to ELDO it was expected that without our support ELDO would collapse. Discussion during the Ministerial Conference suggested that our partners might well be prepared to carry on without our support. The terminal costs, if ELDO were wound up at this stage, are estimated tentatively at some £10-12 million. These figures do not include outstanding payments to contractors for work already carried out at the time of cancellation. If Member States agreed that the costs of winding up ELDO should be split on the normal scale of contributions our share would be £3.9-£4.5 million. If we withdrew, and our partners continued in ELDO, we should have to bear our share of the £120 million already authorised. Our contributions in respect of the period up to 31st March, 1966 amounted to £32 million, and our share of the £120 million at 38.79 per cent is £46.5 million. Thus £4.5 million would remain to be paid to ELDO as the balance of our commitment.
(c) Cost of ELDO PAS Development Programme

The alternative to the termination of our commitment is for us to participate in the proposed ELDO PAS programme (ELDO A with the addition of the perigee/apogee system) with - if our partners agree - a reduced contribution of 25 per cent.

The ELDO Secretariat has not yet prepared a detailed estimate of the cost of developing and proving the recently proposed perigee/apogee system. On the basis of completed project studies for the apogee stage and of information from the French on the cost of the perigee motor system, the Secretariat estimate the cost of the ELDO perigee/apogee system would be:

\[
\begin{align*}
1. & \text{ Inertial Guidance} & & 1.1 \\
2. & \text{ Equatorial Launching Site} & & 3.2 \\
   & (a) \text{ Construction} & & 3.2 \\
   & (b) \text{ Operation (5 years to mid-1971)} & & 5.1 \\
3. & \text{ Development of Perigee/Apogee System} & & 10.0 \\
4. & \text{ Manufacture and launching of three ELDO-As to prove this system} & & 15.0 \\
\text{Total without contingency} & & 40.6
\end{align*}
\]

After discussion with the Secretariat the Ministry of Aviation accept this estimate except for item 3, where it is thought that the development content is greater than the Secretariat have in mind. They therefore propose that a further £4.3 million should be added, giving a total without contingency of £44.9 million. The Secretariat are confident that a contingency of 25 per cent on their total of £40.6 million is sufficient, giving a total with contingency of £50 million. The Ministry of Aviation would prefer a 50 per cent contingency, which, added to their increased total, would give a total cost of £67.5 million. On the information at present available this should be sufficient to develop the system including an optimised motor.

On the Ministry of Aviation estimate and assuming a reduction in our contribution from 1st January, 1967, our contribution for the financial years from 1966-7 to 1971-2 when the perigee/apogee development is expected to be completed is estimated to be £41.6 million. If it proved possible to reduce our contribution from a date earlier than 1st January, 1967, this figure would be reduced by up to £3.18 million. We should not in any event contemplate paying more than a share of the cost of the additional perigee/apogee programme based on our GNP (about 25 per cent). In ESR0 the Convention provides that no Member State should pay more than 25 per cent and there is thus a good precedent for insisting on that ceiling for future ELDO programmes.
The following table gives the cost of the remainder of the ELDO A and perigee/apogee programmes -

<table>
<thead>
<tr>
<th>Remaining Cost of ELDO-A and Perigee/Apogee Programmes</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remaining of ELDO-A Programme Cost</td>
<td>29.0</td>
</tr>
<tr>
<td>Secretariat Costs</td>
<td>1.8</td>
</tr>
<tr>
<td>Perigee/Apogee Programme Cost</td>
<td>1.9</td>
</tr>
<tr>
<td>United Kingdom contribution</td>
<td>32.7</td>
</tr>
<tr>
<td>at 25 per cent</td>
<td>11.36</td>
</tr>
</tbody>
</table>

Thus if we continue to participate in ELDO until the ELDO PAS programme is completed in 1971-2 (instead of terminating our commitment as soon as we can) the net cost to us is likely to be £27.1 million (£42 million less the £14.9 million which we shall incur if we withdraw and our partners continue). If however it proved that our partners were not ready to go on without us, the net cost of continuing can be assessed at £33 million, as we should have to meet our share of the payments for work already done (£2 million), our contribution to the end of June, 1966 (£3 million), and the winding up costs (£4 million).

(d) Revised Cost Sharing

Immediately after the conclusion of the Ministerial Conference the ELDO Secretary-General offered to explore with our partners the possibility of a new basis of financial contributions. From soundings he had taken, they seemed prepared to accept as the price for continued British participation some change in the cost sharing arrangements, not only to future programmes but also to the part that was left of the initial programme. He doubted if any change could be implemented before 1st January, 1967. Anything he did would be completely without commitment, either to the United Kingdom or to other ELDO governments. His purpose would be simply to find out if the basis for an agreement existed. He would thereafter come to London and discuss the result with Ministers.

The Secretary-General has since said that he will make these soundings on his own account. We have told him that, if he wishes to make his conclusions known to us he would be welcome and that Ministers will receive him. He has suggested that he comes to London on 23rd May, 1966.
II PERFORMANCE AND LAUNCHING COSTS OF ELDO PAS

(a) Performance

Using an existing French solid rocket as its perigee motor ELDO PAS should be able to put a satellite of at least 150 kgs into a geostationary orbit from an equatorial site, assuming that ELDO-A does not fall significantly short of its present forecast performance. With an improved version of the perigee motor it should put into orbit in 1970/71 a communications satellite of 200 kgs; that is, about four times the size of Early Bird, which is now operating with a capacity of 250 telephone channels, and considerably bigger than INTELSAT III (109 kgs), which is intended to be used to establish the interim global telecommunications system in 1968 and have a capacity of at least 1200 telephone channels.

(b) Launching Costs

No reliable estimate is available. The ELDO Secretariat have estimated the cost of an ELDO-A launching as £3.6 million, on the assumption that a production programme would run concurrently with a development programme which would absorb some of the overhead costs. As we have said that we could not support the proposed ELDO-B programme, it must now be assumed that there would in fact be no parallel development programme. Assuming that all overheads would be carried by the production programme alone, and that a requirement for two launchings a year is the most that could be expected, the Ministry of Aviation estimate the cost of an ELDO PAS launching for a customer, assuming that no element is included in the charge for amortisation of capital costs, as £5.3 million. This may be compared with the £3.2 million which it is thought NASA may charge ESRO for a launch using Atlas Agena. This figure is believed to be on much the same basis as the ELDO estimate and to include no element for NASA overheads or depreciation of range equipment. Both figures may be compared with the estimates which NASA has given to ICSC for launching satellites of about 109 kgs for the global communications system; a multiple launching of three satellites by Atlas Agena is said to cost £2.7 million, a launching by Thor Delta of a single satellite the size of INTELSAT III £1.25 million. All these figures include launching site costs, but it is not known to what extent the NASA quotation to ICSC for a multiple launching includes the costs of adapting the launching pad. It may be however that NASA is prepared to quote lower costs to the ICSC than to European customers.
III POSSIBLE DEMAND FOR ELDO PAS

(a) Scientific

ELDO PAS itself is of no interest to United Kingdom scientists concerned with fundamental research in space, but ESRO may use two launchers for its large astronomical satellite, provided that it meets ESRO's requirements for performance and delivery, and costs no more than a suitable American launcher. On the basis of the costs quoted in Section II(b) above this means in effect that ELDO would probably have to offer its launcher at a highly subsidised price. There is no prospect that any British scientific satellite will require a launcher as large as ELDO PAS.

(b) Telecommunications

We should maintain our present policy that the development of a satellite system should be on a broad international basis with the objective of the creation of a world system for satellite communications. So far as we are concerned there can be no question of supporting the development of a separate system. Our European partners in CETS and the Commonwealth communications authorities are also at the present time committed to a single international system.

The world system now seems certain to take the initial form of a number (perhaps five, possibly growing to seven in 1975) geo-stationary satellites of 109 kgs., which are likely to be available to provide world coverage during 1968, i.e. before ELDO PAS is operational. Thereafter we can expect replacement satellites, taking account of both obsolescence and the probable durability of satellites, at a rate which is most unlikely to exceed two per year. If ELDO PAS proves fully competitive with American launchers, both as to price and performance, there is no reason why the launcher should not be used for, at any rate, some proportion of these further launchings; the European members of the ICSC should be able to exert considerable influence to this end. But the present estimates of launching costs quoted in Section II(b) above suggest that ELDO is unlikely to get down to the American price unless heavily subsidised by Member States. The ICSC is studying possible needs for satellite facilities, in the period from 1972 on, involving satellites of 1,000 kgs., much heavier than those to be used for establishing the basic world system. These later satellites would be beyond the capabilities of ELDO PAS.
Aside from the possibility of the actual use of ELDO-PAS in the maintenance of the world satellite communications system, it has been argued that the strength of the European bargaining position, when the Interim International Agreements are renegotiated in 1969/70, would be weakened if Europe lacked any effective launching capacity or any prospects of achieving it. This view is firmly held in Europe and is one of the reasons why our partners wish to continue the ELDO programme. Without such a capacity, the European countries feel they would be in the position of having to negotiate empty-handed and with no fall-back position. They would argue that they could use European launching capacity as an effective bargaining counter without endangering the principle of a single global system. We for our part could not join in using such a counter if it were likely to call this principle in question. The European argument cannot be totally dismissed, but such strengthening of Europe's position as would come from the possession of an effective launching capacity would not in our view be worth by itself the cost of the development of the capacity.
The Technical Planning Staff of CETS have put forward a programme for the development of an experimental communications satellite which would involve the use of either ELDO or American launchers. This programme is being re-examined by CETS in the light of the new proposals for the ELDO PAS launcher and in any event no firm view has yet been adopted in the United Kingdom on whether or not we should join in a CETS programme of this nature. The plan put forward envisaged the use of three ELDO or two American launchers. In the light of the probable increased cost of an ELDO launching, considerable economies could perhaps be made if the last two of the three proposed launchings to prove the PAS vehicle could be used for the CETS development programme. If both the ELDO and CETS programmes were adopted, this might give a saving of about £5 million on their total cost. The ELDO PAS programme would probably be pursued to best advantage if it were integrated with the proposed CETS programme. This would however present complications because some countries are wedded to the idea that ESB-0 should be responsible for developing an experimental communications satellite for CETS, whereas if the ELDO and CETS programmes were integrated, it might be better if ELDO were charged with overall responsibility for the work.

**Direct Television and Sound Broadcasting**

Much interest has developed recently in the possibility that geostationary satellites could be used as sound or television broadcasting stations. (The relaying of sound or television transmissions by satellite is a normal function of a telecommunications system, for which facilities will be provided within the global satellite communications system.) From the technical viewpoint, two possibilities can be distinguished:

(i) that satellites might be developed having sufficient power to broadcast directly into home receiving equipment - either of the present type or of some newly developed type;

(ii) that less powerful satellites could broadcast signals suitable for reception by a more sophisticated "community" receiving installation, the signals then being distributed locally - e.g., by a wired relay system.

The technical problems have not yet received sufficient study for these two possibilities to be appraised in relation to the use of ELDO PAS. It seems likely, however, that satellites as in (i) above would require a much more powerful launching vehicle. Satellites as in (ii) might perhaps be within the ELDO PAS capability. It must be emphasised that this is a very crude assessment which cannot be refined until a good deal more is known about the characteristics of the satellites which would be required to meet any of these broadcasting purposes. The satellites themselves would undoubtedly cost a good deal to develop.
However, there are many problems which transcend those relating to the design of satellites. The use of frequency channels for broadcasting from satellites would be more wasteful of frequency space than their use by existing broadcasting stations, because each frequency channel could only be used once within an area some thousands of miles across if interference were to be avoided. This would inevitably reduce the total number of different programmes that could be made available in a congested area such as Europe. The design and production of a cheap domestic receiver and the provision of sufficient power in the satellite are also serious obstacles, more particularly in relation to category (i) above. Broadcasting from a satellite of the kind referred to in (i) above would of course make it possible for any one country with access to it to transmit straight into people's homes in any other country within its service range provided they were equipped to receive it; and, unless there were international regulations to the contrary and unless they were observed, these transmissions could include advertisements, political propaganda and other material of a kind which is either strictly controlled or forbidden in the domestic broadcasting services of the receiving country.

Exact prediction is impossible but the time required for the development of really powerful television satellites is unlikely to be significantly less than ten years. However, progress in space technology has been rapid and much would depend on the effort put into the problem. Moreover, this is a field in which nation states are politically highly sensitive and European governments will for the most part probably be unwilling to be dependent on the use of American launchers for any television satellites that may be developed.
(e) Military

It would be possible, given an equatorial launching site and adequate launching capacity, for an ELDO PAS to put a military communications satellite into geo-stationary orbit. The advantages of using a military satellite communications system are being studied in relation to our future requirements and the costs. We are in fact already participating with the United States in an experimental military satellite communications system and are discussing the use of operational capacity. There are at present certain possible difficulties about the control of a system shared with the Americans, but there would be considerable advantages in timescale, in cost in interoperability with the United States world-wide system and above all in reliability. Moreover, Article 9 of the ELDO Convention entitles Members who have participated in one of its programmes to procure for any peaceful purposes launchers and equipment developed under that programme. The Convention does not, however, define "peaceful purposes". If the United Kingdom wished to purchase an ELDO vehicle to launch a military communications satellite, it would be for the ELDO Council to decide whether such a sale was in accordance with the Convention, and they would have formally to be asked to do so. On the basis of earlier discussions they could be expected to agree. The United States Government would also have to be consulted about such a sale because, when making BLUE STREAK information available to ELDO, they stipulated that their prior agreement should be obtained to its use for military purposes.

(f) Navigational and Meteorological Satellites

The possibility of providing navigational aids for either ships or aircraft by means of satellites has been successfully demonstrated. It is probable that a world system (which would be far more economical than any possible national system) would only involve about six satellites and since their masses do not exceed a few hundred pounds and only a low orbit is required, the ELDO-A vehicle would probably suffice. Such a satellite could certainly be put into orbit by the ELDO PAS vehicle.

The United States TOS system, to be established in 1966, will provide continuous daily worldwide weather observations by satellite. Thirty member nations of the World Meteorological Organisation are equipping themselves with relatively simple automatic picture transmission equipment for receipt of observations. A direct communication link has been established between World Weather Centres in Washington and Moscow for exchange of data. Very few satellites are needed for this service. The ELDO-A vehicle could probably suffice for this purpose also.
IV EQUATORIAL LAUNCHING SITE

ELDO will require an equatorial launching site in order to put into orbit a satellite with a substantial payload. The three locations now proposed for this are French Guiana, Northern Australia and a mobile see-going platform of the San Marco type, developed by the Italians. Political considerations apart, French Guiana seems the most suitable. The facilities proposed appear to be technically adequate and the living accommodation seems to be on a much better scale than in either of the others; after allowing for a considerable subsidy, which the French are understood to have offered, the cost to ELDO is estimated by the ELDO Secretariat to be £8.2 million. The Australian proposal is for a site about 20 miles east of Darwin. Their estimate of the cost is only £5.4 million, but the ELDO Secretariat think the facilities offered are not adequate and increase this figure to £10.3 million. Both the ELDO Secretariat and the Ministry of Aviation doubt the suitability of San Marco type platforms for vehicles as heavy as ELDO-A. The ELDO Secretariat estimate its cost as £19.6 million, as compared with an Italian estimate of £14.3 million. The main advantage of the San Marco proposal is that, if it worked, it would give a site not on the territory of any country and thus truly international.

The choice of an equatorial site has serious political and financial implications for ELDO. The French attach great importance to ELDO choosing to make use of the base they are building in French Guiana for their national programme. It will be used for civil purposes only. The French appear to make their offer to purchase two ELDO launchers dependent on the choice of this base. On the other hand the Australians are making a determined effort to get the Darwin site selected. Any possibility of getting an Australian contribution to the cost of future programmes (including the apogee/perigee proposal) is almost certainly dependent on Darwin being chosen. While for political reasons we would prefer to see Darwin selected, we have so far held that the choice must depend on technical and financial considerations.
V STRUCTURE OF ELDO

This is a matter of concern only if ELDO continues and we remain a member of it. All Member States are concerned about the efficiency of the Organisation and the ability of the Secretariat to control and co-ordinate the work in Member Countries. The ELDO Council has approved arrangements for strengthening the Secretariat and re-organising its technical side to reinforce management of the project. At the same time the French have proposed that, in view of the increased power of the Secretariat, Member States should have a closer control of its activities through the establishment of a permanent control commission, consisting of one representative from each Member State. Other countries would find more acceptable the establishment of a panel of inspectors to be nominated by Member States. These inspectors would carry out specific investigations, at the request of the Council in every instance. It would be open to Member States to propose to the Council that any project should be investigated by an appropriate panel.

The principal firms - Hawker Siddeley Dynamics and Rolls-Royce in the United Kingdom, SEREB in France and ASAT in Germany - have been unhappy for some time about the arrangements for planning and controlling the ELDO programme. They have jointly put forward a proposal that an industrial group should be set up and charged with day-to-day running of the programme and with responsibility for its co-ordination. If ELDO programmes go ahead any proposals to improve management are likely to command support. It will be for the Council to consider whether the strengthening of the Secretariat, the proposed panel of inspectors and any contractual arrangements for industrial co-ordination of the programme would make improvements in the management of the Organisation commensurate with the increased cost.
EUROPEAN LAUNCHER DEVELOPMENT ORGANISATION (ELDO)

Report on the Conference of Ministers
26th-28th April, 1966

General
1. The Conference, which was held in the Western European Union Building in Paris, was convened in order that Ministers could jointly review the need for an autonomous launching capability in Europe, progress with the initial programme, problems associated with future programmes and the desirability of a general co-ordination of European space policy. In the event, the course of the meeting diverged considerably from that laid down in the formal Agenda, adopted in the opening stages of the Conference.

Proceedings
2. After an opening speech on behalf of the French Government, in which he gave an expose of the history and significance of ELDO, M. Alain Peyrefitte, the French Minister for Scientific Research, was unanimously elected Chairman of the Conference. M. Pierre Harmel, the Belgian Minister for Foreign Affairs, was elected Vice-Chairman.

3. Introducing Item 4 of the Agenda (General debate on an autonomous launching capability in Europe), the Chairman said that the Organisation had reached a crisis and attributed the difficulties to shortcomings in the structure of the Secretariat, to the new potential technical capabilities of the ELDO programme and to the question of an equatorial launching site. After a formal report on the past and possible future of the Organisation by Professor Bock (President of the ELDO Council), the Minister of Aviation, as leader of the United Kingdom delegation, made a statement in which he rehearsed the arguments which had been set out in our aide memoire of the 16th February, 1966 and questioned the technical, financial and economic foundations of the ELDO-A and ELDO-B programmes. He hoped during the Conference to hear the views of the other member Governments on the desirability of continuing with the development of a heavy launcher, and concluded by saying that "these views will be examined by the United Kingdom very carefully before we decide whether or not we should continue to support the present programme or embark on other programmes".

(1) CONFIDENTIAL
The speeches that followed were by way of replies to the statement by the Minister of Aviation. All were in support of ELDO, and the arguments put forward in the written comments on our aide memora were repeated. The German delegate emphasised that if ELDO were allowed to collapse, Europe would lose for all time the possibility of constructing a European heavy launcher. He favoured a better co-ordination of European space activities. The Netherlands delegate said that national launcher programmes were too expensive. Although the Netherlands had contributed to ELDO more in money than it had received in work, his Government favoured a reconsideration of the distribution of contributions. The abandonment of ELDO might endanger the future of European co-operation in other fields; but decisions on ELDO-A/S and ELDO-B could not be taken until more detailed studies had been done. It was the belief and experience of the Netherlands that the work so far done on ELDO-A was of great technical and industrial value. The Belgian delegate said that it would be regrettable if the United Kingdom were to withdraw from ELDO now, at a time when moves were afoot to involve her more closely in European affairs. Belgium shared some of the British concern about the costs of ELDO and felt the need for an agreed European policy on space. Small countries like Belgium could only participate in space activities on a collaborative basis and they had to have confidence in the continuity of the co-operative programmes. The ELDO venture would ultimately become profitable through the opening up of large markets in the electronic field, especially when direct TV transmission from satellites became practicable. If the ELDO programmes were abandoned, satellite telecommunications would be left in the hands of the United States.

5. The Australian delegate outlined Australia's effective contribution to ELDO through the provision of the launching facilities at Woomera and emphasised his Government's continuing support of the Organisation. The Australian Government were willing to confirm their offer of January, 1965 to provide launching sites for all future programmes, including in particular an equatorial site on Australian territory for which they had already submitted proposals. However, they recognised that further study would be required before an equatorial base was chosen from the proposals put forward by Australia, France and Italy.
6. The Italian delegate outlined the three possible courses of action open to European countries in the field of heavy launchers: to continue their collaborative programmes (ELDO), to abandon ELDO and depend on the goodwill of the United States, or to pursue independent national programmes of their own. The Italian Government felt that ELDO-A must be completed; in any case this would cost little more than cancellation at this stage. However, they were willing to consider a re-adjustment of the programmes and of the distribution of contributions if the United Kingdom were to remain in the Organisation. The Italian delegate went on to stress the confusion, higher costs and duplications of effort which arose from the existence of three different space organisations in Europe, and he asked that the Conference should consider the feasibility of setting up a co-ordinating organisation. This might at one extreme involve the merging of the ELDO, ESRO and CETS Secretariats; at the other extreme it might be no more than a permanent co-ordinating committee of national representatives. If one organisation were to be responsible for all European space activities, it could be arranged that all members would not be obliged to participate in all the programmes. The Italian Government had drawn up a draft convention for the establishment of a co-ordinating body which they were prepared to submit to the Conference. At a later stage, and following the recommendation of an ad hoc working group, the Conference agreed to set up a preparatory committee of national representatives to examine these proposals in greater detail.

7. The French delegate pointed out that the British BLUE STREAK project had been saved through its adoption by ELDO for the first stage of ELDO-A. At this time, six years ago, the French had shown their faith in European co-operation through ELDO by abandoning her own plans to construct a national heavy launcher. France recovered in contracts only 75 per cent of her contribution to ELDO, and thus got a smaller return than most of the member-States. This 25 per cent deficit was unhealthy from the long-term viewpoint, and it should be appreciated that France had solutions other than ELDO open to her — as an alternative she could embark on a major national programme, perhaps with the assistance of extra-European countries.
8. He went on to describe the new technical opportunity which was offered to the organisation by the proposal to add perigee and apogee motors to the ELDO-A launcher (ELDO-PAS). From an equatorial site ELDO-PAS could put a 200 kg. satellite into geostationary orbit. With it, all technical objectives, with the exception of direct TV transmission, would be within the scope of ELDO. The transfer system was undoubtedly feasible: the perigee motor system was already available in Europe, and the apogee motor presented no serious technical problems.

9. The launching site was a matter of particular importance: it had to be near the Equator, in a thinly-populated area, and with good accessibility and transport facilities. In the French view Guiana was the only suitable site that had been proposed. The Guiana site was being developed for civilian purposes only. They were constructing a military centre in the Landes in France. If another site was favoured by ELDO (for example, in Australia), France would be in a difficult situation, as she could not contemplate the construction of three centres simultaneously. The French delegation would not understand any deferment of a decision on this important issue by the conference.
10. The ELDO-PAS launcher would have many uses:
for scientific research satellites in low orbits (1200 kg),
eccentric orbits (300 kg) and lunar orbits;
for telecommunications, TV diffusion and relaying;
for navigational aids and control of air traffic, and
for meteorology.
It was a broad field. Once it had been defined it would be necessary to
lay down a launcher production programme and to find out who would buy
the launcher. If the conditions she had indicated were met, and if the
other member countries did something of the same kind, France would, as
a positive gesture, undertake to buy at least two launchers. Commitments
to purchase were essential. It would also be necessary to have supply
commitments - guarantees by the Member States that they would continue to
manufacture and supply those components for which they had accepted
responsibility. Without this the default of any one country could
paralyse the whole programme. Exclusion or rejection from the
organisation would not be a sufficient penalty for such default. More
stringent penalties would be needed in the form of compensation payments
to the other countries.

11. It was clear that some structural modifications to the Secretariat
were needed in order to reflect the changing character of the
organisation which was now becoming to some extent an industrial under­
taking. The political and administrative tasks of the Secretariat were
now less important. It was also desirable to strengthen the
Secretariat's control over the management of the national sections of
the programmes by means of a new committee and a team of inspectors.

12. In subsequent speeches it was argued strongly that a European
launcher capability was necessary. Without it Europe would be
dependent on other countries for the launching of scientific and
communications satellites, and would fall behind in certain important
areas of technology. It was highly desirable that the Conference
should reach a decision on the initial programme, even though the
subsequent programmes might require further study.

13. The Minister of Aviation, in his second speech, outlined the
British contribution to ELDO and re-affirmed British interest in
European co-operation. After referring to the proportion of her
resources which the United Kingdom could afford to devote to research
and development, the Minister of Aviation went on to state, that, despite
all that had been said, the United Kingdom still had serious doubts
about the ELDO programmes and that, unless these were removed, she would have no alternative but to end her present commitments to the Organisation. He continued that he "must make it clear to avoid any misunderstanding that in any event my Government will not feel able to support the ELDO-B programmes or to agree to undertake any commitments in respect of them". He then said that the ELDO-PAS proposals required further time for study and that it would not be possible to reach a final decision on them at this Conference. He undertook, however, to let the ELDO partners know the results of the British studies within the next three months and he supported a suggestion that another Ministerial meeting might be held early in June.

14. There was general agreement with the United Kingdom's proposal for an adjournment of the Conference in order that further studies could be made by the member countries and by the ELDO Secretariat of the ELDO-PAS proposal and of the question of an equatorial launching site. It was agreed that the meeting should be re-convened in Paris on 9th June, 1966. The French delegate considered it was essential that in June the Conference should reach firm decisions on the completion of ELDO-A, on ELDO-PAS and on the choice of an equatorial base for operational launches. The questions relating to the structure of the Secretariat and the co-ordination of European space activities could also be discussed. The Conference then agreed on the Resolution set out below.

Resolution by the Ministerial Conference

THE CONFERENCE

Having noted all the problems of concern to ELDO in the light of the latest technological advances, the needs of potential users, matters relevant to a co-ordination of space policy in Europe and pre-occupations recently voiced -

1. - FINDS that all these problems require closer study.
2. - DECIDES to resume its proceedings in Paris on 9th June 1966 to reach decisions on:
   (a) completion of the Initial Programme;
   (b) the possible upgrading of performance of the EUROPA 1 launcher to meet not only ESRO requirements but also specifications for a geostationary communications satellite;
   (c) the choice of equatorial site for operational firings of the launchers;
   (d) the financial and industrial participation of the Member Countries.
3. - DECIDES to examine on 9th June 1956 a preliminary report on the other outstanding questions, particularly the possibilities of future programmes and the status of studies concerning them, together with the establishment of a guarantee system for the supply of launchers and the adaptation of the Organisation's structures to its new tasks.

4. - DECIDES to establish a Study Committee, composed of representatives of the governments of ELDO Member Countries, charged with examining measures for improving the co-ordination of space policy in Europe, and in particular harmonising the attitudes of the national Delegations to the European Organisations, and instructs the Committee to report back to the June session of the Conference.

5. - INSTRUCTS the Secretariat to continue, in co-operation with the Member Countries, the examination of all aspects of the problems in question on the basis of the reports by Working Groups A, B and C of the Conference and the Secretary-General's report (ELDO/OM(April 66) 16), and to prepare concrete proposals on the points listed in paragraph 2.
The United States Government have expressed the strong hope that ELDO will remain in being and that the United Kingdom will remain in it. They are studying ways of providing technical help towards realising ELDO's programmes and would welcome suggestions from ELDO or the United Kingdom.

2. American motives appear to be -
   (a) the desire to preserve and promote multilateral co-operation in Europe;
   (b) the conviction that the development in Europe of space technology, including launcher technology, and the stimulus to innovation and industrial development directed therefrom, is an essential element in strengthening the West through the reduction of disparities in technological performance between the two sides of the Atlantic: they argue that European dependence on borrowed American techniques is no substitute for experience directly gained and an unsatisfactory basis for any worthwhile United States-European partnership;
   (c) the fear that the withdrawal of Britain and the breakdown of ELDO as at present organised will encourage the proliferation in Europe of national (primarily French, but also German) strategic delivery capabilities.

3. While believing for these reasons that ELDO's survival is in the enlightened long-term self-interest of the United States, the United States Government are at present unable, for shorter-term reasons of Congressional and commercial pressure, to offer to Britain or to Europe the assurance that they could rely upon American launchers for launching European satellites of all kinds.
Co-ordination of space policy in Europe

1. The resumed ELDO Ministerial Conference will consider among other things the report of a study committee set up on 28th April to examine "measures for improving the co-ordination of space policy in Europe".

2. Three European co-operative organisations, ELDO, ESRO and CETS, are engaged in different branches of space activity. They were set up separately at different times for different purposes and with different memberships. The European members of ELDO are members of both the other two. They collectively provide an overwhelming share of the resources of ESRO and the same is likely to be true of CETS. Although the fields of activity of these organisations are related (ELDO being concerned with launchers and the other two with satellites respectively for space research and telecommunications), each is separate and "sovereign" in its own field. None has any formal obligation to make use of the products of the others.

3. A fully co-coordinated space policy would require agreement between the member states of all three organisations on common policy objectives. These might include a programme of scientific experiments involving satellites (though scientists would oppose any attempt to determine the content of these programmes); the development of a European telecommunications and television satellite capability; and the development of a European launcher.

4. Criticism of the present lack of co-ordination began in the Assemblies of the WDU and the Council of Europe and has now been taken up by a number of the governments who are our partners in ELDO. They argue that an agreement on objectives on the above lines should be buttressed by co-ordination of action in the three organisations, and that this could lead to economies in administrative and technical staffs. The degree of co-ordination advocated by different governments varies from a loose arrangement in which each organisation would retain its separate individuality to measures of integration which would result in the formation of a single European organisation dealing with space matters.

5. The force of the arguments for some measure of co-ordination is not contested in principle by the United Kingdom. But our view of the action to be undertaken is conditioned by uncertainty as to the future of ELDO as an organisation. If ELDO were to disappear, the bodies to be "co-ordinated" would be reduced to two, and, in that event, it is quite likely also that present tentative plans for carrying forward the
development of a telecommunications satellite by CETS would also be dropped, leaving a single organisation, ESRO, in the field. If, on the other hand, ELDO were to survive and the United Kingdom to remain a member our attitude would depend upon the view taken by Ministers of our interests in ESRO. Any substantial measure, whether of "co-ordination" or of "integration" between the three organisations might involve some restrictions on ESRO's present freedom of action. The scientists, supported by DES and SRC, feel that technological interests and the heavier expenditure in ELDO compared with ESRO, might damage the scientific programme. They consider that ESRO is now getting into its stride and that it would be a mistake to jeopardise its future. Moreover a closer measure of integration might mean that ESRO could not avoid using the ELDO launcher, whatever the cost and other disadvantages to the ESRO budget and programmes. The possible conflict between this point of view and the interests of the ELDO governments in maximising the use of an eventual ELDO launcher can hardly be resolved in advance of a decision on ELDO's future and Britain's participation in it.

6. In discussions in the Study Committee the United Kingdom representative accordingly adopted a position of caution and reserve. However all other members except Australia were in favour in principle of an eventual amalgamation of ELDO, ESRO and CETS, and were able to secure the inclusion (subject to a United Kingdom reservation) of a statement to this effect in the Study Committee's report. The latter is not yet available, but it is expected to recommend the establishment of:

(a) a Conference of Ministers of ELDO States on a permanent basis, to be enlarged to include Ministers of states belonging to ESRO and CETS, but not ELDO;

(b) a Committee of Ministers' Deputies, to meet at least every three months;

(c) a Co-ordinating Committee consisting of the secretariats of the three organisations, to be responsible for such co-ordination of their activities as is immediately possible and empowered to make recommendations to the Councils of ELDO and ESRO and to CETS;

(d) a study Committee to consider the problem of the fusion of the three existing bodies.

In addition the report will probably express the hope that member states will take steps to co-ordinate their own space activities internally.

7. Other members of ELDO, particularly Italy and Belgium, will continue to press for the integration of the three organisations. For the reasons stated above we plainly cannot support this at present.

(11)
Note by the Minister of Labour

The interim report of the Court of Inquiry by Lord Pearson on the immediate issues in the seamen's dispute is to be published as a White Paper at 3.30 p.m. on Wednesday, 8th June. I attach, for the personal information of my colleagues, an advance copy of the White Paper.

I intend to ask the representatives of the Shipping Federation and of the National Union of Seamen to meet me for discussions on the report on Wednesday evening, shortly after publication. I will report the latest developments in the situation to my colleagues at Thursday's Cabinet.

R.J.C.

Ministry of Labour, S.W.1.

7th June, 1966

*White Paper not attached to this copy
First Report of the Court of Inquiry into certain matters concerning the Shipping Industry

[CHAIRMAN: THE RT. HON. LORD PEARSON, C.B.E.]

Presented to Parliament by the Minister of Labour by Command of Her Majesty
June 1966

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APPPOINTMENT OF COURT OF INQUIRY AND RULES OF PROCEDURE

Whereas by the Industrial Courts Act 1919, the Minister of Labour (hereinafter referred to as “the Minister”) is empowered to refer any matters appearing to him to be connected with or relevant to a trade dispute, whether existing or apprehended, to a Court of Inquiry and to make rules regulating the procedure of any such Court:

And whereas a trade dispute exists between shipowners and members of the National Union of Seamen:

Now therefore the Minister by virtue of the powers vested in him by the Act and of all other powers enabling him in that behalf, appoints the following to constitute a Court of Inquiry: —

The Right Honourable Lord Pearson, C.B.E.
Hugh Armstrong Clegg Esquire, M.A.
Joseph O’Hagan Esquire, O.B.E.

And the Minister directs that the terms of reference to the Court shall be as follows: —

“To inquire into: —
1. the immediate causes and circumstances of the dispute;
2. the terms and conditions of service of seamen, taking into account the national interest, technological change and the need for an efficient and competitive shipping industry;
3. relations between shipowners, officers and seamen;
4. the law, including the Merchant Shipping Act 1894, relevant to paragraphs 2 and 3 above;

and to report”;

And the Minister directs that the following rules regulating the procedure of the Court shall have effect, that is to say: —

(1)(i) The Court may request any person to attend and produce any documents relevant to the subject-matter of the Inquiry;

(ii) The Court may by order require any person who appears to the Court to have any knowledge of the subject-matter of the Inquiry to furnish, in writing or otherwise, such particulars in relation thereto as the Court may require, and, where necessary, to attend before the Court and give evidence on oath, and the Court, or any person duly authorised by it, may administer an oath for that purpose;

(2) The Court may act notwithstanding any vacancy in its number, and two members shall form a quorum;

(3) The Court may at any time, if it thinks it expedient so to do, call in the aid of one or more assessors specially qualified, for the purpose of assisting the Court in its Inquiry;
(4) The report and any interim report of the Court shall be made to the Minister in writing, and shall be signed by such of the members as concur therein and shall be transmitted to him as soon as practicable, and any minority report by any dissentient member of the Court shall be made and transmitted in like manner;

(5) Subject to these rules the Court may regulate its own procedure as it thinks fit;

And the Minister further appoints the Right Hon. Lord Pearson to be Chairman; and Mr. D. B. Smith of the Ministry of Labour to be Secretary to the Court.

Signed by order of the Minister of Labour this 26th day of May 1966.

D. C. Barnes,
Deputy Secretary,
Ministry of Labour.
To the Rt. Honourable the Minister of Labour

SIR,

1. We were appointed by you on 26th May 1966, as a Court of Inquiry under the provisions of the Industrial Courts Act 1919, to inquire into various matters concerning the Shipping Industry. We now report to you as a matter of urgency upon the first of the four subjects which you required us to inquire into, namely, the immediate causes and circumstances of the present dispute between shipowners and the National Union of Seamen, bearing in mind the matters referred to in the second of those subjects.

2. We have held hearings on 2nd, 3rd and 6th June 1966. At the request of both parties, the Court decided to hold the hearings in private. The case for the owners has been presented by Mr. Ford I. Geddes, M.B.E., Mr. J. K. Rice-Oxley, Mr. M. E. Bates, Mr. H. Bruce Glasier, C.B.E., Mr. R. A. Huskisson, Mr. S. G. Read and Mr. F. J. Whitworth representing the Shipping Federation Limited and the Employers' Association of the Port of Liverpool. The case for the National Union of Seamen has been presented by Mr. W. Hogarth, Mr. W. Marshall and Mr. T. Sutton. We have also considered the written evidence supplied by both parties.

*Introductory matters*

3. Some of the arrangements affecting seamen are determined by statute or statutory regulations, but since 1919 their pay and hours and conditions of work have for the most part been negotiated on the National Maritime Board. The Board consists of six panels, of which the two which are relevant to the present Report are the Sailors' and Firemen's Panel and the Catering Department Panel. Each Panel consists of twelve representatives on each side. The employers are the Shipping Federation and the Employers' Association of the Port of Liverpool, and they jointly appoint the employers' representatives on the Panels. The employees' representatives on the Sailors' and Firemen's Panel are appointed by the National Union of Seamen, to whom we shall refer as "the N.U.S.", and the employees' representatives on the Catering Department Panel are appointed by the Catering Department Section of the N.U.S. In the minutes of meetings the employers are referred to as the Owners, and the employees as the Seafarers.

4. Those with whom the Sailors' and Firemen's Panel are concerned are now more usually referred to as deck and engine-room hands or ratings. The deck ratings and the engine-room ratings are traditionally separate bodies of men. Both are divided into watchkeepers, who regularly have four hours on duty followed by eight hours off duty, and dayworkers. The catering department includes the kitchen staff, the dining saloon stewards and the cabin stewards. The numbers in this department are relatively small on a cargo ship, and large, sometimes very large, on a passenger ship, but there are many more cargo ships than passenger ships. Of the seamen to whom this Inquiry relates about half are in the catering department and the other half are deck and engine-room ratings. Then according to the "Owners" figures, of the deck and engine-room ratings about three quarters are
watchkeepers and about one quarter are dayworkers. These proportions are of course only rough approximations.

5. Ships vary greatly in size, type, capacity and function. There are tankers, bulk cargo ships, specialised cargo ships and passenger ships. There are foreign-going ships and home trade ships. The expression "home trade" has a somewhat extended meaning, including voyages between United Kingdom ports and the nearer Continental ports. Of the seamen to which this Inquiry relates about four-fifths sail in foreign-going ships, and about one-fifth in home trade ships. This Inquiry is not concerned with the crews of fishing boats.

6. The rates of pay for ratings (deck hands, engine-room hands and those in the catering department) fixed by the National Maritime Board are national standard rates. They apply to those engaged in the United Kingdom on ordinary Board of Trade Articles as crews for ships of 200 tons and upwards. There are monthly rates with food supplied, and these are wholly or mainly for the crews of foreign-going ships. There are also weekly rates on terms of "finding own food", and these are substantially proportionate to the monthly rates except that a food allowance of 21 shillings is included. The weekly rates are for home trade ships. If the owner provides food, the sum of 21 shillings is deducted. It will be convenient for purposes of illustration to take the pay of an Able Seaman who is engaged in a foreign-going ship and, in addition to his consolidated basic rate, is entitled to efficient service pay after five years of satisfactory service and to certificate pay for holding an Able Seaman's certificate. This is the standard practice of both sides.

7. One feature of a seaman's service which is very important in this case is that when at sea you cannot have a "weekend shut-down". The engines have to operate and the ship to run and all on board to be fed for seven days in the week, and therefore in general the watchkeepers, both on deck and in the engine-room, and those in the catering department have to work for seven days a week so long as the ship is at sea. Another feature, however, is that seamen spend a good deal of time working by their ships while in port. A third feature is a very large amount of overtime working. We have been informed that the average weekly working time for a seaman in a foreign-going ship is 66 hours and in a home trade ship is 73·6 hours. It was explained to us that leisure at sea is not of great interest to the crew and that they prefer to have an abundance of paid work. That was the evidence of the Owners' side. The evidence from the N.U.S. side was to a somewhat different effect, but we think there is no substantial conflict. What the Owners said is right as a generalisation, but there must be some individuals among the seamen who would prefer more leisure, and on a long voyage no doubt many would like to have an occasional day or half-day off duty even though it would be without pay. From the large amounts of overtime earnings it follows that basic rates are very incomplete indications of actual remuneration. The foreign-going Able Seamen in fact earns on the average £19 17s. 6d. a week. The home Trade Able Seaman earns on the average £22 16s. 1d. a week.* Nevertheless for the purpose of explaining the dispute which eventually arose it is necessary to

* These figures are estimated from the Owners' census of hours conducted in 1965. For various reasons they are not exactly comparable with figures of average earnings in other industries published by the Ministry of Labour.
trace in outline the history of the basic remuneration and certain ancillary benefits. Before coming to this history, it is right to add, as a fourth feature of sea service, that the seaman in a foreign-going ship not only has the interest of a sea voyage but also enjoys free board and lodging and has no expense of travelling to work. Those are advantages to be set off against the disadvantages of being away from home and away from ordinary occupations and pursuits.

**History of changes in seamen's pay arrangements and of the events leading up to the dispute**

8. The owners have supplied a table and other data showing the typical Able Seaman’s basic remuneration for a 56 hour week at sea from the year 1950 onwards. The monthly rate increased by almost regular annual additions from £20 in 1950 to £41 10s. 0d. in 1964. There was certificate pay, for holding an Able Seaman’s certificate, at the rate of 10s. 0d. per month from 1955 to 1960 and thereafter at £1 per month. There was efficient service pay after a sufficient period of satisfactory service, and the maximum rate for this rose from £4 per month in 1950 to £4 10s. 0d. per month in 1964. There was also a “Sunday at sea leave agreement”. From 1951 onwards for every Sunday which he spent at sea the Able Seaman was entitled to one day of paid leave, or he could take the payment without taking the leave. These days of paid leave under the “Sunday at sea leave agreement” were additional to the standard number of days of paid leave in the year.

9. There were important further developments in the year 1960. First, the ordinary hours for working in port were reduced from 56 per week to 44 per week, ending at noon on Saturday, so that hours worked in port on Saturday afternoons and Sundays counted as overtime payable at the overtime rate. Secondly, there would now be a half-day of paid leave for each Saturday afternoon spent at sea. Thirdly, three public holidays would now count as Sundays for the purposes of the “Sunday at sea leave agreement”.

10. There were also important further developments in the year 1961. First, the ordinary hours for working at sea were reduced from 56 per week to 44 per week, ending at noon on Saturday, so that hours worked at sea on Saturday afternoons and Sundays counted as overtime payable at the overtime rate. Secondly, in lieu of the half-day of paid leave for each Saturday afternoon spent at sea, there was to be included in the basic rate a “compounded compensation for Saturday afternoon at sea” equal to 5 per cent. of the monthly rate.

11. In 1961-64 there were numerous minor improvements in the pay and conditions of service, including a provision that three more public holidays should be counted as Sundays for the purposes of the “Sunday at sea leave agreement”. Also there were in 1964 increases in the standard periods of paid annual leave (1) for foreign-going established ratings, from 14 to 16 days, (ii) for home trade established ratings, from 12 to 16 days, (iii) for unestablished ratings from 8 to 14 days.
12. In the 1964 Year Book of the National Maritime Board the basic pay of the Able Seaman was set out in this way (except that we are stating only the effect of the provisions contained in the fifth column): —

<table>
<thead>
<tr>
<th>Rating</th>
<th>Monthly Rates (with free food)</th>
<th>Compounded Compensation for Saturday afternoon at sea</th>
<th>Consolidated basic</th>
<th>Efficient service pay and certificate pay</th>
<th>Total (with full efficient service pay and certificate pay where applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Able Seaman</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>(Amounting to £4 10s. 0d. and £1 in the assumed case)</td>
<td>£ s. d.</td>
</tr>
<tr>
<td></td>
<td>39 10 6</td>
<td>1 19 6</td>
<td>41 10 0</td>
<td>(Amounting to £4 10s. 0d. and £1 in the assumed case)</td>
<td>47 0 0</td>
</tr>
</tbody>
</table>

13. To arrive at the actual remuneration it would be necessary to add the amount earned for overtime, the value of the right to additional leave in respect of Sundays and public holidays spent at sea and the value of any other applicable benefits.

A large part of the actual remuneration was outside the total basic wage, which was in the case of the typical Able Seaman only £47 per month. This had several disadvantages. It was detrimental to recruiting, unless a large amount of overtime could be guaranteed, which might not be possible. It kept down the amount of pay which the seaman would receive when on leave and when working ordinary hours in port, it kept down the overtime rate, and it kept down the maximum of the allotment which the seaman could make in favour of dependants, this being a proportion of the total basic wage. Also there were some dayworkers who did not have the opportunity of working overtime.

14. At meetings held early in 1965 it was decided by the relevant Panels of the National Maritime Board that a new pay structure should be introduced. The ordinary hours of work at sea were to be 56 instead of 44, because they would include 8 hours of work on Saturdays and 8 hours of work on Sundays, if required. In return for foregoing overtime pay for such hours on Saturdays and Sundays, the seamen were to have a greatly increased basic pay. The basic pay already included compounded compensation for Saturday afternoons at sea. Henceforth it was to include compounded compensation for the whole of Saturdays at sea, and also compounded compensation for 8 hours of work per day on Saturdays and Sundays at sea. Also there was an increase in the monthly rate. In the 1965 Year Book of the Board the basic pay of the Able Seaman was set out in this way (except that we are stating only the effect of the provisions in the fifth column): —
15. The sum of £12 4s. 0d. of compounded compensation in the third column was in fact made up of £4 1s. 4d. for Saturdays at sea and £8 2s. 8d. for 8 hours of work per day on Saturdays and Sundays at sea. Thus there was plainly set out in the Year Book the element of compensation for such work, and the amount of it was an ascertained figure.

16. The increase in the basic rate increased the amounts which the seaman would receive when on leave and when working ordinary hours in port. All hours of work in port on Saturdays and Sundays were to be overtime hours. Also there were increases in the overtime rates, and for the Able Seaman this increase was from 4s. 10d. per hour to 6s. 0d. per hour. The maximum rate for efficient service pay was raised from £4 10s. 0d. to £5 10s. 0d. per month. Seven public holidays were to be counted as Sundays for the purposes of the "Sunday at sea leave agreement". Annual leave for unestablished ratings was increased from 14 to 16 days. Other "fringe benefits" were granted.

17. The combined effect of all the changes made in the year 1965 was highly beneficial to the seamen and very costly for the owners. In a Press notice, issued by the Board after the meeting of 11th February 1965, at which the new arrangements were agreed upon, it was stated:

"The percentage increase varies according to the pattern of a seafarer's work and the pattern of the ship's trading. It is estimated, however, that the crew costs of a foreign-going cargo vessel with an average pattern of trading, may be increased by some 12 per cent."

18. The new arrangements contained a defect, entailing a psychological disadvantage and an element of inequity. The nominal working week at sea, instead of being reduced from 44 hours to 40 hours, as might have been expected, was increased to 56 hours. The seamen had been accustomed to receiving extra pay for work on Saturdays and Sundays if it was required. Now they would receive the same pay whether or not they worked on Saturdays and Sundays. The great majority of the seamen (all the watchkeepers, all or most of those in the catering department and some of the dayworkers) would work through Saturdays and Sundays, but some of

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* This figure was subsequently amended to 13½ per cent., and we now find that it should be 14½ per cent.

<table>
<thead>
<tr>
<th>Rating</th>
<th>1. Monthly Rates (with free food)</th>
<th>2. Compounded compensation for Saturdays at sea; (ii) 8 hours of work per day on Saturdays and Sundays at sea</th>
<th>3. Consolidated basic</th>
<th>4. Efficient service pay and certificate pay</th>
<th>5. Total (with full efficient service pay and certificate pay also applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Able Seaman</td>
<td>£ s. d. 40 13 6</td>
<td>£ s. d. 12 4 0</td>
<td>£ s. d. 52 17 6</td>
<td>£ s. d.</td>
<td>£ s. d. 59 7 6</td>
</tr>
</tbody>
</table>

(Amounting to £5 10s. 0d. and £1 in the assumed case)
the day workers would not. And yet they would all receive the same pay. The existence of a defect in the new arrangements was realised at the time when they were negotiated. The minutes of the meeting of the Panels on the 11th February 1965 record that the Chairman of the Seafarers’ Side said:—“He knew that some of his members would resent the 56 hour week at sea because at first glance it would seem to be a backward step. He felt sure that when it was fully explained they would accept it. He assured the Members that everything would be done to ensure that the whole matter was clearly explained before the date the Agreement came into force ”.


20. Disputes arose as to the kind of work that should be required at week-ends at sea. It was a term of the Heads of Agreement annexed to the minutes of the meeting on the 10th February 1965 that the work at sea on the public holidays which were to be counted as Sundays, should be limited to watch-keeping and essential duties. It may have been implied that work on Sundays at sea (and perhaps also Saturdays at sea) should be similarly limited. At any rate complaints were made. The principle, however, was not contested. When the complaints were referred to by the Chairman of the Seafarers’ Side at a meeting of the Panels on the 4th November 1965, the Chairman of the Owners’ Side said that the owners had recommended to all their members that ratings should be given time off each week in the course of a long voyage and he had personally written to the Chairman of each company asking them to examine their arrangements for week-end maintenance work at sea in their vessels. He also said his side felt that this recommendation would prove successful if given time and he asked the Unions to refer to him any complaints that they received.

21. At the same meeting of the 4th November 1965 the Chairman of the Seafarers’ Side not only asked for a number of fringe benefits but also for a reduction of hours at sea, increased wages and leave. This far-reaching request came only about seven months after the important and expensive wages settlement which had come into force on the 29th March 1965. Not surprisingly the Owners’ Chairman asked that in view of the costs which this request would involve so soon after the last wages settlement the request should be withdrawn as his side were unable to meet it.

22. There was a short meeting on the 13th January 1966. The Owners’ Chairman referred to a report which had appeared in the Press earlier in the week that “The N.U.S. has decided against the advice of its General Secretary Mr. William Hogarth to press for a general wages increase and hours reduction whatever reply the ship owners give next Thursday to a claim on fringe benefits “. In reply the Chairman of the Seafarers’ Side explained that he had reported back to the members of his Executive Council and they had expressed great concern at the Shipowners’ rejection of the claim relating to hours and wages. He went on to say that the general feeling of seafarers throughout the country was for a straightforward reduction in hours and a guarantee of time off while at sea and they also wanted an increase in wages to cover the rise in the cost of living. He also said that their Executive Council would be meeting in a few days and a definite decision would then be taken. He referred again to complaints of excessive work being required at week-ends and the Owners’ Chairman
said that measures had been taken to ensure that the Agreement worked properly. The meeting was adjourned until the 1st February 1966.

23. At the meeting of the 1st February 1966 the Chairman of the Seafarers’ Side said that at the meeting of the Executive Council it had been decided after long discussion to present a claim for a 40-hour week at sea to be worked over 5 days within 7 days with no reduction in the consolidated basic rate, and they also requested that 12s. 6d. per month be added to the consolidated basic pay for foreign-going Able Seamen with pro-rata increases for other ratings. He interpreted this claim as being for normal hours of work at sea to be 8 per day Monday to Friday and any excess hours to be paid at overtime rates. The Chairman of the Owners’ side argued at length against the claim. He said that the agreement which had come into force in March 1965 had increased costs by an average of 13½ per cent for foreign-going ships; Government circles had not welcomed the settlement, but the owners had defended it because they believed in it; it had created an entirely new wages and hours structure, and the owners had been persuaded to accept it, because it had seemed right for the peculiar conditions of the industry and both sides had believed it would be of lasting benefit to the industry. He also said that after last year’s settlement

FIRST REPORT OF THE COURT OF INQUIRY INTO CERTAIN MATTERS CONCERNING THE SHIPPING INDUSTRY

Cmdn. 3025

CORRECTION

Page 11, para. 24, line 6 should read

“also be an increase in the overtime rate to 6s. 2d. which would give an”.

in cost of living and to improvements in productivity in the industry, and said that, unless there was a reduction in hours, the Owners’ offer would be rejected.

25. At the meeting on the 24th March 1966 there was a change in the owners’ attitude. They were preparing to meet the new claim. Their Chairman said that direct compensation for hours worked at sea at weekends could only be reached in steps, if costs were to be kept within bounds. He put forward alternative proposals for this purpose. The Seafarers’ Chairman expressed a preference for one of the proposals, but asked for further concessions to be included in it.

* If the home trade is included, the increase amounted to 14½ per cent.
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24. At the next meeting on the 9th March 1965 the Chairman of the Owners' Side again argued at length against the claim, and put forward an offer that there should be an increase in the built-in compensation for week-end work at sea; this would increase the consolidated basic rate of an Able Seaman by £1 12s. 6d. and pro rata for other ratings; there would also be an increase in the overtime rate of 6s. 2d. which would give an estimated average increase in earnings of about 3 per cent. The Chairman of the Seafarers' Side argued in favour of the claim, referring to the increase in cost of living and to improvements in productivity in the industry, and said that, unless there was a reduction in hours, the Owners' offer would be rejected.

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* If the home trade is included, the increase amounted to 14\(^\frac{1}{2}\) per cent.
26. At the next meeting, which was on the 6th April 1966, the Owners produced their last offer, which incorporated two out of the three concessions which had been asked for. This offer, scheduled to the minutes of that meeting, was as follows:

"First Stage, 1966

(a) Direct overtime to be paid for all hours worked at sea on Sunday.
(b) Direct overtime to be paid for all hours worked at sea on Christmas Day, Boxing Day, New Year's Day, Good Friday, Easter Monday, Whit Monday, August Bank Holiday.
(c) Voyage leave to be at the rate of 36 days a year.
(d) The Sunday at sea leave agreement to be withdrawn, and to be replaced by the arrangements in (c) and (e).
(e) The compensation for week-end work at present included in the consolidated basic rate to be used to provide compensation for Sundays at sea, on the same basis as Saturdays at sea are compensated at present.
(f) The consolidated basic rate (and the overtime rate) to remain as at present.
(g) Efficient service pay, after five years' service, to be increased from £5 10s. 0d. per month to £6 2s. 6d. per month.

Second Stage, 1967—12 months after the first stage comes into force

Direct overtime to be paid for all hours worked at sea on Saturday afternoon, and for all hours worked in excess of four on Saturday mornings.

Third Stage, 1968—12 months after the second stage comes into force

Direct overtime to be paid for all hours worked at sea on Saturday mornings.

The new wages, hours and leave Agreement is to cover a period of approximately three years from the date on which it first comes into operation. However, if there is some dramatic change in circumstances, such as an extraordinary increase in the cost of living (i.e. an increase above what has been customary over the last few years) the Owners would be prepared to discuss the Agreement further with the N.U.S."

27. What was the effect of that offer? It involved very extensive concessions:

(a) Payment was to be made on the basis of a 40-hour week both in port and at sea.
(b) There was to be overtime pay for all Saturday and Sunday working at sea, although the basic rate had in March 1965 been enlarged by the inclusion of a compounded compensation to the men for not receiving overtime pay for Saturday and Sunday working at sea and the basic rate was to be retained unaltered.
(c) The 1965 agreement had involved an increase of about 14½ per cent in the industry's wage bill, and the agreement proposed by this offer was estimated to involve another 13 per cent increase (though it
has now been ascertained that 12½ per cent would be a more accurate estimate).

(d) The reduction in ordinary hours worked at the week-end at sea would be implemented as to 50 per cent forthwith, as to 25 per cent in a year’s time, and as to the remaining 25 per cent one year later. It should be added that the cost in the first year would be partly offset by a reduction in the number of paid holidays.

28. The meeting of the 6th April 1966 ended with a statement by the Chairman of the Seafarers’ Side that, now that the leave question had been clarified, his side would be prepared unanimously to recommend their Executive to accept the Owners’ proposals.

29. The N.U.S. Executive Council, however, decided differently. On the 14th April 1966 the Owners were informed that their offer had been rejected and they were asked whether they could improve it. The Owners replied orally in these terms:—

"Our 6th April offer gave one way of substituting direct overtime payment for week-end at sea, instead of the present built-in compensation. If you wish to investigate some alternative way of achieving your objective—or some way of adjusting our 6th April offer—but in any event within the cost limits of that offer, we would be quite willing to do that with you”.

There was no response to this invitation.

On the 18th April 1966 the N.U.S. wrote to the Owners as follows:—

"Further to our telephone conversation of the 14th and 15th instant, I would confirm that the Executive Council of this Union rejected the Owners’ offer of 6th April in answer to our claim for a reduction in the weekly hours of work at sea and wage increase of 12s. 6d. per month. I would also confirm that in order to achieve an offer acceptable to them, the Executive Council took the decision to advise our membership not to sign Articles of Agreement on and after 16th May 1966.”

And so the strike was called.

Costs

30. In considering the proposals of the two sides we looked closely at the figures of costs which had been put before us. After discussion, general agreement was reached that certain revisions were necessary, mainly because the original figures related to foreign-going vessels only. Consequently, the figure of 17 per cent for the claim becomes 15½ per cent and the figure of 13 per cent for the offer (divided into three stages) becomes 12½ per cent. These agreed estimates are made on the assumption that hours paid would remain the same after the proposals were put into effect as they are now. This assumption is also open to question.

31. Both the N.U.S. claim and the owners’ offer (when the stages are completed) provide for the payment at overtime rates of all hours worked on Saturday and Sunday, whereas under the present agreement the monthly rate includes a compensatory payment for eight "ordinary hours" on both
Saturdays and Sundays at sea—whether worked or not. Thus both the
claim and the offer provide for the payment of sixteen extra hours a week
at overtime rates while at sea, provided those hours are worked. The
owners' calculation of costs is based on the assumption that they will all
be worked. But this assumption cannot be entirely accepted, for in their
written evidence the owners asserted that, prior to March 1965 when
"ordinary hours" at sea were paid at overtime rates (as they will be in
future if either the claim or the offer is accepted) "there was pressure from
day workers (non-watchkeepers) to be worked at the weekend." Conse­
quently there must be some saving here to offset the cost.

32. How great a saving can be expected? The owners told us that it
will be negligible, since 88 per cent of ratings are either watchkeepers or
in the catering department, and must work through the weekends just as
on any other day; consequently there remains only 12 per cent of day workers
on deck or in the engine room to contribute to the saving. The N.U.S., on
the other hand thought the figure of 12 per cent for day workers was too low
and insisted that greater savings could be expected. One instance which
they put to us was a passenger ship not fully booked for part of the voyage,
so that it would be possible to give the catering staff time off at weekends.
Since the cost of paying sixteen additional hours at sea at overtime rates
is 14.5 per cent of the total wage bill, each hour saved on average throughout
the industry as a whole would reduce the cost by $\frac{14.5}{16} = 0.9$ per cent,
so that, for example, a saving of four hours per man would cut the cost
from 14.5 per cent to just under 11 per cent. It is only fair to say, however,
that the owners regard such a saving as quite beyond the limits of possibility.

33. There is, however, another consideration. According to the census
of hours worked in the industry on which all the owners' cost figures are
based, seamen on foreign-going ships average 66 hours of work a week, and
those in the Home Trade average 73.6 hours. Quite apart from weekend
hours at sea compensated by basic pay under the 1965 agreement, ratings on
foreign-going vessels worked 795.5 hours overtime on average per year. This
amounts to 15.5 hours of overtime a week over and above a fifty-six hour
week at sea, and a forty hour week in part. For Home Trade ratings the
figure is on average 1343.3 hours per year, or nearly 26 overtime hours a
week over and above a fifty-six hour week at sea and forty hours in port.
By any standard these figures are high.

34. It must be admitted that there are special reasons for high figures of
overtime at sea. Few diversions are available and a man cannot spend his
leisure hours with his family. He is therefore more willing to work long
hours than the worker on land, for by doing so he can store up overtime pay
against his leave. From the owner's point of view a good deal of maintenance
can be carried out in these hours more economically than on land. Even so,
these figures would seem to offer some opportunity for saving. At this point
also the evidence which we heard was in conflict. The owners believed that
no more than marginal savings were possible. The representatives of the
seamen thought that reorganisation of work could yield substantial cuts in
overtime.

35. There is another reason for supposing that overtime can be reduced.
Although there are difficulties, which the owners pointed out to us, in
making comparisons between the pay of British seamen and those of other nations, there can be no doubt that standards of remuneration in Germany, Holland and Scandinavian countries are in most respects higher than in Britain. If their shipping industries remain competitive in spite of this, the explanation must be that either their manning scales are lower, or they keep overtime under better control. Although no figures are available, the owners think that the latter is the probable explanation; and it is supported by the well-established fact that levels of overtime on the Continent in industry generally, except in France, are below that of Britain.

36. We have therefore come to the conclusion that it would be possible for the industry to make a contribution towards the cost of the introduction of the forty-hour week at sea both by reducing time on duty at sea during "ordinary hours" at the weekend, and by reducing overtime outside "ordinary hours". A saving of an hour a week overall both at sea and in port would cut labour costs by about 1 1/2 per cent. We think a saving of two hours a week over the next twelve months is well within the industry's capacity. Such a saving will not come about of itself. It will not be accomplished unless the owners abandon their belief that nothing can be done about it; and its achievement can be greatly assisted by the co-operation of the union. We suggest that both sides should commit themselves to this target; that each company should prepare its own plans for rearranging work on its ships to make its contribution to the total; and that a national joint committee should approve the plans and, if necessary, assist over any difficulties that may arise in its implementation.

37. These plans must not in any way interfere with the right of the master to instruct men to work overtime when he thinks fit. This authority is essential for the safety of the vessel, and to deal with emergencies.

38. We heard evidence from both sides concerning the possibility of reducing costs on certain types of vessel by using crews more flexibly in order to save manpower. One means of accomplishing this is interchangeability of ratings between deck and engine room; another more radical proposal is for a "general purpose" crew. At the moment negotiations on this topic are at a standstill. Although we propose to deal with this subject more fully in our final report, we have no doubt that important economies are attainable, and recommend that talks be resumed as soon as possible. We do not, however, think that they can lead during the next twelve months to general savings sufficient to contribute an appreciable offset against the cost of the changes which we propose.

CONCLUSIONS

39. It is important to note that at the time of the breakdown of the negotiations the N.U.S. made no counter-offer to the owners' proposals. It is true that they had initially at the meeting of the Panels on 1st February 1966, presented a claim for a 40 hour week at sea to be worked in 5 days within 7 days (interpreted by the Chairman of their side as Monday to Friday) with no reduction in the consolidated basic rate, and for 12s. 6d. a month to be added. This claim however was accepted by the owners in principle and embodied in the owners' offer of the 6th April 1966 but
for implementation over a period of two years. The Executive Council of
the N.U.S. rejected that offer, but made no counter-offer. It would seem
that they intended to wait and see what increased offer would be forth­
coming from the owners, and then to decide whether to accept or reject it.
There was no opportunity for the owners to ascertain and consider what
the Executive Council were prepared to accept. This would have been
merely an unhelpful attitude on the part of the Executive Council, and not
in any way disastrous, if they had not used the strike weapon. Without
making any attempt to carry negotiations any further they called a strike.
There is no need to infer that the Executive Council wished to have a strike
for the sake of having a strike or from any sinister motive. It is not likely
that they would set out to cause grave damage to their own industry with
resulting ultimate loss to the members of the N.U.S. The Executive
Council were, however, calling a strike on the assumption that they would
get their own way—that the owners, after all the concessions which they
had made and offered, would eventually under pressure from the strike
threat offer more. That was not a safe assumption as the owners had said
their offer was final and they might take their stand on that. In our view
the Executive Council were not justified in using the strike weapon without
further attempts to resolve the position, because there was nothing to call
for the use of this very drastic and dangerous remedy. There was no
remaining issue of principle; there were only questions as to the terms of
the offer. Their members were not suffering hardship. There had been a
major and costly improvement in seamen’s wages in March 1965, and
numerous minor benefits gained, and now in 1966 there is another major
costly improvement offered.

40. The owners’ side stood firm on their last offer. In our view this was
in the circumstances not an unreasonable attitude, because they had already
made and offered so much, and also they had to bear in mind the national
interest.

41. Now there is a complete deadlock between the parties, with both of
them standing firmly in the positions which they have taken up. The
owners have made their last offer and cannot, consistently with what they
have said, make any advance on it of their own accord. The Executive
Council have rejected the owners’ last offer and are waiting for a further offer
to follow it. There is no way out of the impasse unless some third party
makes proposals. It is to be noted that the owners have not withdrawn
their offer. It is common ground between the parties that the forty hour week
should be introduced, and that the compensatory element which was included
in the basic rate to compensate for Saturday and Sunday working at sea
should be retained. We have therefore concerned ourselves principally with
the outstanding question of timing, and feel that in the circumstances it is
right for the Court of Inquiry to offer proposals which might resolve the
deadlock. We have considered the objection that any further concession,
coming on top of those already made, must be damaging to the national
interest. We shall in a later paragraph deal with questions of percentage costs
in this connexion.

42. We have as explained in paragraphs 30-38, found certain elements
and factors which have not been taken into consideration by the two sides,
and these, we feel, can be used to make the owners' offer more acceptable without materially increasing the cost of it. We have taken soundings both in private oral hearings, with representatives of both parties present, and in separate discussions with representatives of each party. We did not ask them to agree anything or accept anything, as they might not be able to do this without consultation with those whom they represent. But we have ascertained that the parties are not immovably fixed in the positions which they have adopted, and that proposals will be carefully considered.

43. Accordingly we propose certain amendments in the Employers’ offer which we have set out above in paragraph 25. The main point is to introduce the forty-hour week at sea over twelve months instead of two years.

(i) In paragraph (c) we think the figure 36 is on the low side and should be raised to 39. At present there are 16 days of standard paid leave plus one day for each Sunday or public holiday (out of the seven specified public holidays) spent at sea. The average number of Sundays spent at sea is 37 per annum for foreign-going vessels and 27 per annum for home trade vessels. The reduction to 36 might be too severe, although it is right to make a substantial reduction to provide a partial offset to the increased cost resulting from other parts of the offer.

(ii) In paragraph (e) we do not propose any change in the amounts of the compounded compensation items included in the consolidated basic rate, but we suggest a change in the description. Spending Sundays and public holidays at sea is one of the many elements of seafaring life, which are to be considered as a whole in fixing the extent of the paid leave. It is not appropriate to allocate a particular item of remuneration to a particular element. Although the compensation for work on Saturdays and Sundays at sea has been consolidated into the basic rate, it must not be overlooked that it is part of the remuneration for such work additional to the payments at the overtime rate.

(iii) The 12s. 6d. provided for in paragraph (g) should be omitted. This provides a small offset to the increased costs resulting from other parts of the offer.

(iv) At the second stage, coming in 1967 twelve months after the first stage, there should be the full reduction in hours from 48 to 40 so that overtime pay will be given for all hours worked on Saturday. We think this acceleration of the implementation of the 40 hour week will be specially welcome to the N.U.S. and its members.

(v) It follows that there will be no third stage.

(vi) The new wages, hours and leave agreement should cover a period of two years, instead of three years, from the date on which it comes into operation.

44. To make sure that our proposals are clear, we set out the amended offer which would result from our amendments to the owners’ offer of the 6th April 1966:—

First Stage, 1966

(a) Direct overtime to be paid for all hours worked at sea on Sunday.
(b) Direct overtime to be paid for all hours worked at sea on Christmas Day, Boxing Day, New Year's Day, Good Friday, Easter Monday, Whit Monday, August Bank Holiday.

(c) Voyage leave to be at the rate of 39 days a year.

(d) The Sunday at sea leave agreement to be withdrawn, and to be replaced by the arrangements in (c) and (e).

(e) The compensation for week-end work at present included in the consolidated basic rate to be retained as remuneration (in addition to overtime payments) for working on Saturdays and Sundays at sea.

(f) The consolidated basic rate and the overtime rate to remain as at present.

Second Stage, 1967—12 months after the first stage comes into force

Direct overtime to be paid for all hours worked at sea on Saturdays.

The new wages, hours and leave Agreement is to cover a period of two years from the date on which it first comes into operation.

However if there is some dramatic change in circumstances, such as an extraordinary increase in the cost of living (i.e. an increase above what has been customary over the last five years) the owners would be prepared to discuss the Agreement further with the N.U.S.

45. Given that the industry accepts our target of a reduction of two hours overtime a week within the next twelve months, the total cost of both stages of our proposals would be very close to those of the first two stages of the owners’ offer. The agreed costs are now somewhat lower than the owners originally supposed. Because of this and our exclusion of the proposed increase of 12s. 6d. a month, it is possible to increase the number of days’ leave from the 36 a year contained in the owners’ offer to 39 a year and still leave the cost of this stage at a little under 5 per cent. We have amalgamated the second and third stages of the owners’ offer, which on their original estimate was to have cost 8 per cent. Because of the agreed reduction in total costs, and allowing for a saving of two hours of overtime, this now becomes about 4½ per cent. The total cost of introducing the full 40 hour week at sea therefore becomes 9½ per cent over two years.

46. Finally, we must record our thanks to our Secretary, Mr. D. B. Smith, and his assistant, Mr. M. Emmott, for their help in this the first stage of our inquiry.
CABINET

EUROPEAN LAUNCHER DEVELOPMENT ORGANISATION

Memorandum by the Minister of Aviation

Since our aide-memoire was delivered to our European partners on 3rd June announcing our decision to terminate our financial commitment to the European Launcher Development Organisation (ELDO), the legal implications of this decision have been challenged. The Attorney-General's advice is set out in Annex A to this paper; this seems to me to introduce a new factor which needs further consideration.

In considering the advice of the Attorney-General, my colleagues will wish to take into account the following factors:

Financial Liability for the Initial Programme

1. As was shown in Annex A to C(66) 73, when we decided to terminate our financial commitment to ELDO we assumed that the initial programme would cost £158 million and of this sum about half had been spent and three-quarters (£120 million) committed. On the legal advice on which we were then working we believed that the maximum liability that would be incurred by the United Kingdom if we withdrew would amount to £15.5 million, i.e. 30.8 per cent of the £49 million committed but not yet spent (not £14.5 million as given on page 2 of Annex A). In the light of the advice of the Attorney-General there is a serious risk that we might be required to pay substantially more.

2. If our ELDO partners insist that the question of Her Majesty's Government's liability to contribute to the cost of the complete initial programme (£158 million) should be referred to arbitration and we lose, then there is a risk, as the Attorney-General points out, that we would have to pay much more. It is difficult to predict how much. Our minimum additional liability might well be assessed as the amount of our percentage contribution in respect of the uncommitted part (£38 million) of the initial programme i.e. an additional £14.7 million making a total liability of £30.2 million.

3. If however other member States were unable to continue the initial programme without us and consequential damages were also awarded against us on this account, we might be expected to pay some of the expenses already incurred by other member States in respect of the programme. The total contributions from other countries amount to as much as £50 million (i.e. the £80 million already spent minus the United Kingdom share of this expenditure); an arbitration award might well charge a substantial portion of this sum to us.

-1-

SECRET
At least if the Organisation and the programmes are abandoned as a result of our unilateral decision not to continue our commitments, we should be called upon to meet a 38.8 per cent share of cancellation, compensation, redundancy, etc. charges. No doubt it will be argued that we should meet these in full. It is impossible to quantify the amount of cancellation charges which could be in total between £20 million and £50 million. In this event also there is a probable claim for the consequential damages to which the Attorney-General refers, i.e. for frustrated expenditure. It must be remembered that Article 25 of the Convention appoints France to be the liquidator in the event of an agreed dissolution of the Organisation.

Cost of the ELDO A/PAS Programmes

5. The alternative to accepting these risks is to continue with ELDO A and agree to the modification or new programme of ELDO PAS. The PAS programme is an additional programme for which no country has accepted any financial commitment so far. The cost of this programme including contingencies, is estimated by the Ministry of Aviation at £67.5 million.

If we can persuade our European partners to reduce our contribution to the total programme from 1st January, 1967, to 25 per cent the amount we should have to pay towards the cost of completion of the initial ELDO A and the additional PAS programme would be about £42 million, i.e. 38.8 per cent of the £40 million remaining to be spent this year on initial ELDO A plus 25 per cent of the remaining cost of the initial programme and the PAS programme.

Comparative Costs

6. The cost to the United Kingdom of the ELDO A/ELDO PAS programmes of £42 million, provided our European partners agree to our paying a revised contribution of 25 per cent from 1st January, 1967, needs to be considered against the probable claim that we pay our share at 38.8 per cent for the completion of the initial programme - £30 million (paragraph 3 above). If we went ahead with ELDO A/PAS programmes (the only basis on which we can get a reduced contribution and retain goodwill) the net additional average cost to the United Kingdom would, over the six years of the programme, be £2 million per annum. But if, as the Attorney-General fears, further claims for damages were awarded against us (paragraph 4 above), these might well result in our having to pay in total more than the cost of our going ahead with ELDO A/PAS programmes.

7. It is for these reasons that I feel that, before leaving for resumed discussions with our ELDO partners tomorrow, I should have further guidance from my colleagues.

F.M.

Ministry of Aviation, S.W.1,

8th June, 1966
There are serious legal implications involved in the Government's decision to terminate unilaterally our financial commitment to ELDO.

2. Under Article 23 of the Convention, withdrawal from ELDO is possible only after the Convention has been in force for five years from the date (29th February, 1964) on which it entered into force. The right of withdrawal is, however, also subject to the proviso that "a Member State may not withdraw from the Organisation before the end of any programme in which it has agreed to participate" (Article 23(2)). Article 4(1) provides that every State party to the Convention "shall participate in the initial programme described in Article 16". It therefore appears that the United Kingdom has no right to withdraw from ELDO until the end of the initial programme.

The question at issue is whether we have any financial commitment over and above our share of the £120 million ceiling already agreed by the Council's resolution of 22nd December, 1965.

3. The legal case for arguing that we have no such commitment rests mainly on Article 4(5) of the Financial Protocol annexed to the Convention and on Article 14(3)(c)(ii) of the Convention. Article 4(5) states that "the commitments undertaken by Member States are calculated on the basis of an estimate of £70 million" and goes on to provide that "should it appear that, in spite of this, the estimate is liable to be exceeded, the Member States will consult with one another on the decision to be taken". It is our contention that the ceiling of £70 million could only be raised after consultation between the States parties to the Convention and in accordance with such decisions as they may take in relation to the budget or otherwise as a result of such consultations. Two such consultations took place in accordance with this procedure in 1965 as a result of which unanimous agreement was reached to raise the ceiling in the first instance up to approximately £92 million and later, by the Resolution of 22nd December, 1965, up to £120 million. It is also relevant that under the terms of the Convention all expenditure by the Organisation is subject to approval by the Council by the adoption of the annual budget or of a supplementary or revised budget or in exceptional circumstances by a Resolution in anticipation of provision in the budget (Articles 1 and 2 of the Financial Protocol). Under Article 14(3)(c)(ii) of the Convention the adoption of the annual budget of the Organisation for the initial programme requires a decision of the Council taken by "a special two-thirds majority of all Member States including the concurring votes of Member States whose contributions amount to at least 85 per cent of the contributions made to the Organisation". The same voting provisions presumably apply to any modification of the annual budget by means of a supplementary or revised budget. It follows that no expenditure exceeding the ceiling of £120 million can be authorised except in accordance with these provisions and no Member is obligated to contribute a share of such expenditure until the necessary budgetary decisions have been taken by the requisite voting majority.
4. Against this statement of the legal position it may be argued that Articles 4(1) and 22(2) of the Convention read together clearly contemplate the completion of the initial programme and Article 4(2) of the Financial Protocol lays down a scale of contributions for this purpose; this scale is described in the Annex to the Financial Protocol as "Scale to serve as a basis for the assessment of contributions during the period of the initial programme of the Organisation". Therefore, failing any different decision taken by Member States as a result of Article 4(5) this arrangement must prevail to enable the initial programme to be completed. It would be pointed out that the ceiling of £70 million mentioned in Article 22(3) was only an estimate and it was always in contemplation of the parties that the completion of the initial programme might cost more. The proponents of this view will argue that for the United Kingdom to block the completion of the initial programme by the use of Article 4(3)(d)(ii) would be an abuse of right and contrary to the clear intention of the parties to complete the initial programme whatever the cost. A further point that would undoubtedly be made against us, if we persist in our unilateral decision to terminate our financial commitment, is that we are in breach of our obligation under Article 4(5) to consult with other member states on the decision to be taken.

5. In support of the interpretation of the Convention outlined in the preceding paragraph Mr. Bourely, the Legal Adviser to ELDO, has referred to the record of the proceedings of the Lancaster House Conference preparatory to the drafting of the Convention, which in his view, established clearly "that the consultations under Article 4(5) of the Financial Protocol were only agreed to by certain States (notably the United Kingdom) on the clear proviso that an overspend of the estimate, incidentally accepted as liable to occur, should not furnish grounds for calling the initial programme into question, and that all Member States should be under obligation to bear a share of the additional costs." It is, I understand, accepted as a principle of interpretation of international treaties that recourse may be had to the travaux preparatoires for the purpose of clarifying an ambiguity or obscurity in the text. In my view this is a case in which the terms of the Convention are obscure. Unhappily the travaux preparatoires were not brought to my notice on the only occasion on which I have been asked to consider this matter, namely in February, 1966. Examination of the records of the Lancaster House Conference confronts us with the fact that the United Kingdom Delegate pressed hard for the adoption of the principle that all Member States were under an obligation to share in the total cost of the initial programme whether it proved to be more or less than £70 million. There was opposition to this from some other delegations and a discussion ensued which resulted in the adoption of Article 4(5). This provision was by way of a compromise which unfortunately still left the position obscure with the advocates of both points of view apparently maintaining their opposed positions. In these circumstances, it will, I think, be difficult for us now to take the contrary position to that which we strenuously took in the discussions in 1961 and an international tribunal would not, I think, be at all sympathetic to such a change of front.
6. I understand that it is now proposed to supplement the "initial programme" in its original form by the addition to the launcher of Apogee and Perigee motors. I understand that it is agreed that this addition would in effect amount to a "further programme" to which we are not committed; but in my opinion this would not affect our financial liability to contribute towards the original ELDO A programme.

7. In my view if the question of Her Majesty's Government's liability to contribute in the costs of the initial programme up to its completion were to be referred to arbitration under Article 22 of the Convention, there is a serious risk that we should lose. If we lost, damages would be awarded against us by the arbitral tribunal. It is difficult to predict what the measure and amount of damages would be. They might be assessed as the amount of our percentage contribution in respect of the remainder of the initial programme. But if the other Member States were unable to continue the initial programme without us, the damages awarded could well be in excess of the cost of our continued participation in the initial programme up to its completion.

E. J.

Royal Courts of Justice, W. C. 2.

3th June, 1966
BRITISH POLICY TOWARDS LATIN AMERICA

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

In the course of the oral report about my visit to Latin America which I made to my colleagues on 20th January I undertook to circulate a paper giving my impressions. In the following paragraphs I lay before my colleagues these impressions and seek their agreement to my conclusions.

Political considerations

2. Latin America is a test case in the struggle to bring the under-developed countries of the world forward to self-sustaining growth in freedom. On the basis of per capita income Latin American countries occupy a position between Europe and those of Africa and Asia. If the more advanced Latin American countries with their European background, their relatively high rate of literacy, their proved capacity in technology, their existing industrial base and their great untapped resources cannot cross the line and join the ranks of the developed world, the prospect for other countries in the under-developed world is bleak. Latin America is going through a critical phase in which the tide of expectations is rising swiftly. Unless enough of these expectations are met, the social malaise which already exists could worsen and lead to political and economic breakdown and a resort to extreme political forms with adverse consequences for our interests.

3. We cannot stand by and watch this happen because in the world balance of power the 20 republics of Latin America carry a decisive weight. In the struggle for competitive co-existence the adhesion of Latin America to Communism would decisively swing the balance against ourselves and our allies. Keenly aware of this fact, the United States Government considers the area more important than any other to its security. An illustration of the importance to us of Latin America is at hand in the United Nations. Without the support of the Latin Americans there would be no possibility of the West producing a blocking third in the General Assembly. We need wide Latin American support (hitherto not
always forthcoming) to get acceptance for constructive British proposals. On Rhodesia the attitude of Argentina, Uruguay and Bolivia has been crucial and we have seen how helpful it was to have the Panamanian Government on our side.

4. I found that the Peruvian, Chilean and Argentine Governments have the kind of programmes and policies for which we have a natural sympathy. It seemed to them and it seems to me that we as a Government and as a country are particularly well suited to help with the problems of Latin America. I believe that both duty and self-interest require us to respond. But in recent years Britain has done very little. In two ways we were very largely cut off from the area whilst the United States, both from inclination and necessity, was extending its influence. We had to concentrate on transforming an Empire into a Commonwealth, which enjoyed a natural priority because of the bond of a common language. When we did look to the Latin American area, either our energies tended to be absorbed in our Caribbean possessions or we found alien political systems and nationalist policies which made us even more ready to turn to areas which we administered, or strongly influenced, and where language was no barrier. The building of the Commonwealth has almost been completed. Experience in the Middle East, Asia and Africa of the internal and external political conduct of the States which have emerged from colonial rule and European influence has shown Latin America in a new context as the most stable, mature, advanced and powerful area of the developing world. I believe that we must look at Latin America in this light and, taking advantage of the considerable residual goodwill towards us which exists, devote increasing attention to the area.

5. Fortunately in the expensive field of defence we can leave Latin America to the Americans. But in the political field, and indeed the economic, this is not the case. All the Latin American countries recognise that the United States is and will remain the dominant outside Power in Latin America, but they urgently need to develop increasingly close relations with the countries of Europe. Otherwise the existing resentment of United States predominance is likely to develop into a bitter struggle against it, which would not be in our general interests. The need for a balance is felt by most Latin Americans and is understood by the United States. It would exist even if the policies of the United States were wholly benevolent and always correct. The fact that United States policies in Latin America are often controversial makes it the more important that we, the Commonwealth, and other European countries should be more active in the region. It causes me concern that at present we have less consultation with the United States Government on Latin America and less influence on what they do there than in any other part of the world. The Dominican affair is unlikely to be the last in which the United States will take controversial action. Whether we like it or not we shall then be obliged to take a public position in the United Nations and in Parliament. We should not delude ourselves into thinking that we shall easily be able to change.
United States policies in Latin America, but it remains important to be able to carry on an independent dialogue with the Latin American countries, to form our own estimate of their situation, to explain our attitude privately to the United States Government, to influence them as far as we can and on occasion to say publicly that we have our own view which we have urged on them. If we have to be critical of the United States in public about Latin America, this is likely to have consequences for Anglo-American relations generally. In order to assert the right to criticise them when necessary, we must make every effort to be in a position from which to influence them beforehand. We can do this only if we are seen to be active in Latin America.

Economic considerations

6. Our political presence in Latin America cannot be divorced from trade, aid and technical assistance. At the moment we supply only 7 per cent of Latin America's imports of manufactures—half our average share of world-wide trade in these items—and this in a market importing £3,000 million worth of goods a year (bigger than the whole of Africa north of the Limpopo and the Indian sub-continent put together) and with the fastest growing population in the world, which will almost have trebled (to £600 million) by the end of the century. This population already has more than twice the per capita purchasing power of the Afro-Asians and is increasing its lead in this respect. Provided that recent rates of growth are maintained, by the end of the century the total purchasing power of the area can be expected to have increased by at least 500 per cent. Comparing 1964 with 1958, while our exports to Latin America rose by less than 1 per cent, Germany increased hers by 5 per cent, Italy by 17 per cent, France nearly 25 per cent, and Japan over 100 per cent. The percentage of our aid allocated to Latin America is not proportionate to its political importance or its economic potentialities. In each of the past two years our total annual capital aid to Latin America amounted to between £3 and £4 million, the bulk of this being for refinancing. The equivalent figure for Africa south of the Sahara in 1965 was over £57 million, none of it for refinancing. Our total technical assistance to Latin America is running at a level of about £625,000 a year, compared with £17 million last year for Africa south of the Sahara. Similarly, the British Council is spending £500,000 a year in Latin America compared with £700,000 in Africa south of the Sahara.

7. Unlike many other less developed countries, a number of Latin American countries are at the relatively advanced stage at which quite small amounts of capital aid can produce high returns in terms of economic development, and it will be to our advantage to channel what development aid we can afford in their direction. Although I recognise that our present situation precludes any large-scale diversion of aid resources to Latin America, I hope that it will be possible, within the aid ceiling, modestly to increase the level of our capital aid to the area during the rest of the decade. We
should also expand our present programme in agriculture and technical education. Technical assistance is not only one of the most effective contributions which we can make, within our limited resources, to the economic development of the area: it also (like relatively small amounts of capital aid for development and refinancing) produces trade benefits.

8. Given my assessment of the weight of Latin America in the modern world, we should in future take care to consult the Latin American countries more closely on international commercial and commodity matters than we have done in the past. Even when their interests do not coincide with ours, we shall gain credit from being seen to take them into account.

9. I am well aware that our Departments have in the past, and more than once, examined possible ways of encouraging United Kingdom trade with Latin America, and that on the last occasion the Board of Trade broadly concluded that the economic prospects by themselves did not justify an increase in official or unofficial promotion of exports and investment. I realise that a fresh examination might confront us with difficulties similar to those encountered before, but I am convinced that the Government must now pursue a more active policy in Latin America, and be prepared to give the area a higher priority than at present, for reasons of both immediate political and long-term economic advantage. I am thinking here not only of the natural expansion of the Latin American market but also of the need to reinsure there against the economic consequences of adverse political developments elsewhere.

10. I therefore believe that we should now look once more at the economic picture, partly to bring past studies up to date, but principally to discover whether the agreement on the political necessity to cultivate Latin America would not lead us to view our economic and commercial prospects in the area in a different perspective.

11. As a first step in the direction which I am advocating, we should examine the opportunities for British trade in the area and suggest what action Her Majesty’s Government might take to achieve an increase in our trade there. In particular I would hope that we can identify the fields in which increased efforts would be likely to offer the best and quickest returns or in which we stand to lose most by inactivity; suggest how prejudice against Latin America among British exporters might be overcome; and consider the possibility of improvements in existing Government facilities which, without unacceptable increases in cost, might help to increase our trade with the area. I have in mind, for example, increased efforts to identify the exports most likely to do well in particular countries; possible changes of detail in credit policy and practice; such special promotions and extra financial support for business missions as might assist sales of British goods in particular countries at particular times; and such measures as may be possible to facilitate collaboration by British firms in local production and in improving the efficiency of local sales outlets for facilities and stocks.
12. Although I am sure that it is a mistake to tar Latin American countries with the same brush, the broad conclusions which I have outlined in this Memorandum are those which I have reached as a result of my visit to three of the countries and from discussions at the conference over which I presided in Lima of all the Ambassadors and High Commissioners in the area. These conclusions can be crystallised into the following three principles which, I suggest, guide us in formulating future British policy towards Latin America:

(a) It is an important British interest that Latin America should remain in the free world and that we should do what we can to help the Latin Americans to achieve self-sustaining growth in freedom as quickly as possible;

(b) It is equally in our interest in the long term to increase our share of the growing Latin American market;

(c) Both these interests require a more active British presence in the political, cultural and, above all, the economic field; greater priority therefore needs to be given both to Latin America in general and in particular to selected countries in the area.

13. I hope that I shall have the support of my colleagues in putting these principles into practice. This will entail making available the necessary resources for the purpose. These resources will be relatively small. They will be needed for some of the measures I have indicated above and, for instance, for staff, communications facilities, British Council activities and increased contacts with trade unionists, students, journalists, the military and indeed the opinion-forming groups as a whole. The first step is that we should accept the realities of the part which Latin America now plays in the world and act accordingly. From this much will flow.

M. S.

*Foreign Office, S.W.1,*  
*8th June, 1966.*
CABINET

TELECOMMUNICATIONS AND POSTAL TARIFFS

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

The Postmaster-General has put to the Ministerial Committee on Prices and Incomes proposals for changes in telecommunications and postal rates as follows:

Telecommunications tariffs

(a) To reduce the cheap rate on dialled trunk calls from two-thirds to one-half the full rate;

(b) To increase the minimum fee for calls from STD coin boxes from 3d. to 6d.; the effect would be to give the same amount of time for 6d. as at present, but there would not be a shorter time for 3d.;

(c) To encourage the renting of coin boxes in such places as hotels and shops and cafes;

(d) To reduce the tariff for certain telegraph circuits hired by subscribers.

Postal tariffs

(e) To increase the cost of inland parcels (but to introduce a new minimum limit at 1½ lb. which would in fact make parcels up to 1¾ lb. slightly cheaper than at present, and to provide lower rates for parcels addressed locally);

(f) To increase the highest levels of rates for letter post in line with the increases for parcel post;

(g) To increase registration fees and the maximum compensation payable;

(h) To raise the recorded delivery fee from 6d. to 9d.;

(i) To increase all overseas postal rates.

The details of his proposals are in his memoranda to the Ministerial Committee (PI (66) 2 and 3).
2. The new telecommunications tariffs would not substantially affect total revenue. The increase in postal tariffs would raise about another £20 million. The changes would be announced before the House rises for the Summer Recess; the postal changes would come into effect in October and the telecommunications changes from 1st January, 1967.

3. At the same time the Postmaster-General proposes to announce that from October 1967 the printed paper service will be abolished, and that there will be a deferred service for inland letters, at a minimum rate of 3½d. for a letter not exceeding 2 ounces, which would run alongside the existing 4d. rate for the standard service. Users of the printed paper service would have to pay more than at present, but for ordinary letters people would be given the opportunity of paying a little less for a slower service.

4. All these changes can be presented as measures of rationalisation. The reduction of the cheap rate for STD trunk calls gives the consumer the benefit of the modernisation of the telephone system. The proposals on coin boxes should help to increase the number of boxes available and reduce vandalism. The parcel post has been losing money for some time; and the reduction of the minimum weight and the rebate for locally addressed parcels will temper the increases for many people. The abolition of the printed paper rate and the introduction of a combination of standard and deferred services cannot be expected to raise additional revenue, but they make for sensible rationalisation of the service and will provide a basis for rational tariff development in the future.

5. The Ministerial Committee on Prices and Incomes agreed that the Postmaster-General should be authorised to make the changes he proposed. In commending this decision to the Cabinet I ought to point out the risk that ill-intentioned people will as usual say that the Government are not slow to put their own prices up, even though they urge others to stabilise theirs; they may also say that the increase in the minimum fee for telephone calls from coin boxes hits hardest at the people who cannot afford to have telephones and have to go outside to a call box if they want to ring up. But the Committee thought that we should face these risks and allow the Postmaster-General to go ahead with a range of proposals which, taken together, make good sense in terms of rationalisation.

6. I am circulating this note for the information of my colleagues. I do not propose to ask that it should be discussed at a meeting, unless any Minister specifically so requests. I am discussing the timing of announcements with the Postmaster-General.
LOCAL AUTHORITIES' HEALTH AND WELFARE SERVICES

Memorandum by the Minister of Health

A White Paper on Local Authorities' Health and Welfare Services will be published about 16th June. With the agreement of the Prime Minister and the Chairman of the Social Services Committee, I circulate the attached text, excluding Appendices, for the information of the Cabinet. Appendix A (the detailed regional summaries) and Appendix B (the national summary) are available in my Ministry to any Minister who wishes to have them.

K. R.

Ministry of Health, S. E. 1.

13th June, 1966
HEALTH & WELFARE

THE DEVELOPMENT OF
COMMUNITY CARE

Revision to 1975—76 of
Plans for the Health and Welfare Services of the
Local Authorities
in England and Wales

Presented to Parliament by the Minister of Health
by Command of Her Majesty
June 1966

LONDON
HER MAJESTY’S STATIONERY OFFICE

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<tr>
<td>The East Anglian Region</td>
<td>115</td>
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<td>The North West Metropolitan Region</td>
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<td>The North East Metropolitan Region</td>
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<td>The South East Metropolitan Region</td>
<td>187</td>
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<td>The South West Metropolitan Region</td>
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<td>The Greater London Council</td>
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<td>The Wessex Region</td>
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<td>The Oxford Region</td>
<td>251</td>
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<td>The South Western Region</td>
<td>269</td>
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<td>The Birmingham Region</td>
<td>289</td>
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<tr>
<td>The Manchester Region</td>
<td>323</td>
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<td>The Liverpool Region</td>
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Health and Welfare—Development of Community Care

PURPOSE OF PLANS

1. In 1962 local health and welfare authorities were asked for the first time to prepare ten-year plans for the long-term development of their health and welfare services and to keep those plans under review. A summary of the plans with a general commentary on the services and on the plans themselves was published in April, 1963 (Cmnd. 1973). Later in that year authorities were asked to draw up revised plans to 1974 on a somewhat more extended scale, and a summary of these plans was published in July, 1964. In July, 1965 the Minister of Health called for a second revision on a comparable basis with the first, covering the decade 1966-76, with annual forecasts up to 1971 and a single forecast for the second quinquennium. In this volume the revised plans of local authorities prepared in response to this request are presented in summary and analysed.

2. The national summaries at the end of the volume, for England and Wales together and for Wales (with Monmouthshire), set out total numbers of different types of premises and places with ratios to population; numbers of selected types of staff with ratios to population; forecasts of capital and revenue expenditure; and detailed numbers of the different types of staff estimated to be required. In these tables, and throughout the analysis of the plans in the following paragraphs, figures relating to premises, places and expenditure are for the financial year ending 31st March (or for that date itself), and figures relating to staff are for 31st December. Staff totals given for 31st December, 1965 are not actual, but as expected by each authority at the date of the return.

3. Although the revised plans are on a basis similar to that of the last revision, precise comparison may not always be possible in some areas owing to intervening changes—sometimes substantial—in local government boundaries. This is particularly true of South-Eastern England, where the changes coming into operation on 1st April 1965,* as a consequence of the London Government Act created the Greater London Council with responsibility for the ambulance service, and thirty-two London Boroughs and the City as authorities with health and welfare powers, which not only replaced the London and Middlesex County Councils and the County Boroughs of Croydon, East Ham and West Ham, but also reduced the areas of the four health and welfare authorities for Essex, Hertfordshire, Kent and Surrey. The changes in responsibility in Greater London have also inevitably caused difficulties for the new authorities in making plans which are for them not a revision but a new beginning; and the results of their work contained in this volume are a tribute to their energy and vision.

4. Forward planning by local authorities fulfils a number of important purposes. In the first place it provides an opportunity to each local authority to perform the essential task of reviewing its past performance, its present needs and its future expectations, and to do so in close consultation with the bodies responsible for related services. Reference is made at a number of points in the following paragraphs to the wide and varied contribution made by voluntary bodies of all kinds. These play an invaluable part, not only as pioneers of untried measures but as providers of essential services. The training of the

---

*For the London Boroughs the figures shown for 31st March, 1965 in the Tables in Appendix A relate to the Services as taken over from 1st April, 1965*
mentally subnormal, the accommodation of the elderly and the mentally or physically handicapped, the running of social clubs and centres for all these groups, and friendly visiting in the home, are outstanding examples of the help that voluntary bodies can give; and local authorities must and do gladly take account of that help in making their own plans.

5. No less account must be taken of the part played by other health services, notably general practice and the hospitals. The community services provided by local authorities cannot be planned in isolation, but must be seen along with these other services as parts of an integral programme for promoting health and social well-being. The future pattern of general practice, which is bound up with the development of local authority domiciliary services, will increasingly be a pattern of doctors working in groups from shared premises with full supporting help. Many general practitioners are wanting to provide this kind of service from health centres. The importance of joint planning with Executive Councils, local medical committees and others concerned was accordingly urged by the Minister when inviting hospital Boards and local authorities to undertake the present revision of their plans (H.M. (65)37 and Circular 14/65). Special mention was also made of the need for joint planning by local authorities and hospital Boards of services for the elderly and the mentally disordered; and memoranda of September, 1965 on the former and of December 1965 on the latter were sent to both types of authority to assist in their joint planning. Time did not allow of close consultation in every area on this occasion, but a useful beginning was made on what must necessarily be a continuing and repeated exchange of views. Such co-ordination is a vital element in the proper provision of local health and welfare services.

6. The second purpose of forward planning is to provide information on a national as well as a local basis against which local authorities can compare their own performance and their own plans for the future. This aspect is further discussed in paragraphs 43 to 87 below.

7. A third important purpose is to provide a basis for systematic development within the framework of the overall National Plan. The relationship between local authorities' forecasts and the provision made for development of their health and welfare services as an element in the growth of public expenditure as a whole is considered in paragraphs 88 to 93 below.
SCOPE OF PLANS

8. The picture of services presented by the plans is inevitably incomplete. Not all aspects of the services lend themselves to forecasting in this way, particularly those which are provided by voluntary effort, whose valuable contribution is only partially reflected in the figures. Nor do the forecasts reveal improvements in quality of service through better use of staff or premises—for example, the closer association of health visitors and others with general practitioners; joint use of staff by local authorities and hospitals; the provision of night attendance; the arrangements made for recreation in clubs or centres for the elderly or mentally or physically handicapped; preventive work in relation to families in danger of break-up or of eviction, and work with "problem" families in general; the replacement of obsolete premises by modern accommodation. Nor could the plans take into account any possible changes in the organisation of these local government services as a result of the recommendations of the Seebohm Committee.

9. What the plans can and do reveal, however, are the broad foundations on which the developing services must be based, and the ways in which those foundations are to be strengthened and extended. The first aim of the services is essentially preventive—to maintain health and welfare in the home, and to provide those supporting services outside the home which contribute to avoiding or postponing the need for residential care or which will guard against further breakdown after treatment and discharge from hospital care. The extent to which this aim is already attained, or is to be better attained in the future, can in some degree be derived from the figures of domiciliary staff, of clinics and centres, and of sheltered ("special") housing contained in the plans. The second aim of the services is to provide special residential care for those who for one reason or another can no longer live in their own homes or have no homes. Here the rough yardstick is the number of places, whether in homes for the elderly, or homes for the physically handicapped, or hostels for the mentally disordered, (though the contribution made by voluntary homes and by private households for the mentally disordered, which does not appear in the returns, must not be overlooked). And in relation to both aims the forecasts of revenue and capital expenditure reflect the degree of growth and improvement which local authorities have set as their objectives.
IMPLEMENTING THE PLANS—PROGRESS ALREADY MADE

10. The fact that local authority health and welfare services are developing is well known, from the information published by the authorities themselves and from that contained in the Ministry's Annual Reports. The extent of this development, and more particularly the extent to which local authorities are succeeding in reaching earlier forecasts, can however be more clearly seen from the successive ten-year plans; and the immediately following paragraphs 11 to 39 analyse and comment on the progress revealed by the present revision in relation to the main services provided.

Domiciliary Staff

11. **Health Visitors.** The number of persons visited continues to grow, with the rising number of children under five and with increased visiting of the elderly. Recruitment in 1964 was however disappointing, and the number of health visitors in whole-time equivalents employed at the end of 1964 was 5,393 compared with a forecast of 5,830 for that date in the first revised plans. The present returns show a figure of 5,846 for the end of 1965, still rather lower than the forecast of 6,127 in the first revision.

12. On 1st April, 1965, (Circular 8/65), the Minister reminded local health authorities that because over 2,000 health visitors in England and Wales were aged between 50 and 60 it would be necessary to increase considerably the numbers to be trained in the immediate future. The attention of authorities was drawn to the measures being taken by the Council for the Training of Health Visitors to stimulate recruitment to health visiting as a profession. Authorities were asked to give practical support to the Council's efforts by sponsoring suitably qualified students for training; by sponsoring suitable health visitors to train as field work instructors and by providing facilities for field work instruction in their area; and by sponsoring the training of suitably qualified health visitors to take posts as tutors.

13. **Home Midwives.** The number of home confinements continues to fall (261,907 in 1964 compared with 270,831 in 1963), but this is accompanied by a sharp rise in the number of women discharged early after confinement in hospital and attended by midwives at home (227,480 in 1964 compared with 178,698 in 1963). The number of home midwives employed (in whole-time equivalents) fell during 1964 from 5,309 to 5,298, but the present returns show a figure of 5,643 at the end of 1965. This total was below the forecast of 5,689 at the end of 1964 contained in the first revised plans; but although there may be undue pressure in some (mainly rural) areas owing to recruitment difficulties, there is no indication at present of any serious general shortage.

14. On 30th April, 1965, the Minister wrote to all authorities concerned in England and Wales commending the introduction of schemes for planned early discharge of maternity cases. Circular 6/65, which indicated to local health authorities the part they have to play in such schemes, reminded authorities that the post-natal care of patients discharged under these arrangements is (in association with the general practitioner) a matter for domiciliary midwives or district nurse/midwives; and that relief could be given to those midwives who already have a heavy case-load by recruiting part-time midwives for whom this work is particularly suitable.
15. **Home Nurses.** For several years the total number of persons nursed in their homes has been falling, but at the same time the proportion of the elderly among them has been rising. There seems little doubt that the work load tends to rise, since nursing the elderly takes more time. It is therefore encouraging that the number of home nurses (in whole-time equivalents) rose by 317 in 1964 and continued to rise in 1965. The total at the end of 1965 shown in the present returns is 8,359.

16. There remains none the less a need to ensure that the best use is made of special nursing skills, and in June 1965 (Circular 12/65) the Minister commended to local health authorities the report of a Sub-Committee which had considered the extent to which the nursing team in the local authority services could be developed, and how far its effectiveness could be increased by the employment of other professional and non-professional workers. The report suggested that there was scope for ancillary staffs to be used much more widely, and recommended that authorities who had not already done so should undertake local studies of the content and methods of the work done by their nursing staffs. The report made specific recommendations about the type of duties which might be delegated to ancillary workers.

17. **Home Helps.** The total employed (in whole-time equivalents) at the end of 1963 was 27,311 and 28,237, at the end of 1964, the latter figure being 1,101 below the forecast figure in the first revised plans. But the present returns show a total of 30,005 at the end of 1965, or 867 below the forecast for that year. In December 1965 (Circular 25/65) the Minister emphasised to local authorities the importance of the home help service (which assists an increasing number of persons every year, particularly among the elderly and the chronic sick), suggested ways of further developing it including the mounting of special studies and the improvement of training, and urged the discontinuance of charges for persons receiving National Assistance allowances or at a similar level of income.

18. **Social Workers.** Encouraging progress has been made since 1963 in the recruitment of social workers. The total of 4,004 shown in the present returns at the end of 1965 exceeds by 461 the total forecast for that date in the first revised plans; and although within that total the figures for staff with relevant University or equivalent professional training (347) and staff holding the certificate in social work of the Council for Training in Social Work (306) were somewhat lower than the forecast, they nevertheless represent increases since 1963 of 132 and 253. The number of welfare assistants, though increased from 823 to 893, falls short of the forecast of 1,024 for the end of 1965.

**Ambulance Service**

19. In recent years the numbers of hospital in-patients and out-patients carried by the ambulance service have grown out of proportion to the increase in the number of patients treated. There has been an even greater proportionate increase in the numbers of patients transported to training centres, clubs, etc., as more of these units have been opened.

20. Although there was a growth of over 11 per cent in the work of the service between March 1963 and March 1965, the same period saw a fall of 3 per cent in the number of stations and rises of 5 per cent in the number of ambulances and of 3·5 per cent in the number of staff. Local authorities have been making pro-
gress in replacing small and unsuitable premises by larger purpose-built stations, and by improved efficiency have been able to do more work without a parallel increase in capital investment. The present returns suggest however, that during 1965 the point was reached at which it became necessary to recruit more staff if quality of service was not to fall. Partly no doubt in anticipation of a reduction in weekly working hours from 42 to 40 as from 1st January, 1966, the number of staff shown at 31st December, 1965 was 14,149, an increase of over 4 per cent in nine months. This total was very near the forecast of 14,239 for that date made in the first revised plans.

Centres and clinics

21. Health centres. A significant development of the last year or two has been the upsurge of interest in health centres, that is premises which combine facilities for general practitioner and for local health authority services, and sometimes include consultant out-patient facilities, as at Hythe near Southampton. The first local authority plans forecast the provision of 26 additional health centres in the ten years ending March, 1972, making a total of 52, and the first revised plans the provision of 42 additional in the ten years ending March, 1974, making a total of 68. The present returns show that by the end of March, 1965, the number in operation had already reached 36; and at the end of 1965 six were being built or extended, 25 were fully planned or at an advanced stage, and a further 50 schemes were believed to be already under local consideration. This represents a remarkable and welcome rate of development.

22. Maternity and child welfare clinics. Increases in the numbers of expectant and nursing mothers and of young children attending have been accompanied by a growth in the number of clinics and also by the replacement of old and unsatisfactory premises. At 31st March, 1963, 6,317 clinics were in use, and the total had risen to 6,452 by 31st March, 1965, close to the figure of 6,487 forecast for 1969 in the first revised plans.

23. Training centres for the subnormal. The total number of places in training centres for subnormal adults and children rose from 26,624 at the end of 1962 to 32,857 at the end of 1964 and to 34,118 by 31st March, 1965. In addition local authorities had at the end of 1962 the use of 260 places in centres run by voluntary organisations and 447 at the end of 1964. In the 3 years 1963–1965 48 centres occupying unsatisfactory premises, containing 2,037 places, were closed and replaced by purpose-built centres. At the end of 1962, 26·9 per cent of the places were in centres for children only, 22·8 per cent in centres for adults only and 50·3 per cent in centres taking both children and adults. The corresponding percentages for the end of 1964, 32·3 per cent, 28·9 per cent and 38·8 per cent indicate a welcome trend.

24. The total number of people attending the centres on any date is less than the total number of places, particularly in a period such as the present when new centres are being opened at the rate of about one a week. Moreover, the numbers of children and adults attending do not always correspond with the number of places allocated to the two age-groups; for instance, in areas which are short of adult training centres, young adults may remain in a junior training
centre. The allocation of places between children and adults and the numbers attending, at the end of 1962 and 1964, were:

<table>
<thead>
<tr>
<th>Year</th>
<th>Places</th>
<th>Number Attending</th>
<th>Number receiving home training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Adults</td>
<td>Children</td>
</tr>
<tr>
<td>1962</td>
<td></td>
<td>Not separately recorded</td>
<td>293</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adults</td>
<td>Children</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13,540</td>
<td>24,682</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,142</td>
<td>1,310</td>
</tr>
<tr>
<td>1964</td>
<td></td>
<td>26,624</td>
<td>17,804</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,053</td>
<td>14,952</td>
</tr>
<tr>
<td></td>
<td></td>
<td>32,857</td>
<td>29,968</td>
</tr>
</tbody>
</table>

25. The staff of these training centres (excluding nursery attendants and domestic staff) rose from 2,324 on December 31st, 1962, to a figure of 3,566 for December, 1965. This gives a ratio of staff to places of 1 to 11.4 for December, 1962, and 1 to 9.5 for 1965. Thus, although the number of staff shown for December, 1965, is less than the 3,932 forecast for that date in the first revised plans published in 1964, recruitment has more than kept pace with the increase in places.

26. Social centres and clubs for the mentally disordered. At the end of 1962, local authorities were running 81 social centres or clubs for the mentally ill and had arrangements with another 31 run by voluntary bodies. At the end of 1964 the numbers had risen to 150 and 57 and at 31st March, 1965, the number run by local authorities was 162. For the subnormal there were 64 social centres or clubs run by local authorities at the end of 1962 and 47 by voluntary bodies; at the end of 1964, 99 run by local authorities and 55 by voluntary bodies; at 31st March, 1965, the number run by local authorities had risen to 142. These social clubs are sometimes held in the evenings in buildings used as training centres during the day.

27. Centres for the physically handicapped. These are provided by voluntary bodies as well as local authorities, and offer opportunities for purposeful occupation, for the provision of various services, and for recreation and social life. They range from small premises with limited facilities available only part-time to purpose-built centres equipped and staffed to offer a full range of facilities for all types of physically handicapped persons including work centres and craft rooms, meeting places for clubs, midday meals, baths and hairdressing. As the provision of services has stimulated the registration of those in need of them and the numbers registered (particularly of those with handicaps other than those of sight or hearing) has grown, local authorities have themselves provided more centres, the total increasing from 1,288 at the end of March, 1963, to 1,384 at the end of March, 1965.

28. Centres for the elderly. Day centres for the elderly provide primarily social contact and recreation, and some constitute also a focus for various services. Their nature varies widely, like those for the physically handicapped, and they are supplemented by over 7,000 social clubs for the elderly run by voluntary bodies. It appears that a number of clubs of this kind were included in the returns for March, 1963 in the first revised plans when the total number recorded was 198, but these have been excluded from the figure of 115 for March, 1965.
Residential accommodation

29. Subnormal adults. The number of subnormal adults resident in local health authority hostels rose from 479 at the end of 1962 to 954 at the end of 1964; the present returns record 1,446 places at 31st March, 1965. In addition, the authorities were maintaining 295 adults in voluntary or privately run homes, and 277 boarded out in private households at the end of 1962, and 555 and 345 respectively at the end of 1964. This accommodation is needed in order to provide for the subnormal who live with their families in childhood and early adult life but eventually need other provision and who in former years would then have gone into public assistance institutions or hospitals. It also allows for the discharge from hospital of patients who are fit to live in the general community if suitable occupation and training and residential care are available.

30. Subnormal children. At the end of 1962, 176 subnormal children were resident in local authority hostels; by 31st March, 1965, 900 places were provided. In addition, the authorities were maintaining 112 children in voluntary or privately run homes and 96 boarded out in private households at the end of 1962, and 212 and 77 respectively at the end of 1964. Many children need residential care only during the week or the equivalent of a school term, to enable them to attend a training centre, returning home at weekends or for school holidays.

31. Mentally ill. The number of places in local health authority hostels for the mentally ill rose from 323 at the end of 1962 to 1,084 at the end of 1964. These figures include a few hostels specifically for the elderly mentally infirm provided under the National Health Service Act, but most of the elderly mentally infirm are accommodated in general old peoples' homes or in a few special homes provided under the National Assistance Act. All accommodation for the elderly mentally infirm, under either Act, is included in the ten-year plans in the figures of accommodation for the elderly. The figure of 831 places in hostels for the mentally ill at 31st March, 1965, and forecasts for future years, in the present ten-year plans are therefore not comparable with the figures quoted above for 1962 and 1964. In addition, at the end of 1962 local health authorities were maintaining 404 mentally ill people (or people recovering from mental illness), including 2 children, in voluntary or privately run homes, and 18 boarded out in private households; at the end of 1964 the corresponding figures were 611 (including 6 children) and 47.

32. Staff of hostels for the mentally disordered. The ratio of staff (excluding domestic staff) to places in hostels for the mentally ill and subnormal taken together was 1 to 7 in December, 1962, and 1 to 5·1 on March 31st, 1965.

33. Physically handicapped. In March, 1963, 65 homes provided 6,079 places for the physically handicapped of all ages; in March, 1965 there were 75 providing 7,071 places, and both the total numbers of residents and of the younger physically handicapped in homes of all kinds had risen substantially. About one-third of those under 65 are in accommodation provided on behalf of the local authorities by voluntary organisations. There are now in England 7 local authority purpose-built homes for the younger physically handicapped. There is as yet insufficient experience to provide authorities with detailed guidance in a Building Note, but in November, 1965 (Circular 22/65) the Minister gave broad guidance on the standards considered desirable at the present time, particular
emphasis being placed on the need to provide homely premises for small numbers. Attention was drawn to the relief which can be given to relatives caring for the severely handicapped by the provision of places in these homes for short-stay care.

34. Elderly. In terms of expenditure and extent the main feature of local authority services for the elderly is residential care, which they provide mainly directly but also by arrangement with voluntary organisations. At the end of March, 1963, authorities were providing 83,807 places for the elderly in residential homes (including those for the mentally infirm and the physically handicapped), representing a ratio of 14-8 per 1,000 people aged 65 and over and expected by March, 1964 to have reached a net figure (after any closures) of 87,637, a ratio of 15-3. The present returns show that in March, 1965 they were providing 90,995 places for the elderly in these homes, a ratio of 15-6. They have thus been able to keep up to their expectations and go some way to meet increased demands, though too many elderly people remain in former Public Assistance Institutions or other large institutions.

35. Staff of homes for the elderly. Changes in the basis of the returns, and the inclusion in the returns of places but not of staff in voluntary homes providing accommodation for local authorities, combine to make impracticable any exact comparisons of ratios of staff to places. But broadly it can be said that a rise in the total number of places in homes for the elderly (including places for persons under 65) from 85,000 in March, 1963 to 92,000 in March, 1965 has been paralleled by a rise in the number of staff from 12,300 in December, 1963 to about 15,000 in December, 1965, that is to the number forecast for that date in the first revised plans.

Expenditure

36. Revenue expenditure. Revenue expenditure on local health and welfare services in recent years, adjusted as far as possible to the level of pay and prices at June, 1965 (the level used by local authorities in preparing their plans) is shown in Table 1.

Table 1

<table>
<thead>
<tr>
<th>Year</th>
<th>Health</th>
<th>Welfare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959/60</td>
<td>80</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1960/61</td>
<td>83</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1961/62</td>
<td>88</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1962/63</td>
<td>91</td>
<td>31</td>
<td>122</td>
</tr>
<tr>
<td>1963/64</td>
<td>95</td>
<td>35</td>
<td>130</td>
</tr>
<tr>
<td>1964/65</td>
<td>100</td>
<td>37</td>
<td>137</td>
</tr>
</tbody>
</table>

*These figures are net, after taking account of estimated payments by recipients of the services.

†Insufficient information is available to adjust welfare expenditure for these years to June, 1965 prices.
37. In the five years to 1964–65, local health authority expenditure increased by 25 per cent at constant prices; i.e., on average, just over 4\frac{1}{2} per cent per annum. Between 1962–63 and 1964–65, expenditure on local health and welfare services together increased by about 12 per cent compared with a forecast of 15 per cent made by local authorities in their first ten-year plan.

38. **Capital expenditure.** The volume of capital investment (including sites, vehicles and equipment) for which local authorities have had loan sanctions is set out in the Table below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962–63</td>
<td>16.3</td>
</tr>
<tr>
<td>1963–64</td>
<td>20.1</td>
</tr>
<tr>
<td>1964–65</td>
<td>22.4</td>
</tr>
<tr>
<td>1965–66</td>
<td>16.5</td>
</tr>
</tbody>
</table>

*Capital expenditure by the London County Council (which ceased to exist on 31st March 1965) was financed under borrowing powers obtained by annual legislation and is not included.

The figures in the table relate to loan sanctions recommended by the Ministry of Health in each year for issue by the Ministry of Housing and Local Government and the Welsh Office. Capital expenditure met by local authorities out of revenue and special funds is not included: the total expenditure met in this way increased from £3.6 million in 1962–63 to an estimated £4.4 million in 1965–66.

39. Although the total of loan sanctions has each year increased in real terms (except during 1965–66 when the start of most projects was deferred for six months in accordance with general Government economic policy) the capital programmes forecast by authorities in their plans in 1962 and 1964 have not been realised. The first plans forecast capital expenditure of an average of about £30 million per annum in the five years 1962–63 to 1966–67. The first revised plans forecast an average expenditure of about £32 million per annum in the five years 1964–65 to 1968–69. Nevertheless, apart from the special circumstances arising from the deferrals 1965–66 mentioned above, applications for loan sanction by local authorities as a whole have not so far exceeded the amounts it has been possible to recommend for issue; and it seems clear that in framing their plans local authorities have generally tended to over-estimate the speed with which they are able to bring forward proposals for capital expenditure.
40. Population trends, especially for the very young and the elderly, are the essential background against which the community health and welfare services must be studied and their development planned. The following table supplied by the General Register Office shows for England and Wales the estimated mid-year home population and births in 1965 together with projections of these figures during the period covered by the 10-year plans:—

Table 3

<table>
<thead>
<tr>
<th></th>
<th>1965</th>
<th>1971</th>
<th>1976</th>
<th>Percentage increase 1976 over 1965</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mid year home</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>population (1,000s)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>aged 0–4</td>
<td>4,113</td>
<td>4,541</td>
<td>4,725</td>
<td>15</td>
</tr>
<tr>
<td>aged 5–64</td>
<td>37,821</td>
<td>39,239</td>
<td>40,619</td>
<td>7</td>
</tr>
<tr>
<td>aged 65 and over</td>
<td>5,829</td>
<td>6,466</td>
<td>7,017</td>
<td>20</td>
</tr>
<tr>
<td>all ages</td>
<td>47,763</td>
<td>50,246</td>
<td>52,361</td>
<td>10</td>
</tr>
<tr>
<td><strong>Live births</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1,000s)</td>
<td>864</td>
<td>948</td>
<td>968</td>
<td>12</td>
</tr>
<tr>
<td><strong>Still births</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1,000s)</td>
<td>14</td>
<td>12</td>
<td>10</td>
<td>–29</td>
</tr>
</tbody>
</table>

41. The population growth of 10 per cent for all ages during this period results from a considerably faster rate of growth for children under school age and for the elderly than for the population aged 5–64. The overall increase of 15 per cent for children aged 0–4, slightly exceeds the increase in total live births; if as expected there is an increase in the proportion of hospital confinements, the number of domiciliary births may not increase at all, and may even continue to fall.

42. The number of people aged 65 and over is expected to increase by 20 per cent between 1965 and 1976, twice as fast as the total population. Within this group, the numbers aged 65 to 74 will increase at a slightly higher rate (22 per cent) than that (17 per cent) for those aged 75 and over. This trend is peculiar to this particular period covered by the 10-year plans; by the 1980's there will be an ageing of the population within the 65 and over group.
43. The following paragraphs analyse and comment on the main features of the picture presented by the national figures in the current forecasts. Paragraphs 44 to 55 deal with the staff of domiciliary services; paragraphs 56 and 57 with ambulance services; paragraphs 58 to 70 with centres and clinics; paragraphs 71 to 74 with special housing; and paragraphs 75 to 87 with residential accommodation. Revenue and capital expenditure are dealt with in paragraphs 88 to 93, which summarise in financial terms the growth in services envisaged by local authorities; and paragraphs 94 to 97 draw together the manpower implications of their plans. Finally paragraphs 98 to 100 briefly state the progress made and the development proposed, and indicate the action to be taken to follow up with local authorities any deficiencies which the plans appear to reveal.

Domiciliary Staff

44. *Health Visitors.* The present plans envisage the employment of 8,942 health visitors (in whole-time equivalents) by the end of 1975, which would represent a ratio of 0.17 per 1,000 population. The first plans forecast a ratio of 0.15 in 1972, and the first revised plans a ratio of 0.16 by the end of 1973. The higher ratios of 0.19 and 0.21 per 1,000 population forecast for English county boroughs and the Inner London boroughs respectively at the end of 1975, compared with the ratio of 0.16 for English county councils, may reflect the greater pressures falling on health visitors in urban areas (although the difference between rural and urban areas is less marked in Wales); but there must remain some doubt about the adequacy of the lower ratios to meet the needs of the services.

45. While the present returns show less variation than earlier plans in the forecasts for the end of 1975 among counties and county boroughs, the range of ratios of health visitors per 1,000 population is still considerable. In English counties, for example, the range is from 0.09 to 0.24, and in English county boroughs rather greater; in Wales the ratios vary between 0.10 and 0.28. Local circumstances vary widely, but it seems questionable whether those authorities with the lower ratios can be planning to provide an adequate service. It is encouraging that many authorities whose forecasts for the end of 1973 in the first revised plans were well below average have raised their sights and plan a higher ratio of provision for the end of 1975.

46. To meet the clear need for additional health visitors the Council for the Training of Health Visitors estimate that it will be necessary to increase the number of health visitor students from 640 per annum to about 1,200 in the next ten years. Revised health visitor training rules were approved in 1965, and the Council are increasing the number of courses. At present there are 24 approved training centres providing courses for the certificate and integrated courses of nurse/health visitor training are available at five centres. Approval of further courses is under consideration.

47. *Home Midwives.* Local authorities forecast a total of 6,604 midwives (in whole-time equivalents) by the end of 1975, representing a ratio of 0.13 per 1,000 population, compared with a ratio of 0.12 at the end of 1965. In the counties the 1975 ratios vary from 0.06 to 0.2, and in county boroughs from
0·04 to 0·26. In the London boroughs as a whole the corresponding ratio forecast is 0·09, and in the Inner London boroughs 0·07. This clearly reflects the high rate of hospital confinements in the London area, and illustrates the effect which differences in local customs with regard to home or hospital confinement necessarily have on the need for home midwives. It may well prove that a lower average ratio than 0·13 per 1,000 population will be adequate to meet the needs of the service in future years.

48. Home Nurses. Local health authorities plan to expand the service to the equivalent of 9,839 home nurses (in whole-time equivalents), a ratio of 0·20 per 1,000 population, by the end of 1970 and 10,609 (0·20) by the end of 1975. These figures represent not only an increase in the size of the total force but an increase over the decade of just over 10 per cent in the ratio per 1,000 population (0·20 compared with 0·18 at the end of 1965).

49. In English county boroughs and London boroughs the ratio planned for 1975 varies within a range of 0·13 and 0·50 per 1,000 population, but individual forecasts are generally concentrated fairly close to the average (0·19). In English counties the range is from 0·11 to 0·39 with a lower average (0·16). Welsh authorities plan to maintain the 1965 ratio (0·23), which is already well above the average for England, over the next ten years.

50. The growing numbers of the elderly, and the growing proportion of their time which home nurses have to devote to the needs of the elderly, would suggest that those authorities whose planned ratios are low will need to consider whether their assessment should be revised. There is some evidence in the present returns that authorities whose forecasts in earlier plans were substantially below the national average have now raised their sights, but a minority apparently remain content to plan for a ratio which may well be too low.

51. Home Helps. The present returns envisage an expansion in whole-time equivalents from 30,005 at the end of 1965 to 44,330 at the end of 1975. In terms of ratios per 1,000 population these forecasts represent an improvement from 0·63 per 1,000 in 1965 to 0·85 in 1975. The returns show a wide variation in the extent of service planned for 1975 by individual authorities, from a ratio of 0·24 per 1,000 population to 1·13 in English counties, 0·36 to 2·06 in English county boroughs, and 0·36 to 1·77 in London boroughs. In Wales the range is from 0·48 to 2·03. A very satisfactory feature of the plans is the number of authorities who aim to provide home helps in 1975 in excess of 1·0 per 1,000 population. These include eight English counties (and five Welsh), thirty-three English county boroughs (none in Wales) and thirteen London boroughs.

52. Certain studies that have been undertaken, notably the report on the Aged in the Welfare State by Townsend and Wedderburn, suggest that the home help service falls short of meeting all reasonable requirements. In September 1964 the Minister sent a questionnaire to twenty local health authorities (ten with a high ratio and ten with a low ratio of home helps per 1,000 population), the replies to which suggested that the size of the service provided is sometimes determined without full knowledge of the extent of local need. In Circular 25/65 the Minister encouraged authorities to consider undertaking local studies to enable them to review realistically their services and plans. It will be surprising if the results of any such studies suggest that a ratio of 1·0 home helps per 1,000 population is likely to be too high by the end of 1975.
53. Social Workers. The local authorities’ forecast requirements for all categories of social workers at the end of 1970 and 1975 are 5,718 and 6,403 respectively. These figures show that authorities’ current estimates are markedly higher than might have been expected from those made for the end of 1968 (4,200) and 1973 (4,752) at the time of the first revised plans. This may reflect in part the encouraging recruitment figures mentioned in paragraph 18 which give grounds for hoping that authorities will be able to make substantial progress towards the achievement of these increased forecasts. In the present returns the numbers of mental health social workers and other social workers have been shown separately; the national totals of these two categories of staff show that local authorities expect the need for mental health social workers to rise rather more quickly than that for other social workers. The total number of mental health social workers is expected to rise from 1,606 at the end of 1965 to 2,625 at the end of 1975 (an increase of about 64 per cent) whereas the number of other social workers is expected to rise from 2,398 at the end of 1965 to 3,778 at the end of 1975 (an increase of about 58 per cent). In 1965 about 16 per cent of all categories of social workers were qualified; it is encouraging that authorities are aiming at increasing this proportion to 52 per cent by 1975.

54. The national ratio of mental health social workers per 1,000 population is expected to rise from 0-03 per 1,000 population at the end of 1965 to 0-05 at the end of 1975, while for other social workers, the national ratio is expected to rise from 0-05 at the end of 1965 to 0-07 at the end of 1975. Taking both types of social worker together the national ratios of 0-08 for 1965 and 0-12 for 1975 are significantly higher than the comparable ratios forecast in the first revised plans of 0-06 for 1963 and 0-09 for 1973. The ratios for individual authorities do however reveal a wide range of variation. Several authorities are planning to achieve ratios for mental health social workers of over 0-13 by the end of 1975; at the other end of the range several authorities are planning for ratios of only 0-02 by the end of 1975. For other social workers several authorities are planning to achieve ratios over 0-24 by the end of 1975; at the lower end of the range several authorities plan ratios of only 0-02 by the end of 1975. The county boroughs and London boroughs tend to have higher ratios than the county councils. The Report of the Working Party on Social Workers in the Local Authority Health and Welfare Services (the Younghusband Report) envisaged a ratio of 0-11 social workers per 1,000 population for 1972. Local authorities’ present plans indicate that over the country as a whole they hope to achieve ratios in excess of 0-11 by the end of 1970 and 0-12 by the end of 1975. This is encouraging; but it must be admitted that, in view of the increasing needs for social workers revealed since 1959, if they were writing their report today the Working Party might well have envisaged a ratio higher than 0-11. Certainly it seems clear that authorities aiming at ratios substantially lower than 0-12 by the end of 1975 will need to reconsider their plans.

55. The number of mental health social workers in training is expected to rise from 134 at the end of 1965 to 155 at the end of 1970 and 161 at the end of 1975; the number of other social workers in training is expected to rise from 354 at the end of 1965 to 484 at the end of 1970 and to fall to 462 at the end of 1975. These figures include not only staff on courses but also those whom authorities intend to send on courses later; they do not include direct entrants to courses from outside local authority employment. Local authorities plan
to increase the number of staff holding the Certificate in Social Work from about 300 at the end of 1965 to about 2,400 at the end of 1975. It is not possible to determine from the figures of those in training whether they will in fact secure this planned increase in certificated staff, and local authorities will need to keep under review the numbers they have in training from time to time in the light of the actual increases in the number of qualified staff being achieved. To meet training needs the Council for Training in Social Work has been increasing the number of courses for the Council's Certificates. The Council has already promoted, in England and Wales, 16 two-year courses leading to the Certificate. More are planned, and some existing courses will substantially increase the numbers of students accepted annually, producing an estimated intake of at least 300 in 1966. In addition to these courses for new entrants and serving staff with relatively short experience, the Council has approved an emergency programme of one-year courses for those aged over 35 with five or more years’ experience of social work. Four such courses are already running and two more are expected to start later in 1966; these should provide for about 70 students. Other means are being sought to meet the special needs of serving officers who cannot take full-time training. Universities have increased the number of training places for students of social work and, as indicated in paragraph 18, there has been a substantial increase in the proportion of staff with this type of qualification employed in the local authority services, particularly in senior and supervisory posts.

Ambulance Service

56. Local authorities forecast a small increase in the number of ambulance stations, from 926 in March 1965 to 950 in March 1976; but this masks a continuation of the policy of replacing small and unsuitable premises by larger purpose-built units, as a result of which it is planned to build 65 additional stations, to close 41, and to replace 187. This constitutes a substantial expansion of the previously planned development. The increase in ambulance vehicles is 22 per cent over the ten-year period, slightly higher than the growth rate envisaged in previous plans. By March 1965 the number of vehicles was 5,672, about the total expected by that date on the basis of the first revised plans. The present plans also forecast a higher rate of growth in staff than either of the earlier plans. Authorities expect a staff of 16,481 by the end of 1970, compared with a total of 15,787 expected in the first revised plans by the end of 1973, and a figure of 17,651 by the end of 1975. Further increases may be necessary if the recommendations of the Working Party on training (published on 7th March, 1966) are adopted following the consultations now in progress with the interests concerned, since they estimated that an increase of 3 per cent would be needed to allow for staff absent on training courses at any one time.

57. While variations between different authorities in size and rate of planned development persist—ranging from increases of 60 per cent in vehicles or staff or both to no increases at all—the present returns show that authorities in general are planning for increases nearer to the average rate than in earlier forecasts.
Centres and Clinics

58. Health Centres. A striking feature of the present returns is the large number of additional health centres (that is premises which combined facilities for general practitioner and for local authority services) forecast especially during the earlier years. Compared with 68 envisaged by March 1974 in the first revised plans, 284 are now proposed by March, 1976, of which about half are forecast during the first two years of the present plans and about two-thirds during the first three years). Of particular interest is the fact that about a quarter of the health centres are proposed by the new London boroughs. In view of the practical difficulties, notably the shortage and high cost of land in London, this initiative is greatly to be welcomed. The remaining centres proposed are divided evenly between the counties and county boroughs, with rather more in the former in the earlier years. It may be that the proposed new arrangements for direct payments to family doctors in respect of expenditure on rent and ancillary staff will lead to even greater expansion than the figures suggest, and that family doctors and local authorities will come together to promote a more rapid development. There is a growing realisation among both parties that effective medical care in the community calls for their closest cooperation, and this can often best be achieved in health centres where the family doctor can enjoy the use of modern premises and daily contact with local authority staff and facilities.

59. Much has been learned from recent experiments about the desirable size and scope of health centres. To-day the tendency is to think in terms of smaller and more compact buildings than were at one time envisaged. Large centres costing more than say, £150,000 are now generally acknowledged to be uneconomic and too ambitious for the needs of most areas. While a few authorities have provided in their plans for health centres costing over £100,000, the tendency in counties is to prefer centres costing about £40,000, and in boroughs about £60,000.

60. Maternity and child welfare clinics. The proposals in the present plans to increase the number of clinics from 6,452 in March, 1965 to 6,576 in March, 1971 and 6,686 in March, 1976 represents a greater expansion than might have been expected from the forecasts of 6,487 in 1969 and 6,544 in 1974 contained in the first revised plans. It may also represent an expansion calling for some reconsideration. The medical functions and staffing of child welfare centres are at present being reviewed by a sub-committee of the Standing Medical Advisory Committee whose recommendations will be relevant to this question. If the best interests of the community demand closer integration of the local authority and family doctor services the continued provision of separate maternity and child welfare clinics may be undesirable. The future may indeed lie with the provision of health centres, which may replace much of the present clinic programme. While not forgetting other purposes which may be served by these clinic premises (e.g. the welfare of the elderly), authorities may well think it prudent to look again at their proposals for the provision of new clinics.

61. Training centres for the subnormal. The number of training centre places for children is planned in the present returns to rise from 18,770 in March, 1965 to 27,061 in 1971 and 28,493 in 1976, representing respectively 0·39, 0·54 and 0·54 places per 1,000 population. Places for adults are planned to rise from
15,348 in 1965 to 29,845 in 1971 and 33,971 in 1976, representing 0-32, 0-59 and 0-65 places per 1,000 population.

62. These national figures mask a very wide variation between the plans of individual authorities. The number of places for children per 1,000 population in 1965 range from 1-34 to nil, and the number planned for 1976 from 1-42 to nil. In 1965, 3 authorities had a ratio of 1-0 or more and another 53 of 0-5 or more; in 1976, 7 plan to have 1-0 or more and another 111 authorities 0-5 or more. Sixteen authorities' plans show a ratio in 1976 no higher than the national average for 1965, and the national average for 1976 is less than half that of the highest individual ratio for 1965.

63. For adults, the 1965 ratios range from 1-08 to nil, and the 1976 ratios from 1-66 to nil. In 1965, 2 authorities had a ratio of over 1-0 and another 40 of 0-5 or more; for 1976, 20 plan over 1-0 and another 108 authorities 0-5 or more. 18 authorities' plans show a ratio in 1976 no higher than the national average for 1965. The national average ratio for 1976 is lower than the provision already made in 1965 by 20 authorities.

64. Each authority has made its own assessment of the number of places needed in its area, and the pace at which it can progress to that figure. The need is not necessarily the same in all areas, and the ratios shown for individual authorities take no account of the fact that some authorities provide some or all of the places needed by a neighbouring authority. It is not yet possible to suggest what ratios are likely to meet the full need, which continues to grow as new techniques in training the subnormal are developed. Several research studies are in progress which are attempting to measure total needs and which may provide the necessary guidance. But it is clear from the wide variations in the present and planned provision of individual authorities that for England and Wales as a whole the plans up to 1976, while showing substantial improvement over the present provision, fall short of meeting the full need, particularly for training centres for adults.

65. The number of training centre staff planned for December, 1970, and 1975, would give ratios, in relation to places planned for March, 1971, and 1976, of 1 to 9-7 and 1 to 9-4, compared with 1 to 9-6 in 1965. The Training Council for Teachers of the Mentally Handicapped has approved 16 courses which are expected to accommodate an intake of about 330 students in 1966, and others are under consideration. Authorities have been asked to release staff for training, and to make facilities available for students in their centres.

66. Workshops or occupational centres for the mentally ill. The great majority of the mentally ill either continue to work, or return to work, in open or sheltered employment, some of them passing through the Ministry of Labour's Industrial Rehabilitation Units or the workshops of the voluntary Industrial Therapy Organisations. There is however some need for workshops or occupational centres to be provided by local authorities for those who are temporarily or permanently incapable of open or sheltered employment or (in the case of women) of the management of their homes. This is still a new element in the local authority mental health services, and the extent of the need is likely to become clearer as more centres are opened, and as more hostel places are provided for people who cannot return to their own homes on discharge from mental hospitals. In March, 1965, local health authorities had 659 places for the
mentally ill in 28 centres; some of these places are in centres which are also used by mentally subnormal adults or the physically handicapped. The plans provide for an increase by March, 1976 to 3,392 places in 106 centres.

67. Social centres and clubs for the mentally disordered. These are planned to increase, for the mentally ill, from 162 in March, 1965 to 282 in March 1976; and for the subnormal from 142 in 1965 to 230 in 1976. This is in addition to clubs run by voluntary societies. This is an activity in which there is great scope for co-operation between local authorities and voluntary societies, particularly where the authorities can make premises available for a club which a voluntary society may be able to organise. There is also scope for collaboration with the hospitals, in areas where hospital patients can attend a club run by a local authority or voluntary society in the community, or where people living in the community can attend social activities in near-by hospitals.

68. Centres for the physically handicapped. The present plans envisage a more rapid and extensive development than before, from 1,384 centres in March, 1965 to 1,605 in 1971 and 1,702 in 1976, compared with forecasts of 1,473 in 1969 and 1,561 in 1974 in the first revised plans. These centres vary considerably in size and quality, but the trend is toward the provision of larger purpose-built premises with a wide range of functions. At present there are only about 50 purpose-built centres, but the experience gained in operating smaller centres is a valuable guide to the type of facilities most needed in each district. English authorities propose to provide 250 more purpose-built centres by 1976, 195 of them by 1971. The London boroughs with very few at present have plans for 69 additional centres.

69. The plans for the large scale development of centres for the physically handicapped entail a considerable expansion of specialised staff. Authorities have not, however, recruited as many occupational therapists for these and other services as they had previously estimated (208 in all at the end of 1965 compared with a forecast of 266 in the first revised plans); and they may find difficulty in recruiting sufficient numbers from this small profession to achieve their objective of doubling the numbers employed to 416 by 1969. The major staffing requirement for centres is however for craft instructors. 302 were employed at the end of 1965; plans envisage an expansion to 740 by 1975. But the type of staff employed in each centre must vary according to the activities provided, and as voluntary bodies run some centres completely and are responsible for certain activities at others, the estimates of directly employed staff do not constitute a complete picture of the available manpower.

70. Centres for the elderly. Whatever may be the range of facilities provided the development of centres is clearly seen by local authorities as a substantial contribution towards the objective of helping the old person to maintain an independent life in his own home as long as possible. According to the present returns 115 centres were provided by authorities in March 1965, and the numbers forecast for 1971 and 1976 are 308 and 429 respectively. These figures vary appreciably from earlier plans, and the change no doubt reflects a revision in the light of growing experience of the nature and proper function of a centre properly so-called. It is likely that plans will again be revised as further knowledge is gained of the role of the centre in a comprehensive service for the elderly.
71. Housing of the Elderly. In the future as now the overwhelming majority of old people will live in their own or other private households, assisted and supported as may be necessary by the community services already described in earlier paragraphs. Housing authorities have made a substantial contribution to the housing of the elderly, not only through the general housing programme but especially by providing since the war some 360,000 dwellings with one bedroom (or bed-sitting rooms), most of which are occupied by the elderly and indeed were designed with their needs particularly in mind. A total of about 410,000 of these dwellings is available.

72. Special housing. For old people needing some degree of daily help and support, there has been the development of "special housing", that is of grouped dwellings under the supervision of a warden who can give or arrange for practical help. Housing authorities provide the accommodation which does not formally constitute a part of the welfare services or of the capital and revenue expenditure forecast in the present plans. But the welfare authority is closely associated with such schemes, and often also plays a part in the selection of tenants. Information about special housing covering the six years 1963-9 was first obtained as part of the first revised plans of local authorities. These showed that 35,894 old people were accommodated at the end of March, 1963, a ratio of 6-4 per thousand of the population aged 65 and over, and that authorities forecast a total of 123,961 (a ratio of 20 per thousand) by March, 1969. The present returns, again covering a six year period, show that by the end of March, 1965, 63,541 persons had been provided for—a ratio of 10-9—and that by the end of March, 1971, it is proposed to provide for 159,228 persons, a ratio of 24-6. There is clear evidence of the rapid development of this form of housing.

73. The amount of special housing provided or planned varies widely in different areas. Four counties, 20 county boroughs and five London boroughs had no special housing in 1965; seven county boroughs and two London boroughs show no provision by 1971. At the other end of the scale, the highest ratios per thousand elderly people in 1965 in counties were 69-3, in county boroughs 42-8 and in London boroughs 19-0; and the highest ratios planned for 1971 are in counties 102-5, in county boroughs 118-0 and in London boroughs 24-1. In general the tendency appears to be for special housing to be provided more widely (and residential homes less widely) in the counties, and the reverse in the boroughs.

74. Local circumstances are very different, and firm evidence is not yet available to show what scale of provision is most likely to be needed. But there may in some areas be a view that special housing constitutes an alternative to residential homes. This is certainly not so where there is an established need for continuous care and attention. It is generally more likely that the two services are complementary and are required to meet the needs of different groups of old people. In any event it is clear that the need for special housing is large and will grow with the growing numbers of old people, and that authorities planning for only a low ratio per thousand (or none at all) will need to reconsider their plans.
Residential accommodation

The mentally ill or subnormal

75. General. Hostels are not the only way of providing residential accommodation for the mentally disordered. Placement in lodgings, privately with families, or in small self-supporting groups in ordinary houses, are alternative, and for some far preferable, methods. The aim should be to enable each person to live as socially normal a life as possible. But taking this fully into account, as well as continuing placement in residential homes run by voluntary societies or private persons, there can be no doubt that a great many hostels provided and staffed by the local authorities themselves will be needed, as part of a fully developed system of community care.

76. It is also important that local health authorities’ plans for hostels and training or occupational centres should be co-ordinated. Although some residents in the hostels will be in open or sheltered employment, and many of those attending the centres will be living with their own families, there are many who need both hostel accommodation and a place in a centre and for whom one is no good without the other. This is particularly important for those who can be discharged from hospital if, but only if, a comprehensive service is available in the community.

77. Subnormal adults. The number of hostel places for subnormal adults are planned to increase from 1,446 in March, 1965 to 8,854 in 1976, representing respectively ratios of 0·03 and 0·17 places per 1,000 population. In March, 1965 123 of the 174 local health authorities had no such hostels. Among the other 51 authorities, provision ranged from 0·33 to 0·01 places per 1,000 population. The plans for 1976 show 40 authorities still without any hostels, and provision by the others ranging from 0·69 to 0·03 places per 1,000 population. Subnormal adults are the group among the mentally disordered for whom the greatest number of hostels are needed. The present plans are a step in the right direction, but only a step. Many authorities will need to move both further and faster than their present plans provide.

78. Subnormal children. In March, 1965, there were 900 places in local authority hostels for subnormal children, which are planned to increase to 2,706 in 1976, representing ratios of 0·02 and 0·05 per 1,000 population. 40 of the 174 authorities provided hostels in 1965; 85 plan to do so in 1976. The ratios range from 0·18 to nil in 1965 and from 0·28 to nil in 1976. The amount of residential accommodation needed for subnormal children is likely to vary considerably from one area to another, depending partly on the distribution of population and ease of travel, partly on housing and other social conditions, and partly on arrangements between authorities for shared accommodation. The main reasons why such accommodation is needed are to enable children to attend training centres because their homes are too far away for daily travel, or to provide for children whose families are unable to look after them properly at home.

79. Mentally ill. The number of places in hostels for the mentally ill is planned to increase from 831 in March, 1965, to 4,966 in 1976, representing ratios of 0·02 and 0·09 places per 1,000 population. Local health authorities are at present only beginning to gain experience in the provision of such hostels, which are largely in the experimental stage. Future plans are likely to be much affected by the lessons to be learnt from the pioneers about such questions as
the selection of residents, the likely average length of stay, staffing and other considerations. The Ministry is at present engaged in a study of these hostels, and it is hoped in due course to be in a position to give guidance to authorities based on the knowledge so far acquired of their nature and use.

The physically handicapped

80. In the past it has been common for the physically handicapped of all ages to be housed together, and for the elderly without specific handicap to be housed with the elderly who are physically handicapped. This practice continues; and the present returns show that homes for the elderly provided 5,465 places for persons under 65 in March, 1965, and that homes for the physically handicapped provided 4,155 places for persons of 65 and over and 2,916 places for those under 65. The forecast figures for 1971 and 1976 show no departure from this pattern; and although it is not possible from the forecasts to determine how far the figures mask a change from mixed to separate accommodation, it is evident from the more detailed information about capital projects supplied with the present returns that some authorities are unfortunately still thinking in terms of all-purpose homes, and that even by 1976 the majority of the younger handicapped (an even greater number than at present) would still be accommodated in homes for the elderly. Many authorities will need to review their present plans in order to provide the small homes of not more than 35 places which are required to meet the needs of the younger handicapped. Fortunately there are proposals for 50 such homes, including 14 in London where there is a marked shortage of purpose-built accommodation.

The elderly

81. Residential homes for those in need of care and attention, particularly the elderly, constitute not only a major welfare responsibility of local authorities but also the major single item of capital expenditure for their health and welfare services. Indeed the capital programmes forecast for the next ten years devote nearly half the total, or £171 million, to this one purpose.

82. The reason for this programme is clear, namely the great and growing numbers of elderly persons. The following table shows the expected increases in the elderly population of England and Wales over the decade covered by these returns:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1965</th>
<th>1971</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>Women</td>
<td>Total</td>
<td>Men</td>
</tr>
<tr>
<td>65—74</td>
<td>1,505</td>
<td>2,217</td>
<td>3,722</td>
</tr>
<tr>
<td>Men</td>
<td>Women</td>
<td>Total</td>
<td>Men</td>
</tr>
<tr>
<td>75—84</td>
<td>598</td>
<td>1,157</td>
<td>1,755</td>
</tr>
<tr>
<td>Men</td>
<td>Women</td>
<td>Total</td>
<td>Men</td>
</tr>
<tr>
<td>85 and over</td>
<td>100</td>
<td>252</td>
<td>352</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1965</th>
<th>1971</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>Women</td>
<td>Total</td>
<td>Men</td>
</tr>
<tr>
<td>65—74</td>
<td>2,203</td>
<td>3,626</td>
<td>5,829</td>
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Present experience suggests that the age of admission to homes tends to be high, and that it is particularly among those aged 75 or over that the need for residence arises. As the table shows, it is estimated that the numbers in this age group will increase by 17 per cent between 1965 and 1976.

83. The present returns forecast substantial increases in the number of places for the elderly in residential homes over the ten-year period. At the end of March, 1965, 90,995 places were provided, a ratio of 15·6 per thousand aged 65 and over. The total rises to 130,256 (20·2) in 1971, and 151,994 (21·7) in 1976. These figures compare with ratios of 15·3 in 1964 and 18·9 in 1974 forecast in the first revised plans. The increase over the eleven years ending in March, 1976 is one of more than 65 per cent compared with an increase of 17 per cent in the population aged 75 or over, and the difference provides some measure of the current shortfall in residential accommodation for the elderly.

84. The increase in places forecast is a net increase, since authorities are planning also for the replacement of old and outworn accommodation. The Minister asked authorities in preparing the present plans to state their intentions with regard to the closure of former public assistance institutions including a time-table of action. It is a notable achievement that the number of residents in these unsuitable buildings taken over for the purpose in 1948 has already been reduced from 42,000 to 27,000; but it is rarely possible to provide in them accommodation and care of modern standards, and their final elimination should be achieved as soon as possible. Authorities' present plans provide for all but 30, with 3,000 places, to be closed by 1976, and two of the remainder to be closed in 1977 and 1978. In some instances there is reluctance to close premises where large sums have been or are to be spent on improvements. This reluctance is understandable; but while it must be right to improve even obsolescent premises to make living in them more acceptable, expenditure on improvements cannot be held to constitute a justification for delaying closure. Only very exceptionally can these premises be modernised to produce a home acceptable by current standards. Local authorities which are not planning for early closure will need to consider their plans again.

85. Both present numbers of places for the elderly in residential homes and planned increases vary substantially between different areas. In March, 1965 the highest ratio of places per thousand of the population aged 65 and over was for an individual authority in counties 27·8, in county boroughs 32·1 and in London boroughs 30·7. The corresponding highest forecasts for 1976 are 35·3 in counties 39·9 and 47·5. At the other end of the scale the lowest existing ratio in the counties was 10·1, in county boroughs 7·6 and in London boroughs 6·1, and the lowest ratio forecast for 1976 is 11·1 in the counties, 13·4 in county boroughs and 13·1 in London boroughs. Following the production of the first revised plans authorities planning for a ratio of less than 15 were asked to review their forecasts, and it appears that they have generally concluded that a figure below 15 is not adequate.

86. Knowledge is still too limited to enable standard ratios of places to population to be laid down, and local conditions must in any event call for different levels. An important factor is that relationship between the hospital and welfare services in providing residential care, and in September 1965 the Minister sent to local and hospital authorities a memorandum outlining the
division of function as it appears to him and asking for close co-operation between them both in planning and in policies for admission. Co-operation of this kind is an essential basis for the proper development of an integrated service for the elderly, and as it grows its effect may be reflected in future planning. Further research now in progress, such as that being undertaken with the Minister’s assistance into the circumstances of old people by the National Corporation for the Care of Old People and by the National Institute for Social Work Training, should also throw clearer light on the need for residential homes. Meanwhile experience so far would suggest that most authorities may find a ratio of between 15 and 25 places per thousand population aged 65 and over appropriate to their areas.

87. The staffing of residential homes may well present increasing problems. Authorities forecast a residential care staff of 26,622 at the end of 1975, an increase of some 11,000 over 1965. It is likely that in doing so they assumed a continuance of broadly the same standards of staffing as at present. It is expected that the Committee on the Staffing of Residential Homes and Institutions, appointed by the National Council of Social Service under the chairmanship of Lady Williams, will shortly provide valuable advice on the problems of recruitment, training and staffing generally in old people’s homes as well as in other residential institutions of the health and welfare services.

Expenditure

88. Revenue Expenditure. The revenue expenditure forecast in the present ten-year plans at June 1965 prices is shown below.

<p>| Table 5. | £ million |</p>
<table>
<thead>
<tr>
<th>Year</th>
<th>Health</th>
<th>Welfare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965/66</td>
<td>112</td>
<td>42</td>
<td>154</td>
</tr>
<tr>
<td>1966/67</td>
<td>122</td>
<td>46</td>
<td>168</td>
</tr>
<tr>
<td>1967/68</td>
<td>128</td>
<td>50</td>
<td>178</td>
</tr>
<tr>
<td>1968/69</td>
<td>136</td>
<td>55</td>
<td>191</td>
</tr>
<tr>
<td>1969/70</td>
<td>143</td>
<td>59</td>
<td>202</td>
</tr>
<tr>
<td>1970/71</td>
<td>148</td>
<td>63</td>
<td>211</td>
</tr>
<tr>
<td>1975/76</td>
<td>167</td>
<td>77</td>
<td>244</td>
</tr>
</tbody>
</table>

*These figures are net, after taking account of estimated payments by recipients of the services.

89. The expenditure which authorities will actually incur in each of the years covered by their plans will be affected by the amount of capital employed, the staff available and the decisions taken in framing their annual budgets. It is difficult for authorities to estimate these with precision more than a year or two ahead. The forecasts of expenditure can however reasonably be regarded as a general indication of the extent to which local authorities are planning to develop their health and welfare services.

90. The figures imply a considerable expansion of health and welfare services over the ten years covered by the plans, a growth of 58 per cent in all; the annual
rate of increase is 9 per cent in 1966/67, falling off in later years to an average of about 3 per cent a year in the five years 1971/72 to 1975/76. The estimated increase in expenditure in 1966/67 is considerably greater than has been achieved in the past and may not be wholly realistic; but the average of about 6½ per cent per annum for the period 1965/66 to 1970/71 is more likely to be achieved. Within this figure, the average annual increase in expenditure on local health services is expected to be about 6 per cent, and that on welfare services about 8½ per cent. The falling off in the estimated increase in health and welfare services expenditure in the later years no doubt reflects the difficulties of forecasting realistically so far ahead.

91. Table 20.2 of the National Plan (Cmnd. 2764) includes estimates of current expenditure by local authorities on health and welfare services in Great Britain. These are compiled on a different basis from the forecasts of net revenue expenditure in the present local authority plans in that they are before deduction of income from charges to recipients of the services, do not include capital expenditure met from revenue, and are at 1965 Survey prices. After making adjustments to allow for these differences, the net revenue expenditure on local health and welfare services in England and Wales implicit in the National Plan shows an increase of about 30 per cent between 1965-66 and 1969-70. The corresponding increase in net revenue expenditure shown by the present local authority plans (31 per cent) is not significantly higher, but starts with a slightly higher level of estimated expenditure in 1965-66 than is allowed for in the National Plan. The division of net revenue expenditure implicit in the National Plan between local health and welfare services in 1969-70 is broadly similar to that in the ten-year plans.

92. Capital Expenditure. As was the case in local authorities’ first plans published in 1963 and the first revised plans published in 1964, the present plans show that authorities forecast that the greater part (£256 million or 74 per cent) of the capital expenditure over the 10 years 1966-67 to 1975-76 will be concentrated into the first five years (1966-67 to 1970-71) (see page 413). In practice, experience has shown that capital expenditure is likely to be more evenly distributed over the whole 10 year period. While the annual amounts of loan sanction recommended for health and welfare capital expenditure must always depend on the national economic circumstances, it is intended over the years to increase the amount in real terms of loan sanctions recommended. This is implicit in the figures for capital expenditure on local health and welfare services included in the National Plan; and those figures are likely to be more realistic than the present forecasts of local authorities. To an appreciable extent the speed of implementation of the authorities’ capital programmes rests with the authorities themselves. Experience has shown the need to go ahead with the detailed planning of individual schemes (including obtaining sites) well in advance of the application for loan sanction.

93. To sum up the position on the expenditure forecasts in the present plans, the National Plan implied that the proportion of the total current and capital expenditure of local authorities in England and Wales devoted to local health services was about 3½ per cent in 1964-65, and was expected to rise to nearly 4 per cent in 1969-70. For welfare services, the proportion was must over 1½ per cent in 1964-65, rising to nearly 2 per cent in 1969-70. Similarly, the proportion of total public expenditure incurred on local health and welfare services (about
1½ per cent) is expected to show an increase of about a tenth in the period. As is mentioned in the preceding paragraphs, the rate of increase in net revenue and capital expenditure on health and welfare services shown in the present local authority plans is in line with the National Plan, after allowing for a more even spread of capital expenditure over the years.

**Manpower**

94. In paragraphs 44–55 reference has been made to the needs for staff for the domiciliary services, in paragraph 56 for the ambulance service, in paragraph 69 for the various types of centres, and in paragraph 87 for residential homes for the elderly. But the staff required for the local authority health and welfare services includes many other categories not so far mentioned—for example, doctors, dentists, nursery nurses, chiropodists, as well as large numbers of administrative, manual and domestic staff. The present returns show a total for all types of staff of 133,048 at the end of 1965.

95. In preparing the forecasts for the next ten years local authorities were asked to indicate for the years 1966, 1967 and 1968 only the numbers they expected to be able to recruit and to have in post; but for later years to assume that staff would be obtainable, and to indicate on that basis the numbers they expected to need and would be prepared to employ. The forecasts show an increase from 1965 to the end of 1968 of 28,567, or over 21 per cent; for the first five years to the end of 1970 an increase of 43,802, or nearly 33 per cent; and for the second five years to the end of 1975 a further increase of 22,696 or about 13 per cent over the 1970 total.

96. These estimates are substantially higher in total than those made in the first revised plans, though as suggested for example in relation to health visitors (paragraph 44), home nurses, (paragraph 50), home helps (paragraph 52), and social workers (paragraph 54), it may well be that some authorities have underestimated the need for some groups of staff. On the other hand there may also be overestimates, for example of home midwives (paragraph 47), and of staff for centres, clinics and residential accommodation generally. If capital development, on which about half the estimated increase depends, proceeds less rapidly than forecast in the local authorities plans—and this is the expectation indicated in paragraph 92 above—the staff estimates particularly for the earlier years may well prove too high.

97. Account must also be taken of the probable general shortage of manpower, to which attention was drawn in the National Plan, bringing with it keen competition for the limited resources available. In February last (Circular 4/66) authorities were asked to keep staff increases to the minimum compatible with the achievement of essential improvements in services; and even with the wider employment of part-time staff (particularly of married women) which authorities will need to extend in the greatest possible measure, the general labour shortage may necessitate the continuance of this course. Authorities will also need to keep their priorities for the recruitment of staff under close review, in order to ensure that the resources obtainable are devoted particularly to those services where the shortage is greatest.
CONCLUSION

98. Paragraphs 10 to 39 have described the notable progress already made by local authorities towards realising the plans they first prepared in 1962. The degree of development inevitably varies from service to service and from area to area, but in general the achievement is substantial. Measured by revenue expenditure at constant prices the growth by 1964–65 was of the order of 12 per cent above the level of 1962–63.

99. Together with the summaries of the plans themselves paragraphs 43 to 97 demonstrate the general resolve of local authorities to devote steadily increasing resources to the development of services essential to the well-being of the communities for whom they are responsible. Again measured by revenue expenditure at constant prices, the growth envisaged between 1965–66 and 1975–76 is of the order of 58 per cent. Attainment of this objective must depend in large measure on the national resources in money and manpower which can be made available, but the plans bear witness to the readiness of local authorities as a whole to do all in their power to achieve success.

100. It will, however, be apparent from the foregoing paragraphs and from the plans of individual authorities that the level of particular services provided by a small minority of them falls below what is acceptable, and that some of these authorities do not appear to be planning to improve unsatisfactory services to an acceptable standard over the next ten years. In some areas the figures may well obscure the true position—for example where a satisfactory service is being provided by a voluntary body, or where facilities provided by one authority are meeting the needs of an adjoining area. But where the provision of a service appears to be substantially below an adequate level and likely to remain so over the whole period of the present plans, the Minister proposes to arrange for his officers to discuss the position with the authority concerned with a view to action to remedy any deficiency. It is his strong wish to work as rapidly as possible towards a situation in which an acceptable standard of service is provided throughout England and Wales; and he is confident that all authorities will share that wish, and will be ready to co-operate in reaching that objective.
APPENDIX A

SUMMARIES OF LOCAL AUTHORITIES' PLANS
GENERAL NOTES

1. The authorities are arranged by Hospital Regions, as nearly as possible in the same sequence as in the Hospital Plan for England and Wales (Cmnd. 0000), Appendix A, in order to facilitate comparison with the Hospital Programme. The Hospital Regions and local authority areas are in many places not exactly co-terminous, and where a local authority area falls in more than one Hospital Region, it is placed under the Region in which the largest part of its population lives.

2. The population estimates for 1965 are the Registrar General's mid-year estimates of the home population of each area.

The population projections for mid-1971 and mid-1976 are sub-divisions of the projections for standard regions made by the General Register Office for the National Plan (Cmnd. 2764). Those projections were made for 1971 and 1981, so that regional projections for 1976 were obtained by interpolation.

Within the standard regions, it has been assumed that the change which occurred between 1951 and 1964 in the proportion of home population residing in each local authority area will continue at the same rate. Thus if a particular local authority area had 5.00% of a standard region's population in 1951 and 5.13% in 1964 an increase of 0.01% a year would be projected forward, giving 5.20% in 1971 and 5.25% in 1976.

The estimates for persons aged 65 and over were done in the same way as those for persons of all ages, though rather more estimation was involved in obtaining starting data and regional controls for persons aged 65 and over.

The method used continues forward any trends occurring between 1951 and 1964 in the distribution of population within a standard region, and makes no allowance for changes in trends of housing development and population movements within those regions. These estimates are the best available consistent projections for local authorities in England and Wales as a whole at the time of going to print, and are subject to revision in the light of further assessment by the General Register Office.

3. Premises, places and services include those provided under agency arrangements (except for centres for the elderly) and those provided in rented accommodation. Residential accommodation provided on behalf of local authorities by voluntary organisations for the elderly, for the physically handicapped and for the mentally handicapped is included in the figures of places but not of premises. Only premises in use, or expected to be in use, at the given dates are shown. Total numbers of available places are shown, not merely occupied places.

4. Multi-purpose premises are shown in Table 1(a) under each kind of provision and places are apportioned. For example a mixed training centre with 20 junior places and 30 adult places would be counted as follows:

<table>
<thead>
<tr>
<th>Premises</th>
<th>Places</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior Training Centre</td>
<td>1   20</td>
</tr>
<tr>
<td>Adult Training Centre</td>
<td>1   30</td>
</tr>
</tbody>
</table>

The figures of premises are, therefore, to some extent inflated.
5. *Social centres and clubs for the mentally subnormal*, for which numbers are shown at the end of Table 1(a), are usually held in premises provided primarily for another purpose, e.g. training centre.

6. For *homes for the elderly* separate figures for persons aged 65 and over and persons aged under 65 are shown in Table 1(a) in order to give some indication of the extent to which places in homes for the elderly are used for younger people. Similarly figures for places in *homes for the handicapped* show separately the number of places filled by persons aged 65 and over. Table 1(c) relates only to those places in homes for the elderly and for the physically handicapped which are occupied by persons aged 65 and over.

7. The *physically handicapped* include the blind and the deaf.

8. The figures of *special housing for the elderly* in Table 1(d) show the number of persons accommodated in special housing where there is a resident warden, or where staff employed in a near-by residential home for the elderly are on call. The plans do not include forecasts beyond 1971. Accommodation provided by Housing Societies is included in addition to local authority provision.

9. The figures of *staff* exclude the staff of the school health service. Students, pupils and full-time administrative and supervisory nursing staff are excluded from the separate figures of midwives, health visitors and home nurses, but staff who are partly administrative or supervisory are included in those separate figures. The ambulance staff figures include senior operational staff. The figures of day nursery staff include all administrative and supervisory staff but students are excluded. For staff engaged in more than one branch of domiciliary work, hours of work have been divided among the entries in the Tables as appropriate. The forecast figures show the numbers the authorities consider they will need and will be prepared to employ, but limited as regards 31st December 1966, 31st December 1967 and 31st December 1968 to the numbers they expect to be able to recruit.

10. *Social workers* include all engaged in social work in the health and welfare services: medical social workers, family case workers, home teachers of the blind, mental welfare officers, moral welfare officers, psychiatric social workers, welfare officers and welfare officers for the deaf. Staff appointed with a view to training for a qualification in social work are included under “welfare assistants.”

11. *Ambulances* include sitting-case cars and dual purpose vehicles. Vehicles used for the Hospital Car Service are not included.
14th June, 1966

CABINET

CHANNEL TUNNEL

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

In this memorandum I report to the Cabinet, conclusions reached by the Ministerial Committee on Economic Development when they considered the Channel Tunnel project on 13th June, 1966.

Outline

2. Our predecessors, in conjunction with the French Government, decided in February, 1964 to go ahead with detailed examination of the technical feasibility of and economic case for a Channel Tunnel, after preliminary studies had shown that, as between a tunnel and a bridge, the advantage was decisively in favour of the tunnel. What has been studied is a rail tunnel with a very large capacity for freight, passengers and accompanied cars. Present estimates are that such a tunnel would take five years to construct and cost £134 million (£160 million inclusive of capital charges and interest capitalised over the construction period). For planning purposes it can be assumed that a maximum of 50 per cent of the capital and resources required would have to be found from United Kingdom sources.

3. A joint official report on problems of organisation and finance will be coming forward in July. But all the technical and economic assessments which we need to make up our minds in principle are already available; we cannot reasonably defer a decision on the grounds that there is not enough information or that the matter has not been sufficiently studied. If we can reach a decision in principle by the time the French Prime Minister and Foreign Minister come over here on 6th July, there are obvious political advantages in doing so.

Technical and economic appraisal

4. The technical and economic appraisals of the Channel Tunnel were set out in detail in a memorandum circulated by the Minister of Transport to the Ministerial Committee on Economic Development (ED(66) 49). Members of the Cabinet will have seen that memorandum, a memorandum by the Foreign Secretary on the foreign policy considerations (ED(66) 51) and a note recording the conclusions of the Economic Development (Official) Committee (ED(66) 53). There is no need for me to go over all this ground in detail again. The position briefly is-

(a) A bored tunnel is technically feasible, and no serious geological impediment exists. A bored tunnel would be technically more satisfactory than an "immersed tube" tunnel.
The tunnel would not impose any serious additional burden on the resources of the United Kingdom construction industry; and the man-power required should present no major problem.

On the latest estimates of traffic demand the overall net economic benefit of the Tunnel, as compared with meeting all the traffic requirements by means of surface or air transport (including hovercraft) is somewhere between £250 million and £350 million (depending on the volume of traffic), and the "discounted cash flow" rate of return is somewhere between 17 per cent and 21 per cent. Even if we assume that the tunnel costs £200 million (instead of the £134 million estimated) and that it ceases to carry any traffic at all after thirty years, the net economic benefit is somewhere between £165 and £250 million.

The construction of a tunnel would obviously increase the attractiveness of the channel port area of the South East region, though the growth of trade with Europe would in any case tend to have this effect. We should have to be ready to keep the growth of that part of the region under control, in the interests of our policies for other regions. But a stimulus to growth in that part of Kent, which is at present rather undeveloped, would not be unwelcome. Ashford is already being studied as a possible site for a new town of 100,000 or 150,000 people. Moreover, the opening of a direct rail link with Europe, if associated with imaginative development of freight handling in the railways, could lead to more and better use of the railways for continental freight traffic, and to less handling and greater speed of transit for goods coming to and from the continent. This should help to make our goods more competitive on the continent. It could even bring to our own deep sea ports ocean-bound traffic which would otherwise be shipped at continental ports like Hamburg.

This account is brief, but the studies which it reflects have been long and thorough. Some members of the Economic Development Committee had some reservations on the estimates of cost and traffic on which the economic appraisal is based (though it must be said that in the past the tendency has been to underestimate rather than overestimate the growth of cross-channel traffic); and there was general agreement that the regional consequences needed further study. But the consensus of view in the Committee was, I think I can fairly say, that the technical and economic case for the Tunnel was established. As I have stated, even on pessimistic assumptions about capital cost and growth of traffic, the net economic benefit of the Tunnel would still be substantial. There are two particular implications of this to which I should draw attention:

Compared with other methods of meeting the demand the Tunnel is highly capital-intensive; this means that the sooner it is constructed the greater the benefit.
Over the period of thirty years it would be cheaper in terms of resources and money to have a Tunnel than to rely on sea and air transport alone to meet the demands for cross-channel transport. Paradoxically, the most expensive course would be not to go ahead with the Tunnel.

Organisation and finance

6. There have been long discussions with the French Government about organisation. British officials have urged that the Tunnel should be constructed and operated as a public authority undertaking. It is clear, however, that the French Government will insist that the Tunnel should be constructed as a basically private enterprise, raising its own capital (partly, perhaps, under Government guarantee). They will agree, on the other hand that the Tunnel should be operated by a public authority, which, it is suggested, should have the right to acquire all rights of the Tunnel after a certain period. During that period the operating authority would lease the Tunnel. The lease agreement would be for detailed negotiation.

7. The construction company would raise capital, partly on loan stock, partly as equity, in London and Paris, and perhaps also in other overseas markets. The lease agreement would have to provide the equity holders with the prospect of a reasonable return on their investment, while ensuring that they did not reap excessive profits if traffic turned out to be much heavier than estimated. It would be for consideration (and of course discussion with the French Government) whether the British Government should themselves seek to participate in the equity and so share in the profits of the investment company, as well as in the surplus earnings of the operating authority after all expenses (including the rental to the investment company) had been met. This question is being considered by officials.

8. Some members of the Economic Development Committee saw grave objections of principle to having the Tunnel constructed and owned (at any rate for a substantial number of years) by private enterprise. This was in their view essentially a project for full public ownership and control from the outset. They pointed out that "risk" capital would demand a satisfactory rate of return though there would in practice be little or no risk.

9. Other members - the majority - of the Committee, taking a pragmatic view, were ready to accept that private enterprise should construct and hold the Tunnel if there were practical advantages, subject to appropriate safeguards, particularly on the financial arrangements between the operating authority and the holding company and on the option to the authority to acquire all rights of the Tunnel after a certain period. The advantages of having a substantial element of private capital would be:

(a) The capital would not have to come from the Exchequer.

(b) It might well be desirable to tap European investment funds for this project, in order to leave domestic resources free for other domestic investment; in the present state of European capital markets private enterprise would be in a better position than a public authority to mobilise such funds.
10. It seems to be clear that the French Government will not budge on this. We must reckon that, if we insisted on construction and ownership of the Tunnel by a public authority from the outset, there would be no prospect of going ahead in co-operation with the present French Government. The development of a Tunnel could well be set back by many years.

Conclusions and recommendation

11. We are not asked to take a final decision on this; clearly we cannot do so until satisfactory agreement has been reached on all aspects of the organisation and finance of the project. We have, however, reached a point when we have to decide whether we accept the general form of organisation which has emerged from the discussions so far and are content that detailed negotiations should proceed, or whether we do not want to go forward at all on the sort of basis that appears likely to be negotiable with the French Government. In my judgment we have all the material we can expect for a decision. We ought to take this decision in good time before the French Prime Minister and Foreign Minister come over next month.

12. If we decided in principle to go ahead, we should want to communicate the decision to French Ministers; indeed, it would no doubt feature in a communique on their visit. It would be very important that any statement to French Ministers or public announcement should be in terms which did not prejudice our right to withdraw if subsequent negotiations failed to meet our essential requirements. But we must recognise that the further we advance in discussions with the French Government the more difficult it will be to withdraw without damaging political consequences. To that extent a decision in principle to go ahead, even subject to reservations, will commit us, once it is conveyed to the French Government.

13. The Ministerial Committee on Economic Development, by a substantial majority, recommend that we should take a decision in principle to go ahead with the Channel Tunnel without delay, on the basis of a private enterprise company to construct and hold the Tunnel and a public authority to operate it, subject to:

(a) seeing the joint official report in due course;

(b) the outcome of detailed negotiations with the French Government and with the private interests concerned on organisation and finance, and in particular satisfactory conclusions on -

   (i) the rental agreement between the operating authority and the investment company;

   (ii) the terms and timing of the option to the operating authority to acquire the rights of the Tunnel from the investment company;

   (iii) the distribution of the equity of the investment company and the participation of overseas capital;
reservation of the British Government’s right in principle to participate in the equity of the investment company;

d) a guarantee of unrestricted access to the Tunnel for through traffic between the United Kingdom and continental countries other than France.

The Committee also considered that the consequences of a Channel Tunnel for regional planning should be further studied.

14. If the Cabinet accept this recommendation, I suggest that the Minister of Transport should be asked to prepare and circulate to the Ministerial Committee on Economic Development for discussion as soon as possible a draft of a statement which could be made to the French Prime Minister on 6th July, and to arrange for preliminary discussions with the French Ministry of Transport, at ministerial or senior official level as necessary.

G. B.

Department of Economic Affairs, S. W. 1.

14th June, 1966
17th June, 1966

CABINET

PRICES AND INCOMES BILL

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

We are committed to reintroduce shortly the Prices and Incomes Bill which was published just before the dissolution of the last Parliament. My colleagues will recall that the Bill is designed to reconstitute the National Board for Prices and Incomes (NBPI) on a statutory basis and to give the Government reserve powers, which would be used only after consultation with both sides of industry and an affirmative resolution by both Houses of Parliament, to operate a statutory "early warning" scheme for prices or pay or for both.

2. I do not need to remind my colleagues of the reasons for introducing the Bill, which is an important part of our programme for strengthening the voluntary prices and incomes policy which is in turn a key element of our policies for securing more rapid and sustained economic growth. The decision to introduce legislation on this basis was taken by the Cabinet at the beginning of September, 1965, and the main provisions of the Bill were approved by my colleagues in subsequent discussions (CC(65) 46th Conclusions, Minute 1, CC(65) 57th Conclusions, Minute 5 and CC(66) 1st Conclusions, Minute 3). I do not propose therefore that we should go over the old ground again or that the Cabinet should concern itself with the details of the Bill (which will shortly be coming before the Legislation Committee for this purpose). But my colleagues will wish to be informed of the main changes we are proposing to make to the Bill as published in February and I would welcome their views on the main outstanding problems.

Changes which have been made in the Bill

3. A revised print of the Bill is attached. The main changes which have been made are as follows.

Change in Ministerial functions

4. The Bill as published in February provided for all functions to be exercised by the Secretary of State (in practice, myself). There was also provision for price and pay notifications to be made to "the appropriate Minister" as defined in regulations to be made by the Secretary of State.
5. I have now had a number of changes made which are designed to reflect the change in Ministerial responsibilities for prices and incomes policy announced in Parliament on 25th May. The Bill now provides for references to be made to the NBPI either by the Secretary of State alone or acting jointly with another Minister of Ministers. Where a joint reference is made then all the other Ministerial functions under the Bill connected with that reference will be exercised jointly by the same Ministers. The Bill also provides for the "appropriate Minister" to whom a price of pay notification has been given to consent to the ending of a thirty day "early warning" period if it has been decided that the case concerned is not to be referred to the Board. The Secretary of State will remain solely responsible for appointing the NBPI, for making orders varying the principles in the White Paper on Prices and Incomes Policy, and for making orders specifying the categories of prices or pay claims or settlements of which notification is required.

Dividends

6. Clause 2(1) has been amended to make it clear beyond any possible doubt that dividend cases may be referred to the NBPI. In addition, a new clause (Clause 11) has been drafted giving power to require the notification of company dividends and other types of distribution in Part II of the Bill. This is discussed further in paragraphs 14-22 below.

Notification of claims by the TUC and individual unions

7. At the request of the TUC Economic Committee, I have arranged for Clause 12 to be amended to enable the TUC to take over the liability of its individual members for notifying claims, and for individual unions similarly to be able to accept liability on behalf of their members submitting claims, if they so wish. I think that this is a useful provision, which could help to strengthen central authority in the trade union movement.

Period for the Board's reports

8. Clause 18 has been revised to enable the three month period for the NBPI's reports to be extended in any case in which a standstill no longer applies. This means that a standstill cannot be longer than three months (plus in some cases the thirty day "early warning" period) but that in cases in which a standstill has been terminated for any reason the Board can be given more time to produce its report, or its final report.

Penalties under the Bill

9. We have taken care not to provide for imprisonment as a penalty for offences under the Bill. The penalties for which the Bill provides are:

(i) a maximum fine of £50 on summary conviction for failure to give evidence required by the NBPI for one of its enquiries, or for failure to observe a requirement under Part II to notify a pay claim, award or settlement, or increase in company distribution;

-2-
(ii) a maximum fine of £100 on summary conviction, and a maximum fine of £500 (except in the case of corporate bodies where there is no maximum) on conviction in a higher court, for failure to observe a requirement under Part II to notify a price increase or to observe a thirty day "early warning" period pending consideration by the Government or to observe a standstill of up to three months pending investigation by the NBPI.

These are reasonable penalties for the offences under the Bill. They are likely to affect employers more than workers, since employers have much more extensive obligations under Part II. Moreover, no prosecution can be instituted for an offence under Part II of the Bill without the consent of the appropriate law officer of the Crown who will be able to take into account all the circumstances of the particular case.

10. However, if any offender failed to pay a fine imposed on him under the Bill, the court which sentenced him could, under the existing law and at its own discretion, either exact the fine by distraint on the offender's goods or commit him to prison. I am very anxious to avoid as far as possible any risk that an offender against the Prices and Incomes Bill might be sent to prison, if only because of the opportunity for "martyrdom" which this could offer. I have therefore been considering in consultation with the Home Secretary possible ways of removing this risk or reducing it still further.

11. One possibility would be specifically to exclude the possibility of imprisonment under the Bill and to rely solely on distraint for the enforcement of fines. The difficulty is that distraint in its present form is ineffective, and even if it could be made more effective it might offer as much scope for "martyrdom" as the alternative of imprisonment.

12. The alternative remedy of attachment of earnings would be likely to be a more effective method of enforcing fines, and I have therefore considered with the Home Secretary whether it would be possible to provide for attachment in the Prices and Incomes Bill. But this course is also not without difficulty. The appearance of attachment as a means of enforcing fines under the Prices and Incomes Bill could imply that this method is specially suitable for dealing with offences under this Bill. This would be questionable. A trade union that wanted to flout the law would be unlikely to act as a fine collector in respect of its officers, and could be convicted of disobedience to the attachment order. Moreover, there is no ready-made provision for attachment for fines. The provision in the Maintenance Orders Act, 1958, on which a new provision would have to be modelled, is ten sections long and it would take time to make the necessary adaptations, including one for providing for the attachment of income other than wages, to which the TUC attach importance.

13. I have therefore come to the conclusion that it would be preferable for any changes in the existing law for the enforcement of fines to be made on a general basis if possible and not simply in relation to the Prices and Incomes Bill. The Home Secretary is currently considering the general problem of the enforcement of fines and hopes to be in a position to include a provision for the attachment of earnings in the Criminal Justice Bill to be introduced in the autumn. Subject to the views of my colleagues,
I propose to say in introducing the Prices and Incomes Bill that the general question of enforcement is currently under consideration by the Government and that the Home Secretary hopes to be able to introduce proposals in the autumn. If in the event it does not prove possible to introduce general proposals in the autumn, we should be ready to consider amending the Prices and Incomes Bill at the Committee Stage.

The treatment of dividends under the Bill

14. The other main criticism of the published Bill which has been made by our supporters is that it fails to deal adequately with dividends. The endorsement of the Bill by the General Council of the TUC shortly before it was published in February was subject to an amendment to require the notification of proposed increases in dividends.

15. We have from the start made it clear that our policy is entirely different from that of our predecessors, in that it covers prices as well as all types of incomes, not just wages and salaries. We have also said that our treatment of different forms of income must take account of differences in the way in which they are earned. In the case of dividends we have established two main principles:-

(i) Aggregate profits, part of which are paid out in the form of dividends, should not rise excessively compared with the growth of total wages and salaries (after allowing for short-term fluctuations). We are formally pledged to use our fiscal powers or other appropriate means to correct any such excess. I have stated publicly, in Parliament and elsewhere, that we are keeping a careful watch on the trend of dividends in particular and that we shall not hesitate to take any action which seems necessary. In addition, the National Economic Development Council is charged with the duty of keeping under review the general movement of prices and of money incomes of all kinds, including dividends. We have already introduced the corporation tax with the intention of limiting the proportion of profits distributed to shareholders in the future.

(ii) The profits of individual companies, and accordingly the scope for dividend distributions, should be restrained by the working of the prices policy. The White Paper specifically provides for increases in profits or dividends based on excessive market power to be referred to the NBPI as indicating scope for price reductions. Under the NBPI's terms of reference we have the power to refer any question relating to money incomes for examination (and I have amended the Bill to make it clear beyond any possible doubt that this includes dividends). The reference of profits and dividends of the clearing banks shows that we are ready to use this power in any case we judge desirable. I am looking for other dividend cases suitable for reference.
16. In this approach to the problem of dividends we have tried to reconcile the requirements of economic efficiency with the requirements of social justice. We are in effect applying the incomes criteria to profits and dividends only in the aggregate, and the prices criteria to individual cases. But the fact that we are not applying the incomes criteria directly to individual dividends cases, for general economic reasons, still lays us open to the criticism of unfairness. And my colleagues are well aware of the psychological importance of dividends amongst our supporters.

17. I have therefore considered again whether we could treat them in the same way as wages and salaries, and in particular whether we could make them subject to standstill under the Prices and Incomes Bill. Such a course is open to the following objections:­

(a) Any suggestion that a particular "norm" should apply to all dividend payments would discourage efficiency, the provision of capital for risk investment, and distort the allocation of capital resources. There is in any case no economic reason why dividend distributions of companies should rise by 3-3\(1\over 2\) per cent or any other figure.

(b) There would be considerable practical difficulties in operating a standstill scheme for dividends. A requirement for "early warning" of proposed dividend increases 30 days before these were generally known would involve serious risks of the improper use of privileged knowledge. Three month standstills for dividend proposals under investigation by the NBPI would involve uncertainty on the Stock Exchange and no doubt encourage speculation. It might also be necessary to amend the existing companies legislation to enable such standstills to be imposed.

18. In the light of these objections I have concluded that a provision for the compulsory notification of dividends, without giving power to impose standstills, is as far as we should go. Clause 11 in the attached print of the Bill has been drafted on this basis. This should be helpful insofar as it will enable us to ensure that we have all the information we need on dividends and other forms of company distributions to keep individual cases under review and to make references to the NBPI where appropriate. The existence of this power may also have the effect of making companies more hesitant to increase dividends unjustifiably.

19. When I discussed the treatment of dividends with the TUC Economic Committee after the election they accepted, albeit with some reluctance, that this was as far as we could go in the Bill. They appeared to be impressed by the practical difficulties of preventing persons in the company or elsewhere from using information which has not yet been made public for the purpose of personal gain. They thought that even a limited provision on the lines suggested above would be helpful in presenting the Bill to public opinion.
20. However, I feel that I must draw my colleagues' attention to the fact that even with this provision we are likely to be accused of unfairness in treating this form of personal income in a way which is different from the treatment of wages and salaries.

Constitution of the NBPI

21. There is one other important change which I should like to make to the Bill. In its present form this provides only for ad hoc references to the NBPI on which the Board is normally required to report within three months. I think it would be desirable in addition to provide for standing references relating to particular subjects which the Board could be asked to keep under review and to report on from time to time as requested or as it saw fit. The pay of university teachers (which I discuss in a separate paper (C(66) 82)) could be the subject of a standing reference of this kind. There might also be need at some future time for standing references of price questions in certain circumstances. It would also be desirable to provide for special appointments to the Board and for separate procedures where necessary in relation to such standing references.

22. If my colleagues agree in principle that it is desirable to provide for future developments of this kind, I will arrange for the necessary amendments to be incorporated in the existing draft. My colleagues will, of course, have an opportunity of commenting on the detailed provisions proposed.

Unilateral Pay Awards

23. My colleagues may like to be aware of one other problem which has arisen in relation to the definition of "awards and settlements" in the Bill. I am advised that this definition could not be held to cover increases in pay granted "unilaterally" by an employer without any claim having been lodged and without any negotiation or discussion with the employee. I do not think that this is of very great practical importance since it seems unlikely that we should want to catch increases of this kind which are normally given on an individual basis. But it is of political and presentational importance to be able to say that the powers under Part II of the Bill are wide enough to catch any type of case so that the existence of the powers could act as some deterrent even though they were never used. I am therefore consulting the Attorney General about the best way of handling this problem.

Timetable

24. I propose to bring the Bill before the Legislation Committee on 28th June and to publish it shortly after for a Second Reading on 13th July. Before publication I shall need to inform the TUC and CBI of our proposals on dividends.

Conclusion

25. I invite my colleagues to endorse these proposals, including the recommendations in paragraphs 13 and 22-23 above. I would also welcome their views in particular on the problem of dividends.

G.B.

Department of Economic Affairs, S.W.1.

16th June, 1966

CONFIDENTIAL
Prices and Incomes Bill

ARRANGEMENT OF CLAUSES

PART I

THE NATIONAL BOARD FOR PRICES AND INCOMES

Clause
1. Constitution and proceedings of the Board.
2. References of questions to the Board.
3. Principles to be applied by the Board.
4. The Board's reports.

PART II

NOTICES AND STANDSTILLS

General
5. Power to bring Part II into force.

Prices and charges
6. Notice of intention to increase prices or charges.
7. Standstill for prices or charges referred to Board.
8. Prices and charges: supplemental provisions.
9. Comparison of prices and charges.
10. Prices and charges: enforcement.

Company distributions
11. Notice of increase in company distributions.

Terms and conditions of employment
12. Notice of pay claims and other claims.
14. Standstill for other awards and settlements.
15. Terms and conditions of employment: enforcement.
16. Meaning of "trade dispute".
17. Employment under the Crown.

Supplemental
18. Reports on references to which Part II applies.
19. Orders made by Secretary of State.
20. Regulations about notices to Ministers.
21. Offences under Part II.
Clause

PART III

GENERAL

22. Duty of certain price-regulating bodies to have regard to considerations referred to in s. 3.


24. Interpretation.

25. Administrative expenses.

26. Application to Northern Ireland.

27. Short title and commencement.

SCHEDULES:

Schedule 1—Incidental provisions with respect to the Board.

Schedule 2—General considerations relating to prices and incomes.

Schedule 3—Exclusion from ss. 6 and 7 of prices and charges regulated under other enactments.
Establish a National Board for Prices and Incomes, and authorise the bringing into force of provisions requiring notice of price increases, pay increases, and other matters, and for enforcing a temporary standstill in prices or charges or terms and conditions of employment; in connection with recommendations made by the said Board, to amend the Restrictive Trade Practices Act 1956; and for connected purposes.

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

5

PART I

THE NATIONAL BOARD FOR PRICES AND INCOMES

1.—(1) There shall be established a body, to be called the National Board for Prices and Incomes (in this Act referred to as "the Board").

(2) Subject to subsection (6) below, the Board shall consist of not less than nine and not more than fifteen members appointed by the Secretary of State.

(3) The Secretary of State may appoint persons to the Board either as full-time members or as part-time members.

15 (4) Of the full-time members, the Secretary of State shall appoint one to be chairman of the Board and one or more, as he thinks fit, to be deputy chairman or deputy chairman.
PART I

(5) The Secretary of State shall, out of money provided by Parliament—

(a) pay to the members of the Board such remuneration, and such travelling or other allowances, as he may with the approval of the Treasury determine, and

(b) in the case of any member of the Board to whom he may, with the approval of the Treasury, determine that this paragraph applies, pay such pension, allowance or gratuity to or in respect of the member on his retirement or death, or make such payments towards the provision of such a pension, allowance or gratuity, as he may, with the like approval, determine;

and if a person ceases to be a member of the Board and it appears to the Secretary of State that there are special circumstances which make it right that that person should receive compensation, he may, with the approval of the Treasury, pay to that person out of money provided by Parliament a sum of such amount as he may with the approval of the Treasury determine.

(6) The Secretary of State may, by an order contained in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament—

(a) direct that the minimum or maximum number of members of the Board shall be a number greater or less than that specified in subsection (2) above;

(b) vary or revoke any previous order containing such a direction.

(7) The provisions of Schedule 1 to this Act shall have effect with respect to the Board, its members, officers and servants and proceedings.

2.—(1) The Secretary of State, or the Secretary of State and any other Minister acting jointly, may refer to the Board any question relating to wages, salaries or other forms of incomes, or to prices, charges or other sums payable under transactions of any description relating to any form of property or rights or to services of any description or to returns on capital invested in any form of property, including company dividends; and without prejudice to the generality of the foregoing provisions of this subsection the Secretary of State, or the Secretary of State and any other Minister acting jointly, may refer to the Board any question—

(a) relating to a proposal to increase any prices for the sale of goods or any charges for the performance of services, including charges for the application of any process to goods, or
(b) relating to any pay claims or other claims relating to terms and conditions of employment, or any awards and settlements relating to terms and conditions of employment,

and in this and the two next following sections "the Minister or Ministers concerned ", in relation to any question referred to the Board under this section, means the Minister or Ministers who referred that question to the Board.

(2) A question referred to the Board under subsection (1) above may be framed in any way whatsoever, and in particular may be concerned with a specified region or locality or with named undertakings or persons.

(3) The Minister or Ministers concerned may at any time by a further reference to the Board vary or withdraw any question referred to the Board under subsection (1) above.

(4) The text of any reference under subsection (1) or subsection (3) above shall be published in the Gazette.

3.—(1) The Board shall examine and report to the Minister or Ministers concerned on any question referred to them under section 2 above.

(2) In examining the question the Board shall, subject to the following provisions of this section, have regard to the considerations set out in Schedule 2 to this Act (which reproduces Part I of a memorandum presented to Parliament by the Secretary of State by Command of Her Majesty in April 1965).

(3) The Secretary of State may at any time by order set out considerations to which the Board are to have regard under this section whether in addition to, or by way of variation of or substitution for, the considerations set out in Schedule 2 to this Act.

(4) Before making an order under subsection (3) above the Secretary of State shall consult such organisations or bodies as he thinks fit, being organisations or bodies which appear to him to represent to any substantial extent the interests of those particularly concerned with the order, and any order so made—

(a) may be varied or revoked by a subsequent order so made,

(b) shall be made by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.

4.—(1) The Minister or Ministers concerned shall lay any report made by the Board on any question referred to them under section 2 above before each House of Parliament, shall
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publish it in such manner as appears to the Minister or Ministers to be appropriate, and shall record in the Gazette the date on which it is first so published; and that date shall be taken as the date of publication for the purposes of this Act.

(2) If it appears to the Minister or Ministers concerned that the publication of any matter in the report would be against the interests of national security, the Minister or Ministers shall exclude that matter from the copies of the report laid before Parliament and published under the foregoing subsection.

(3) Subject to subsection (4) below, the Board's report must be published under subsection (1) above within three months from the date on which the reference (meaning, if the original reference has been varied by a reference under section 2(3) above, the original reference) is published in the Gazette, and it shall be the duty of the Board to make their report so as to allow publication within the time limited by this subsection.

(4) The Minister or Ministers concerned may by a direction published in the Gazette extend or further extend the said period of three months by such further period as is specified in the direction.

(5) In framing their report the Board shall have regard to the need for excluding, so far as that is practicable, matter which relates to the private affairs of any person and the publication of which would or might in the opinion of the Board prejudicially affect the interests of that person.

(6) For the purposes of the law relating to defamation absolute privilege shall attach to the Board's report.

PART II

NOTICES AND STANDSTILLS

General

5.—(1) Her Majesty may by Order in Council of which a draft has been laid before and approved by a resolution of each House of Parliament—

(a) bring the provisions of this Part of this Act into force for a period of twelve months beginning with the date specified in the Order,

(b) from time to time extend or further extend that period by a further period of twelve months,

and if the Secretary of State proposes to lay a draft of an Order in Council under this subsection before Parliament he shall first consult with such organisations or bodies as he
thinks fit, being organisations or bodies which appear to him to represent to any substantial extent the interests of those particularly concerned with the Order.

(2) The provisions which may be so brought into force may be all the following sections in this Part of this Act, or all of them except 6 to 11, or all of them except 12 to 17.

(3) If an Order in Council brings this Part of this Act into force without either of those groups of sections a further Order in Council under subsection (1) above may bring into force that group of sections (together with the other sections of this Part of this Act as they apply for the purposes of any of that group of sections) for the residue of the period for which the remainder of this Part of this Act is in force, or for a different period of twelve months which may be separately extended under subsection (1)(b) above.

(4) Without prejudice to the provisions of section 37 of the Interpretation Act 1889 (power to make subordinate legislation in advance of coming into force of an Act), any power of making orders under the following provisions of this Part of this Act may be exercised before those provisions are brought into force on any occasion, but not so as to have any effect before they are so brought into force.

(5) Her Majesty may by Order in Council at any time revoke an Order in Council made under subsection (1) above.

(6) The lapse of provisions of this Part of this Act on the expiration of a period specified in an Order in Council under subsection (1) above, or on the revocation of such an Order in Council, shall not affect liability for any offence committed before the lapse, and shall be without prejudice to the further exercise of the powers conferred by subsection (1)(a) above.

**Prices and charges**

6.—(1) The Secretary of State may by order apply this section to any prices for the sale of goods and to any charges for the performance of services, including charges for the application of any process to goods.

(2) Prices or charges to which this section applies shall not be increased by any amount unless notice of intention to increase them by at least that amount has been duly given to the appropriate Minister.

(3) When notice of intention to increase prices or charges to which this section applies has been duly given to the appropriate Minister—

(a) those prices shall not be increased until after the expiration of a period of thirty days beginning with the date on which that notice of intention is so given,
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except that if at any earlier time the person giving that notice of intention receives written notice from the said Minister stating that it has been decided not to refer the notice of intention to the Board, this paragraph shall apply only until that earlier time,

(b) if under section 2(1) or 2(3) of this Act the notice of intention is referred to the Board by a reference published in the Gazette within the said period of thirty days, those prices or charges shall not without the written consent of the Minister or Ministers who referred the notice be increased until the date of publication of the Board's report on the reference.

Any written consent given under paragraph (b) above shall be notified in the Gazette.

(4) An order under subsection (1) above may frame a description of prices or charges to which this section applies in any way, and in particular in framing a description of prices of goods of a specified class—

(a) may make distinctions by reference to the undertakings or persons selling the goods,

(b) may make distinctions by reference to the terms and conditions on which the goods are sold, the quantity sold or the undertakings or persons to whom they are sold,

(c) may make distinctions by reference to the undertakings or persons by whom the goods have been produced or dealt with, or the locality in which they have been produced,

(d) in making any of the distinctions above as regards undertakings or persons, may distinguish undertakings or persons by reference to the regions or localities where they carry on business or the scale or turnover of their business or by reference to any other circumstances, and may include or exclude named undertakings or named persons;

and comparable distinctions may be made in relation to charges for the performance of services.

(5) An order under subsection (1) above may provide for the manner in which account is to be taken of any discount allowed in any transaction and may be applied both to any price before discount is allowed and also to any price after allowance of discount.

7.—(1) If under section 2(1) or 2(3) of this Act any question is referred to the Board concerning prices for the sale of goods or charges for the performance of services, including charges for the application of any process to goods, the Secretary
of State, or the Secretary of State acting jointly with any other Minister, may by notice published in the issue of the Gazette in which the text of the reference is published direct that this section shall apply to such prices or charges as may be specified in the direction, being matters to which the reference relates.

(2) Prices or charges to which this section applies shall not be increased until the date of publication of the Board's report on the reference, except that if at any earlier time the direction under subsection (1) above is revoked in whole or in part by notice published in the Gazette by the Minister or Ministers who gave the direction this subsection shall apply, or as the case may be shall apply to matters affected by the partial revocation, only until that earlier time.

8.—(1) An order under section 6 of this Act, and a direction under section 7 of this Act, shall contain such provisions for excluding prices and charges as appear to the Minister or Ministers making the order or giving the direction practicable and appropriate for the purpose of ensuring that those sections do not impede export trade (that is to say the provision of goods and services for persons not resident in the United Kingdom).

(2) The provisions of Schedule 3 to this Act shall have effect for the purpose of excluding, wholly or partially, from the operation of the said sections 6 and 7 certain prices and charges which are subject to regulation under other enactments and, in connection with the regulation of which, the considerations referred to in section 3 of this Act are, subject to certain exceptions, applied by section 22 thereof.

(3) The said sections 6 and 7 shall not apply in relation to prices paid on any sale by auction.

(4) A transaction shall not be invalid because it involves a price or charge which contains a price increase forbidden by this Part of this Act but the person paying the price or charge shall be entitled to recover the amount representing that price increase unless he is a person who is himself liable to punishment by reason of his having aided, abetted, counselled or procured the offence committed under this Part of this Act by the other party to the transaction.

(5) The said sections 6 and 7 shall not apply in relation to a transaction effected in pursuance of a contract enforceable in law and concluded before the relevant price or charge was brought within section 6 of this Act by an order under that section or, as the case may be, before the direction was given under section 7 of this Act.
PART II
Comparison of prices and charges.

9.—(1) In ascertaining for the purposes of this Part of this Act whether a price charged or quoted by any person represents an increase (that is to say as compared with prices charged or quoted at or for earlier times) the following provisions of this section shall have effect for selecting the prices to be taken for comparison.

(2) The price shall be compared with those charged or quoted by that person in the course of business for comparable transactions as regards goods of the same description.

(3) If there are no prices which can be taken for comparison under subsection (2) above the comparison may be with prices charged or quoted by that person in the course of business for transactions which are not in all respects comparable, and as regards goods which are not of precisely the same description, with a fair adjustment to take account of the differences.

As between different transactions or different descriptions of goods those taken for comparison under this subsection shall be those which are most closely comparable.

(4) In this section references to a price quoted by a person are references to a price at which that person offers to sell goods, or at which he gives notice of intention to do business by any display, advertisement, circular or other public notice.

(5) All the provisions of this section shall apply in relation to the performance of services as they apply in relation to the sale of goods, and references to prices charged or quoted shall, in this section as so applied, be construed as references to charges made or quoted.

10.—(1) It shall be an offence for any person in the course of business—

(a) to sell, agree to sell or offer to sell any goods, or

(b) to perform, agree to perform or offer to perform any services,

if the price or charge for the goods or services represents an increase which is forbidden by the foregoing provisions of this Part of this Act.

(2) It shall be an offence for any person to give public notice of his intention to ask or make a price or charge which represents an increase which is forbidden by the foregoing provisions of this Part of this Act.

(3) For the purposes of this Act an increase contained in a price or charge is one which is forbidden under the foregoing provisions of this Part of this Act—

(a) if the sale of the goods or the performance of the services is to be effected at a time when the increase is forbidden,
(b) in the case of an agreement or offer to sell goods or perform services, if the agreement or offer is made at a time when the increase is forbidden, and the terms of the offer or agreement do not preclude the sale of the goods or performance of the services being effected at a time when the increase is forbidden,

(c) in the case of a public notice of intention to ask or make a price or charge, if the public notice is given at a time when the increase is forbidden, and the terms of the notice do not expressly exclude a sale of goods or performance of services at a time when the increase is forbidden,

and in ascertaining whether a price or charge represents an increase which is forbidden under the foregoing provisions of this Part of this Act there shall not be taken for comparison any other price or charge which represents such a forbidden increase.

(4) It shall be a defence to proceedings under subsection (1) or subsection (2) of this section for the accused person to show that in a comparable transaction effected in the ordinary course of business at a time before prices or charges of the description comprising that to which the proceedings relate were brought within section 6 of this Act by an order under that section or, as the case may be, before a direction was given under section 7 of this Act, he asked or made a price or charge not less than that to which the proceedings relate; and subsections (3) and (5) of the last foregoing section shall apply for effecting a comparison under this subsection between transactions which are not in all respects comparable.

(5) A person guilty of an offence under this section shall be liable—

(a) on summary conviction to a fine not exceeding one hundred pounds, and

(b) on conviction on indictment to a fine which, if the offender is not a body corporate, shall not exceed five hundred pounds.

Company distributions

11.—(1) With a view to obtaining information regarding increases in company distributions which may assist the Secretary of State and other Ministers to determine whether any question concerning any company or companies should be referred to the Board under section 2 of this Act, the Secretary of State may by order apply this section to any companies.
(2) An order under subsection (1) above may frame a description of companies to which this section applies in any way, and in particular—

(a) may make distinctions by reference to the nature or scale of the trade or business carried on by any company, or the locality in which it is carried on, and

(b) may include or exclude named companies.

(3) Any increase in the distributions made by a company to which this section applies in any financial year shall be ascertained by reference to an earlier financial year fixed by rules prescribed by an order under this section as that company's basis financial year, and those rules—

(a) may prescribe different basis financial years for successive financial years of the same company, and

(b) may make different provision for different descriptions of companies to which this section applies, and

(c) may fix a basis financial year which falls wholly or partly before the time when this section begins to apply to the company.

(4) If the amount of the distributions to be made by a company to which this section applies for any financial year beginning at a time when this section applies to the company, with any adjustment required by subsection (7) below, will exceed the amount of the distributions made by the company for its basis financial year, the company shall, not later than the end of a period of seven days beginning with the day on which the relevant decision regarding its distributions is taken, duly give notice to the appropriate Minister giving particulars of the amounts of the distributions made or to be made in the respective financial years, and specifying the amount of the excess.

(5) If at any time the decision on which a notice given by the company under subsection (4) above is based is set aside or varied or revoked, or there is a decision to make a distribution not taken into account in the notice, or any assumption required to be made under this section in giving the notice proves to be wrong, the company shall not later than seven days after that time give a notice to the appropriate Minister giving the particulars required to correct the earlier notice.

(6) If a company fails to comply with subsection (4) or subsection (5) above it shall be liable on summary conviction to a fine not exceeding fifty pounds.
(7) The amount of the distributions made by a company for any financial year shall for the purposes of subsection (4) above be adjusted in proportion to—

(a) the amount by which the issued share capital of the company at the beginning of the financial year exceeds, or is less than, its issued share capital at the beginning of the basis financial year, and

(b) for any difference in the length of the financial year as compared with the length of its basis financial year,

and a company's share capital at the beginning of any financial year shall be computed by taking its share capital at the beginning of its basis financial year and adjusting it—

(i) by adding the amount or value of any consideration actually received in the period between the beginning of the basis financial year and the beginning of the financial year to be compared with it for the issue of share capital or on the payment up of issued share capital, and

(ii) by deducting the amount or value of any money or other assets paid or transferred by the company during the said period for the repayment of any share capital, and

the amount of the company's share capital at the beginning of the basis financial year shall be what is then the amount of the company's paid-up share capital and of any share premium account (or other comparable account by whatever name called).

(8) In this section "the relevant decision" means—

(a) where only one distribution is made by the company in the financial year, the decision to make that distribution,

(b) in any other case, any decision the implementation of which will bring the distributions made or to be made by the company for the financial year, with any adjustment required by subsection (7) above, into excess of the amount of the distributions made by the company for its basis financial year,

and "decision" means the effective decision, whether it be a declaration of dividend by the company in general meeting, or a decision of the directors, or any other decision, except that where the directors decide to recommend a dividend to be declared by the company in general meeting that decision, and not the declaration of the dividend in general meeting, shall be the decision for the purposes of this section.

(9) In applying subsection (8)(b) above, and in giving the notice required by subsection (4) above,—

(a) it shall be deemed that any preference dividend falling due after the taking of the decision in question, and
any interest on securities of the company falling due after that time, will in fact be paid, and

(b) any reasonable assumption may be made as to the length of the current financial year,

but the notice under subsection (4) above shall, if it is based on the assumption of a current financial year of a length greater or less than twelve months, state that the assumption has been made and the length assumed.

(10) In this section—

"company" means any body corporate resident in the United Kingdom,

"director" includes any person occupying the position of director by whatever name called,

"distribution" has the same meaning as in Part I of Schedule 11 to the Finance Act 1965, and if a distribution is not expressed to be made for any financial year of the company it shall be regarded as made for the year in which it is payable,

"financial year" means, in relation to a company, the period in respect of which any profit and loss account of the company laid before it in general meeting is made up, whether that period is a year or not, and "basis financial year" has the meaning given by subsection (3) above,

"preference dividend" means a dividend at a rate per cent. of the nominal value of the shares in respect of which it is paid which is fixed, or fluctuates only with the standard rate of income tax,

"share" includes stock and "share capital" shall be construed accordingly.

Terms and conditions of employment

12.—(1) The Secretary of State may by order apply this section to any pay claims or other claims relating to terms and conditions of employment made on behalf of employees.

(2) Notice of a claim to which this section applies shall be duly given to the appropriate Minister within a period of seven days beginning with the day on which the claim is presented to the employers or employers' organisation concerned.

(3) The notice may be given—

(a) by the trade union or other person by whom the claim is presented, or by any trade union or trade union organisation acting on behalf of that person, or

(b) by the person or any of the persons to whom the claim is presented, or by any employers' organisation representing the interests of employers to whom the claim is presented.
(4) The responsibility for ensuring that notice of the claim is given in accordance with subsection (2) above shall lie both on the person by whom the claim is presented (or the trade union or trade union organisation substituted for that person under the following provisions of this section) and by the employers or employers' organisation to whom the claim is presented, and if there is a failure to comply with subsection (2) above all of those persons shall be liable on summary conviction to a fine not exceeding fifty pounds.

(5) If a trade union or trade union organisation by notice to the Secretary of State accepts responsibility for persons specified in the notice subsection (4) above shall apply while the notice has effect as if the trade union or trade union organisation giving the notice were substituted in subsection (4) above for the persons specified in the notice.

A notice under this subsection shall take effect on notification by the Secretary of State in the Gazette of his approval given on being satisfied that the persons for whom the trade union or trade union organisation accept responsibility concur, and shall have effect subject to any varying or revoking notice taking effect in accordance with this subsection.

(6) An order under subsection (1) above may frame the descriptions of claims to which this section applies in any way, and in particular—

(a) may apply this section in relation to employees in specified kinds of work, or in specified localities, or working in specified undertakings or for specified employers,

(b) in applying it in relation to employees working in specified undertakings or for specified employers, may make distinctions as regards those undertakings and persons by reference to the regions or localities where the undertakers or employers carry on business, or the number of employees working in the undertakings or for the employers, or by reference to any other different circumstances, and may be made so as to apply to named undertakings or persons,

(c) may make distinctions by reference to the subject matter of the claims, including in particular distinctions between claims relating to pay and claims relating to other terms and conditions of employment, or by reference to the amount of any increase in pay which is claimed.

(7) This section shall not apply in relation to a claim presented before the coming into force of the order bringing within this section claims of the description embracing that claim.
13.—(1) The Secretary of State may by order apply this section to awards and settlements relating to terms or conditions of employment.

(2) Within seven days of the making of an award or settlement to which this section applies the employers affected by the award or settlement shall duly give notice, with particulars of the award or settlement, to the appropriate Minister; and an employer failing to comply with this subsection shall be liable on summary conviction to a fine not exceeding fifty pounds.

(3) The notice to be given as required by subsection (2) above may be so given by a trade union or other person representing the employees affected by the award or settlement, or by a trade union organisation acting on behalf of those employees, and, if so given within the period specified in that subsection, shall absolve the employers affected by the award or settlement from the responsibility imposed by that subsection; and notices to be given by any employers under subsection (2) above may be so given on their behalf by any one of them, or by any employers' organisation representing their interests.

(4) The receipt by the appropriate Minister of a notice duly given under subsection (2) or subsection (3) above shall be notified in the Gazette.

(5) An award or settlement to which this section applies shall not be implemented unless the notice required by this section has been duly given to the appropriate Minister.

(6) When the notice required by this section has been duly given to the appropriate Minister—

(a) the award or settlement shall not be implemented until after the expiration of a period of thirty days beginning with the date on which the notice is so given, except that if at any earlier time the said Minister publishes in the Gazette a notice stating that it has been decided not to refer the award or settlement to the Board, this paragraph shall apply only until that earlier time,

(b) if under section 2(1) or 2(3) of this Act the award or settlement is referred to the Board by a reference published in the Gazette within the said period of thirty days, the award or settlement shall not without the written consent of the Minister or Ministers who referred it be implemented until the date of publication of the Board's report on the reference.

Any written consent given under paragraph (b) above shall be notified in the Gazette.
(7) An order under subsection (1) above may frame the descriptions of awards and settlements to which this section applies in any way, and in particular may contain provisions corresponding to those authorised, in framing descriptions of claims, by paragraphs (a), (b) and (c) of section 12(6) of this Act.

(8) This section shall not apply in relation to an award or settlement made before the coming into force of the order bringing within this section awards or settlements of the description embracing that award or settlement.

14.—(1) If under section 2(1) or 2(3) of this Act any award or settlement is referred to the Board, the Secretary of State, or the Secretary of State acting jointly with any other Minister, may by notice published in the issue of the Gazette in which the text of the reference is published, direct that this section shall apply to the award or settlement.

(2) An award or settlement to which this section applies shall not be implemented until the date of publication of the Board’s report on the reference except that if at any earlier time the direction under subsection (1) above is revoked in whole or in part by notice published in the Gazette by the Minister or Ministers who gave the direction this subsection shall apply, or as the case may be shall apply in relation to the matters affected by the partial revocation, only until that earlier time.

(3) This section shall not apply in relation to an employer who first implements the award or settlement before the publication in the Gazette of the direction under subsection (1) above.

15.—(1) It shall be an offence for an employer to implement an award or settlement in respect of employment at a time when conditions of the implementation of the award or settlement is forbidden under the foregoing provisions of this Part of this Act.

(2) Subsection (1) above shall not make it unlawful for an employer, at a time when the implementation of an award or settlement is not forbidden by the foregoing provisions of this Part of this Act, to pay any sum in respect of remuneration for employment at an earlier time.

(3) A person guilty of an offence under subsection (1) of this section shall be liable—

(a) on summary conviction to a fine not exceeding one hundred pounds, and

(b) on conviction on indictment to a fine which, if the offender is not a body corporate, shall not exceed five hundred pounds.
PART II

(4) If any trade union or other person takes, or threatens to take, any action, and in particular any action by way of taking part, or persuading others to take part, in a strike, with a view to compel, induce or influence any employer to implement an award or settlement in respect of employment at a time when the implementation of that award or settlement is forbidden under the foregoing provisions of this Part of this Act, he shall be liable—

(a) on summary conviction to a fine not exceeding one hundred pounds, and

(b) on conviction on indictment to a fine which, if the offender is not a body corporate, shall not exceed five hundred pounds.

(5) This section shall not give rise to any criminal or tortious liability for conspiracy or any other liability in tort.

(6) The last foregoing subsection shall not apply in Scotland but where any act is prohibited by this section, the fact that it is so prohibited shall be treated as irrelevant for the purposes of any civil proceedings in Scotland.

Meaning of "trade dispute". 1906 c. 47.

16. The expression "trade dispute" as defined by section 5(3) of the Trade Disputes Act 1906 shall include any dispute between employers and workmen, or between workmen and workmen, which arises out of the restrictions imposed by this Part of this Act, and "dispute" shall include any difference of opinion as to the manner in which account is to be taken of the provisions of this Part of this Act.

Employment under the Crown. 1965 c. 62.

17.—(1) Although this Part of this Act does not bind the Crown a notice may be given under section 14 of this Act so as, without imposing any obligation on the Crown as an employer or otherwise, to apply to persons employed by or under the Crown, and subsections (4), (5) and (6) of section 15, and section 16, of this Act shall apply accordingly.

(2) Sections 12 and 13 of this Act shall not apply to or in relation to any person as an employee where, because the employer is the Crown, those sections do not impose any obligation on that person's employer.

(3) For the purposes of this Act employment by any such body as is specified in Schedule 3 to the Redundancy Payments Act 1965 (national health service employers) shall (if it would not otherwise be so regarded) be regarded as employment by or under the Crown.

(4) In the application of this section to Northern Ireland references to the Crown include references to the Crown in right of the Government of Northern Ireland.
Supplemental

18.—(1) If the report of the Board on a question referred to the Board under section 2(1) of this Act is not published in accordance with section 4(1) of this Act by a date within three months from the publication of the reference, the following provisions of this Act—
section 6(3)(b),
section 7,
section 13(6)(b),
section 14,
shall apply as if the report had been so published on the last day of that period.
(2) The said provisions of this Act shall apply in relation to a report notwithstanding that it is expressed to be an interim report or to deal with part only of the question referred to the Board.

19.—(1) An order made by the Secretary of State under this Part of this Act—
(a) may be varied or revoked by a subsequent order so made,
(b) shall be contained in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.
(2) The variation or revocation of an order made under this section shall not affect any criminal liability incurred before the variation or revocation takes effect.

20. The Secretary of State may by regulations in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament—
(a) prescribe the form of any notice to be given to a Minister under this Part of this Act, the manner in which any such notice is to be given and the evidence which is to be sufficient evidence of its having been given,
(b) prescribe the particulars to be contained in any such notice,
(c) authorise a notice to be given by any persons to be given on their behalf by such organisation, body or person as may be prescribed by the regulations, and
(d) define “the appropriate Minister” for the purposes of any such notice,
and regulations under this section may make different provision for different cases.
PART II
Offences under Part II.

21.—(1) Proceedings for an offence under this Part of this Act shall not be instituted in England or Wales except by or with the consent of the Attorney General, and shall not be instituted in Northern Ireland except by or with the consent of the Attorney General for Northern Ireland.

(2) In relation to an offence committed under this Part of this Act by a trade union section 33 of the Criminal Justice Act 1925, Schedule 2 to the Magistrates' Courts Act 1952, section 18 of the Criminal Justice Act (Northern Ireland) 1945 and Schedule 5 to the Magistrates' Courts Act (Northern Ireland) 1964 (procedure on charge of offence against a corporation) and any rules of court relating to the service of documents shall have effect as if the trade union were a corporation.

(3) Where an offence under this Part of this Act committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any such capacity, he as well as the body corporate shall be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

In this subsection “director”, in relation to a body corporate established by or under any enactment (including an enactment of the Parliament of Northern Ireland) for the purpose of carrying on under national ownership any industry or undertaking or part of an industry or undertaking, being a body corporate whose affairs are managed by its members, means a member of that body corporate.

PART III
GENERAL

22.—(1) Subject to the following subsection, any person or body having functions under any enactment in connection with the regulation of prices or charges of any of the descriptions specified in paragraph 2 of Schedule 3 to this Act shall, in the exercise of those functions, have regard, in addition to and so far as consistent with any other matters which they may be required to take into account, to the considerations set out in Schedule 2 to this Act, as for the time being added to or modified by any order of the Secretary of State under section 3(3) thereof.

(2) The foregoing subsection applies to the Air Transport Licensing Board and the Minister of Aviation in the exercise of their functions under the Civil Aviation (Licensing) Act 1960 only so far as those functions relate to charges on domestic services.
(3) The reference in subsection (2) above to charges on
domestic services is a reference to all charges in respect of
services between terminal points one of which is in the United
Kingdom and the other of which is in the United Kingdom, one
of the Channel Islands or the Isle of Man, with the exception
of charges for carriage between any such points where the
carriage forms part of carriage to or from a place which is not
in the United Kingdom, one of the Channel Islands or the Isle
of Man, and the tariff applicable to those charges is one for the
whole of the last-mentioned carriage.

23.—(1) The Secretary of State and the President of the
Board of Trade acting jointly may, if they consider it expedient

do so having regard to any recommendation as to prices
contained in a report of the Board under this Act, approve the
inclusion in any proposed agreement of any term as respects
which they are satisfied that the conditions specified in subsec-
tion (2) below are fulfilled, or the making by any trade associ-
ation of any recommendation as respects which they are similarly
satisfied; and —

(a) in determining whether an agreement is one to which
Part I of the Restrictive Trade Practices Act 1956
applies, no account shall be taken of any term included
therein pursuant to an approval under this section
(and accordingly, section 8(9) of that Act shall have
effect as if the restrictions accepted by any such term
were accepted by a term of which account cannot be
taken by virtue of section 7 thereof);

(b) section 6(7) of that Act shall not apply to any recom-
mendation made pursuant to such an approval.

(2) The said conditions are—

(a) that the term or recommendation in question relates
exclusively to the prices to be charged in connection
with transactions of a character dealt with by the
relevant recommendation of the Board, or transactions
of a character substantially similar to those so dealt
with; and

(b) that the said term or recommendation is expressed to
continue in force for a period not exceeding two years
from the date on which it takes effect.

(3) No order made by the Court before or after the passing
of this Act under Part I of the Restrictive Trade Practices Act
1956 (jurisdiction as respects restrictions which are contrary
to the public interest), and no undertaking given before or after
the passing of this Act in proceedings under that Part, shall
prevent the making of an agreement which, in consequence of
PART III

an approval under this section, is not an agreement to which the said Part I applies, or prevent the making of a recommendation pursuant to an approval under this section.

(4) An approval under this section shall be given in writing, and shall identify the report containing the relevant recommendation of the Board.

(5) In this section "agreement" has the same meaning as in Part I of the said Act of 1956.

Interpretation. 24.—(1) In this Act, unless the context otherwise requires:

"appropriate Minister" shall be construed in accordance with regulations made under section 20 of this Act;

"awards and settlements", in relation to terms or conditions of employment, includes any agreement, whether or not enforceable in law and whether or not concluded under recognised arrangements for the settlement by negotiations of terms and conditions of employment, to which any employer or any organisation representing employers is a party;

"business" in the expression "in the course of business" includes any trade, profession or vocation;

"employee" means an individual who has entered into or works under a contract with an employer, whether the contract be for manual labour, clerical work or otherwise, be expressed or implied, oral or in writing, and whether it be a contract of service or of apprenticeship; and cognate expressions shall be construed accordingly;

"goods" includes ships and aircraft, minerals, substances and animals (including fish);

"Minister" has the same meaning as "Minister of the Crown" in the Ministers of the Crown (Transfer of Functions) Act 1946;

"price" includes a charge of any description;

"public notice" includes any notice given by any member of a trade association to other members of that trade association;

"trade association" means any body of persons (whether incorporated or not) which is formed for the purpose of furthering the trade interests of its members or of the persons represented by its members;

"trade union" has the meaning given by the Trade Union Act 1913.

(2) Any reference in this Act to any other enactment shall, except so far as the context otherwise requires, be construed
as a reference to that enactment as amended or applied by or under any other enactment, including this Act.

(3) This Act shall apply in relation to—
(a) a conditional sale agreement, and
(b) a hire-purchase agreement,
as if the agreement were a sale of the goods to which the agreement relates for an amount equal to the total purchase price or hire-purchase price with a fair reduction where the consideration for receipt of that price includes the installation, main-
tenance or repair of the goods or the performance of other services apart from the giving of credit.

This subsection shall be construed, except as it applies in Scotland, in accordance with the Hire-Purchase Act 1965 and, 1965 c. 66. as it applies in Scotland, in accordance with the Hire-Purchase 1965 c. 67.

(4) In this Act “Gazette” means, in relation to a matter relating exclusively to England and Wales, or exclusively to Scotland, or exclusively to Northern Ireland, the London Gazette, the Edinburgh Gazette and the Belfast Gazette respectively, similarly for matters to be published or notified in any two of those Gazettes, and, subject to that, all three of those Gazettes; and, where anything is under this Act to be published or notified in more than one of those Gazettes, and is so published or notified on different dates, references in this Act to the date on which it is published or notified in the Gazette are references to the earlier or earliest of those dates.

25. Any administrative expenses incurred by a government department in consequence of the provisions of this Act may be paid out of money provided by Parliament.

26. It is hereby declared that this Act extends to Northern Ireland, but the Parliament of Northern Ireland shall have the same power to pass Acts with respect to any matter as they would have had if this Act had not passed and, in the event of any inconsistency between any Act of the Parliament of Northern Ireland duly passed after the passing of this Act and any provision of this Act, the Act of the Parliament of Northern Ireland shall, in Northern Ireland, prevail.

27.—(1) This Act may be cited as the Prices and Incomes Act 1966.
(2) Part I and Part III of this Act shall come into force at the expiration of a period of one month beginning with the day on which it is passed, and none of the provisions of Part II of this Act shall be brought into force before the expiration of that period.
SCHEDULE 1

INCIDENTAL PROVISIONS WITH RESPECT TO THE BOARD

1. The Board shall be a body corporate with perpetual succession and a common seal.

Tenure of office, etc., of members

2.—(1) Subject to the following provisions of this paragraph, a member of the Board shall hold and vacate office as such in accordance with the terms of his appointment.

(2) A person shall not be appointed to the Board for a term exceeding five years, but previous membership thereof shall not affect eligibility for re-appointment.

(3) The Secretary of State may, with the consent of the member concerned, vary the terms of appointment of any member of the Board so as to provide for him to serve as a full-time member instead of as a part-time member or, as the case may be, as a part-time member instead of as a full-time member.

(4) A member of the Board may at any time resign his membership by notice in writing addressed to the Secretary of State.

(5) The Secretary of State may, by notice in writing addressed to the member in question, terminate the appointment of any member of the Board who is, in his opinion, unfit to continue in office or incapable of performing his duties as a member.

Tenure of office of chairman and deputies

3.—(1) Subject to the following provisions of this paragraph, the chairman and any deputy chairman of the Board shall hold and vacate office as such in accordance with the terms of his appointment.

(2) The chairman or a deputy chairman of the Board may at any time resign his office as such by notice in writing addressed to the Secretary of State.

(3) If the chairman or a deputy chairman of the Board ceases to be a member, or a full-time member, of the Board, he shall also cease to be chairman or, as the case may be, a deputy chairman.

Application of House of Commons Disqualification Act

4. In Part II of Schedule 1 to the House of Commons Disqualification Act 1957 (bodies of which all members are disqualified under that Act), there shall (at the appropriate place in alphabetical order) be inserted the following entry:

"The National Board for Prices and Incomes";

and the like amendment shall be made in the Part substituted for the said Part II by Schedule 3 to that Act in its application to the Senate and House of Commons of Northern Ireland.
Officers and servants

5. The Board shall have a secretary, to be appointed by them after consultation with the Secretary of State, and may, after consultation with the Secretary of State and with the consent of the Treasury, appoint such other officers and servants as they think fit.

6. The Board shall pay to their officers and servants such remuneration, and such travelling and other allowances, as the Secretary of State may with the approval of the Treasury determine.

General provisions with respect to the Board's proceedings

7. The validity of any proceedings of the Board shall not be affected by any vacancy among the members of the Board, or by any defect in the appointment of any such member.

8. Subject to paragraph 15 below, the Board may determine their own procedure, including the quorum necessary for their meetings.

Exercise of chairman's functions during absence, incapacity etc.

9.—(1) At any time when the chairman of the Board is absent or otherwise incapable of acting, or there is a vacancy in the office of chairman—
   (a) such one of the Board's deputy chairmen as the Secretary of State may direct or, in default of any such direction, such one of them as they may agree, or
   (b) if there is then only one deputy chairman of the Board, the deputy chairman,
   may exercise any of the functions of chairman of the Board.

20 (2) At any time when every person who is chairman or deputy chairman of the Board is absent or otherwise incapable of acting, or there is no such person, such member of the Board as the Secretary of State may direct or, in default of any such direction, such member of the Board as the Board may agree may exercise any of the functions of chairman of the Board.

Remission of questions for preliminary examination by groups of members and persons specially appointed

10. A question referred to the Board shall, if the chairman so directs, be examined in the first instance by a group of persons consisting of—
   (a) not less than three members of the Board nominated by him, and
   (b) such other persons, if any, as he may think fit to nominate for the purpose, being persons drawn in equal numbers from the panels maintained by the Secretary of State pursuant to paragraph 11 below;

40 and in any such case, the Board, in formulating their report on the reference, shall take into consideration, but shall not be bound to accept, any findings or recommendations of the group.
11.—(1) For the purposes of paragraph 10 above, the Secretary of State shall draw up, and from time to time revise, two panels, one of persons appearing to him to have special knowledge or experience of matters concerning employers, and the other of persons appearing to him to have special knowledge or experience of matters concerning employees.

(2) In the exercise of his functions under the foregoing subparagraph, the Secretary of State shall consult with such organisations as he may consider appropriate, being organisations which appear to him to be representative of employers or, as the case may be, employees.

(3) The Board may if they think fit pay to persons whose names are included in either of the said panels such travelling and other allowances as the Secretary of State may with the approval of the Treasury determine.

12.—(1) The chairman of the Board shall nominate as chairman of any group constituted for the purposes of paragraph 10 above one of the members of the group who are also members of the Board.

(2) Where during the proceedings of any such group any member thereof ceases to be a member of the Board, or the name of any such member is removed from either of the said panels, he shall cease to be a member of the group, and the chairman of the Board shall appoint in his place another member of the Board or, as the case may be, another person drawn from the panel in question.

(3) Where during the proceedings of any such group the chairman of the Board is satisfied that any member of the group will be unable for a substantial period to perform his duties as such, he may if he thinks fit appoint in the place of that member another member of the Board or, as the case may be, another person drawn from the panel from which that member was drawn.

(4) Subject to paragraph 15 below, and to any specific or general directions which may from time to time be given by the Board, any such group may determine their own procedure, including the quorum necessary for their meetings.

Inquiries

13.—(1) The Board, and any group constituted under paragraph 10 above, may hold such inquiries as they consider necessary or desirable for the discharge of their functions under this Act; and the chairman of the Board or, as the case may be, group, or other member of the Board presiding in his stead, may at any such inquiry direct that any person appearing as a witness be examined on oath, and administer an oath accordingly, or, instead of so directing, require the person examined to make and subscribe a declaration of the truth of the matter respecting which he is examined.

(2) If any person who is to give evidence at any such inquiry so requests at the hearing, or by a notice in writing served on the Board's secretary before the date of the hearing, the public shall be excluded from the hearing while that person gives his evidence.
14.—(1) For the purposes of any inquiry under this Act, the chairman of the Board or, as the case may be, group, or any other member of the Board authorised by the chairman of the Board (whether generally or in connection with the particular inquiry) to exercise the powers conferred by this sub-paragraph, may by summons—

(a) require any person to attend, at such time and place as is specified in the summons, to give evidence on, or to produce all documents in his possession or control which relate to, any matter so specified, being a matter in question at the inquiry, or

(b) require any person carrying on any trade or business, or any trade union or trade association or officer of a trade union or trade association, to furnish to the Board or group such estimates, returns or other information as may be specified or described in the summons, and specify the time, the manner and the form in which any such estimates, returns or information are to be furnished.

(2) No person shall be compelled for the purposes of any such inquiry to give any evidence or produce any document which he could not be compelled to give or produce in proceedings before the High Court or, in complying with any requirement for the furnishing of information, to give any information which he could not be compelled to give in evidence in such proceedings.

(3) No person shall be required, in obedience to a summons under this paragraph to go more than ten miles from his place of residence unless the necessary expenses of his attendance are paid or tendered to him.

(4) A person who—

(a) refuses or wilfully neglects to attend in obedience to a summons issued under this paragraph, or to give evidence as required by such a summons, or

(b) wilfully alters, suppresses, conceals, destroys or refuses to produce any book or other document which he has been required to produce by such a summons, or

(c) refuses or wilfully neglects to furnish any estimate, return or other information required of him by such a summons or, in furnishing any such estimate, return or other information, makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular,

shall be liable on summary conviction to a fine not exceeding fifty pounds.

(5) Proceedings for an offence under the last foregoing sub-paragraph may (without prejudice to any jurisdiction exercisable apart from this sub-paragraph) be taken against a body corporate at any place at which the body has a place of business, against a trade union or trade association at the place at which it has its head office, and against any other person at any place at which he is for the time being; and subsections (2) and (3) of section 21 of this Act shall apply in relation to such an offence as they apply in relation...
to an offence under Part II of this Act, but as if, in the said subsection (2), the reference to a trade union included a reference to any trade association which is not a corporation.

(6) In the application of this paragraph to Scotland, for any reference to a summons there shall be substituted a reference to a notice in writing, and for the reference to the High Court there shall be substituted a reference to the Court of Session; and in the application of this paragraph to Northern Ireland, for the reference to the High Court there shall be substituted a reference to the High Court in Northern Ireland.

Power of Secretary of State to give procedural directions

15. In determining any matter of procedure (including the quorum necessary for their meetings), the Board and any group constituted under paragraph 10 above shall act in accordance with any general directions which may from time to time be given with respect thereto by the Secretary of State.

Disclosure of information

16.—(1) Subject to the following sub-paragraph, no information given or supplied by any person in connection with the examination of any question under this Act shall be disclosed except—

(a) with that person's consent, or

(b) to members of the Board and, so far as they are not members of the Board, of any group by whom the question is examined pursuant to paragraph 10 above, or

(c) to the Board's officers and servants, or

(d) to the Secretary of State, the President of the Board of Trade or any other Minister, or an officer or servant appointed by, or person exercising functions on behalf of, the Secretary of State, the President of the Board of Trade or any other Minister, or

(e) with a view to the institution of, or otherwise for the purposes of, any criminal proceedings pursuant to or arising out of this Act.

(2) The foregoing sub-paragraph does not apply to information given or supplied in any proceedings to which the public are admitted, or contained in any report of the Board as laid before Parliament, or published, pursuant to section 4(1) of this Act.

(3) Any person who discloses any information in contravention of sub-paragraph (1) above shall be liable on summary conviction to a fine not exceeding one hundred pounds or to imprisonment for a term not exceeding three months or both, or on conviction on indictment to a fine or to imprisonment for a term not exceeding two years or both.

(4) In paragraph (d) of that sub-paragraph “Minister” includes any Minister of the Government of Northern Ireland.
Expenses of the Board

17. The expenses incurred by the Board under paragraph 6, 11(3) or 14(3) above and to such amount as the Secretary of State may, with the approval of the Treasury determine, any other expenses of the Board shall be paid out of money provided by Parliament.

SCHEDULE 2

GENERAL CONSIDERATIONS RELATING TO PRICES AND INCOMES

In the Joint Statement of Intent on Productivity, Prices and Incomes, representatives of the T.U.C. and the employers' organisations have accepted that major objectives of national policy must be:

to ensure that British industry is dynamic and that its prices are competitive;
to raise productivity and efficiency so that real national output can increase, and to keep increases in wages, salaries and other forms of incomes in line with this increase;
to keep the general level of prices stable.

2. They have also agreed with the Government's proposals, set out in the White Paper on Machinery of Prices and Incomes Policy (Cmnd. 2577) that:

(i) the National Economic Development Council should keep under review the general movement of prices and of money incomes of all kinds; and
(ii) a National Board for Prices and Incomes should be set up to examine particular cases in order to advise whether or not the behaviour of prices or of wages, salaries or other money incomes is in the national interest as defined by the Government after consultation with Management and Unions.

Trends in national productivity

3. The figure for the growth of the economy between 1964 and 1970 which is being assumed in the preparation of the Government's plan for economic development is 25 per cent. This gives an average annual rate of growth of rather less than 4 per cent. In calculating the long-term annual rate of growth of national production per head of the working population allowance has to be made for the growth of the total national output due to increases in the numbers of the working population and for short-term variations in the rate of growth which result from fluctuations in the level of demand and the level of employment. The most recent forecasts indicate that between 1964 and 1970 the labour force may grow, as the result of the natural increase in the population of working age and the continuance of rising trends in the proportions working or seeking work, by no more than 1½ per cent. over the whole period. Some further increase in the numbers employed should result from the more vigorous regional policies to which the Government is committed.

4. These assumptions imply an average annual rate of growth in output per head of something approaching 3½ per cent. During the
early years of the plan period the underlying rate of growth will inevitably be below the average for the period as a whole; in addition the rate of increase may be slowed down by reductions in working hours and extension of holidays. By comparison the underlying rate of growth per head in the nineteen-fifties averaged about 2 per cent. It is now probably about 3 per cent.

Considerations of the national interest

5. Against this background the Government have now drawn up, after consultation with Management and Unions, a statement of considerations which should be taken into account if the pricing policy of individual enterprises and increases in money incomes are to conform to the national interest and in particular to achieve the objectives accepted by Management and Unions in the Joint Statement of Intent on Productivity, Prices and Incomes. These considerations are outlined below. They will help all those concerned with determining prices and incomes to act in a manner consistent with the national interest. They are also intended to guide the National Board for Prices and Incomes in its examination of particular cases.

Considerations affecting prices

6. The development of an effective policy for keeping the general level of prices stable will call for considerable efforts on the part of management generally to increase efficiency, avoid cost increases and wherever possible to stabilise or reduce prices. The rate of change of the average level of prices over any period of time is determined by differing movements of a very large number of individual prices. Even when the average level of prices is rising, there are many prices which fall. It would be impossible to lay down detailed rules which would cover all the circumstances which individual enterprises face when deciding the prices to ask for their products. On the other hand, unless some general guidance is given on the circumstances in which it might be appropriate to raise or reduce prices, there will be no basis for deciding whether individual price decisions are consistent with the national objectives. The considerations set out in paragraphs 9-10 are for the guidance of all concerned with the determination of prices.

7. It is not intended that the considerations set out in paragraphs 9-10 should inhibit the structural changes that will be necessary in the interests of faster economic growth. These take account of the fact that competition has an important part to play in stimulating economic expansion, and are consistent with the smooth working of a competitive system. It should be a normal part of enterprising business behaviour to increase efficiency, keep down costs and hold prices at a level compatible with its long-term growth. This would speed up the replacement of old techniques and out-of-date equipment by new techniques and modern equipment. Moreover, the considerations recognise not only that an enterprise must make sufficient profit to secure the capital necessary to meet home and overseas demand, but also that the vigorous and efficient enterprise can reasonably expect a higher level of profit than one that is not.
Sch. 2

8. These considerations apply equally to the prices of goods and services whether provided by private or public enterprise. The Government regard the nationalised industries as being under the same obligations as private enterprises to contribute to the general objective of price stability, while taking account of their financial and social obligations.

Criteria for price behaviour

9. To keep the general level of prices stable, it is vital that price increases should be avoided where possible and that prices should be reduced wherever circumstances permit. Enterprises will not be expected to raise their prices except in the following circumstances:

(i) if output per employee cannot be increased sufficiently to allow wages and salaries to increase at a rate consistent with the criteria for incomes stated in paragraph 15 below without some increase in prices, and no offsetting reductions can be made in non-labour costs per unit of output or in the return sought on investment;

(ii) if there are unavoidable increases in non-labour costs such as materials, fuel, services or marketing costs per unit of output which cannot be offset by reductions in labour or capital costs per unit of output or in the return sought on investment;

(iii) if there are unavoidable increases in capital costs per unit of output which cannot be offset by reductions in non-capital costs per unit of output or in the return sought on investment;

(iv) if, after every effort has been made to reduce costs, the enterprise is unable to secure the capital required to meet home and overseas demand.

10. Enterprises will be expected to reduce their prices in the following circumstances:

(i) if output per employee is increasing faster than the rate of increase in wages and salaries which is consistent with the criteria for incomes stated in paragraph 15 below, and there are no offsetting and unavoidable increases in non-labour costs per unit of output;

(ii) if the costs of materials, fuel or services per unit of output are falling and there are no offsetting and unavoidable increases in labour or capital costs per unit of output;

(iii) if capital costs per unit of output are falling and there are no offsetting and unavoidable increases in non-capital costs per unit of output;

(iv) if profits are based on excessive market power.

Considerations affecting incomes policy

11. The development of an effective policy for keeping increases in money incomes in line with increases in real national output will call for considerable efforts on the part of unions and management and all others concerned with the determination of incomes.
The object must be to increase productivity and efficiency as rapidly as possible in order to raise real incomes and to avoid, wherever possible, increases in money incomes that push up costs and prices. An important step will be to lay down a "norm" indicating the average rate of annual increase of money incomes per head which is consistent with stability in the general level of prices. In present circumstances the appropriate figure for this purpose is 3-3½ per cent. This would be subject to re-examination by the Government in the light of reviews to be conducted from time to time by the National Economic Development Council.

Employment incomes

12. Wages and salaries are determined by many factors, including changes in the supply and demand for different kinds of labour, trends in productivity and profits, comparisons with levels or trends of incomes in other employments and changes in the cost of living. The weight given to these different factors varies with circumstances. They are also influenced by the policies which the Government pursue in relation to the distribution of incomes. The Government in the Joint Statement of Intent on Productivity, Prices and Incomes have affirmed that their social objective is to ensure that the benefits of faster growth are distributed in a way that satisfies the claims of social need and justice. It is in that context that the following considerations are set out for the guidance of all those concerned with the determination of wages and salaries.

13. If wages and salaries per head are to keep in step with the long-term rate of increase in national productivity, less weight than hitherto will have to be given to the factors mentioned in paragraph 12 and more weight will have to be given to the incomes norm. Moreover, in applying the norm to wages and salaries, it will be necessary to take into account not only increases in wage and salary rates, but also increases in costs resulting from reductions in working hours without loss of pay, from higher rates of pay for overtime or shift work and from improvements in fringe benefits.

14. It would be impracticable and undesirable to lay down detailed rules so as to provide an indication of what changes in wages and salaries were warranted case by case. Nor would it be desirable to inhibit the structural changes necessary in the interests of faster growth. However, experience has shown that in conditions of full employment the normal processes of collective bargaining both at national and local level can result in pay increases which are inflationary in effect. It is accordingly important to ensure that increases in wages and salaries above the norm should be confined to cases in which exceptional treatment can be shown to be required in the national interest. These exceptional increases should be kept to a minimum, bearing in mind that they will need to be balanced by lower than average increases to other groups if the increase in wages and salaries over the economy as a whole is to be kept within the norm.

15. Exceptional pay increases should be confined to the following circumstances:

(i) where the employees concerned, for example by accepting more exacting work or a major change in working practices,
make a direct contribution towards increasing productivity in the particular firm or industry. Even in such cases some of the benefit should accrue to the community as a whole in the form of lower prices;

(ii) where it is essential in the national interest to secure a change in the distribution of manpower (or to prevent a change which would otherwise take place) and a pay increase would be both necessary and effective for this purpose;

(iii) where there is general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living;

(iv) where there is widespread recognition that the pay of a certain group of workers has fallen seriously out of line with the level of remuneration for similar work and needs in the national interest to be improved.

Other incomes

16. Some types of incomes, for example those of farmers and landlords, are to a considerable extent determined by Government policy. The Government will, in accordance with its general objective of price stability, have regard to the fact that increases in incomes of this type have an effect on the prices of goods and services. The income of nationalised industries, local authorities, etc. accrues directly to the community, but this does not mean that the prices charged by such undertakings should not be susceptible to the general considerations outlined above. The incomes of self-employed persons are an important category of personal incomes. They differ from those of employees in some respects, and allowance must be made for these differences. Nevertheless, those who are responsible for determining or are capable of influencing the incomes of self-employed persons should be guided by the considerations relating to the settlement of incomes and, where appropriate, to the criteria for price behaviour. Increases in these incomes may therefore be referred to the National Board. The other main category of non-employment incomes is profits, a part of which is distributed in the form of personal income to shareholders. An effective policy for avoiding price increases and securing price reductions wherever possible should ensure that increases in profits arise from increased efficiency. Where the growth of profits or dividends is based on excessive market power this could indicate scope for price reductions and such cases would be referred to the National Board for Prices and Incomes for examination.

General considerations

17. The requirement that total money incomes should rise in line with the growth of real national output does not mean that all forms of income should increase at the same rate. It is necessary not only to create the conditions in which essential structural readjustments can be carried out smoothly but also to promote social justice. The general review of money incomes of all kinds to be carried out by the National Economic Development Council will involve not only the assembly of the facts about the movement of the main categories
of income—wages, salaries, income from self-employment, profits (distributed and undistributed) and rent—but also an appraisal of the way the distribution of the national income is developing under the impact of the prices and incomes policy. The Government have pledged themselves to use their fiscal powers or other appropriate means to correct any excessive growth in aggregate profits as compared with the growth of total wages and salaries, after allowing for short-term fluctuations.

SCHEDULE 3

EXCLUSION FROM SS. 6 AND 7 OF PRICES AND CHARGES REGULATED UNDER OTHER ENACTMENTS

1. A Minister shall not have power to apply section 6 or 7 of this Act to any price or charge to which this paragraph applies, and any order under the said section 6 or direction under the said section 7 which is so framed as to be capable of referring to such a price or charge shall have effect as if it contained express provision for its exclusion.

2.—(1) The said prices and charges, with the exception of those relating exclusively to Northern Ireland, are as follows:

(a) pilotage dues within the meaning of the Pilotage Act 1913;
(b) prices for iron and steel products to which section 8 of the Iron and Steel Act 1953 (power of Iron and Steel Board to fix maximum prices) for the time being applies;
(c) charges to which section 6 of the Transport Charges &c. (Miscellaneous Provisions) Act 1954 (power of Minister of Transport to revise charges of certain independent statutory undertakings) for the time being applies;
(d) fares and other charges for carriage, on tramway or other services to which Schedule 1 to the said Act of 1954 applies, where the amount or maximum amount thereof is for the time being governed by any provision of that Schedule;
(e) fares on any service provided under a road service licence granted under the Road Traffic Act 1960, where the amount or maximum amount thereof is for the time being fixed by means of a condition attached to the licence;
(f) charges in respect of any service authorised by an air service licence granted under the Civil Aviation (Licensing) Act 1960, or in respect of any service authorised by a permit granted under an Order in Council made under section 8 of the Civil Aviation Act 1949;
(g) charges with respect to which the Transport Tribunal are empowered to make orders by section 45(1) of the Transport Act 1962;
(h) ship, passenger and goods dues, within the meaning of the Harbours Act 1964, and charges exigible by virtue of section 29 of that Act (local light dues); and
(i) any prices or charges in respect of which, under any local Act, or any provisional order confirmed by Act of Parliament (including any such Act of, or order confirmed by an Act of, the Parliament of Northern Ireland, and Acts and orders passed or confirmed after the commencement of this Act) powers of revision, confirmation or approval are exercisable by any person or body other than the person or body by whom they are charged or made, where the amount or maximum amount thereof is for the time being fixed or authorised in exercise of those powers.

(2) In Northern Ireland, the said prices and charges include also—
   (a) charges for the supply of gas by undertakers within the meaning of the Gas Regulation Act 1920; and
   (b) charges of harbour authorities which are liable to revision by the Minister of Commerce under the Harbour Authorities (Charges and Borrowing Powers) Act (Northern Ireland) 1956.

3. Nothing in section 6 or 7 of this Act shall prevent any increase in a price or charge which may be necessary to bring it to a minimum amount for the time being required or authorised by any such provision or condition, or in the exercise of any such power, as is mentioned in paragraph 2(1)(d), 2(1)(e) or 2(1)(i) above.
To establish a National Board for Prices and Incomes, and authorise the bringing into force of provisions requiring notice of price increases, pay increases and other matters, and for enforcing a temporary standstill in prices or charges or terms and conditions of employment; in connection with recommendations made by the said Board, to amend the Restrictive Trade Practices Act 1956; and for connected purposes.

LXXXVII—C (3)

17th June, 1966

65—3 (38457) 44/1
PRICES AND INCOMES POLICY

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

Since we took office in October 1964 we have been developing a policy for productivity, prices and incomes which is designed, on the basis of co-operation and agreement with representative bodies on both sides of industry, to bring about a gradual but permanent improvement in the prices and incomes situation. I have been discussing with my colleagues in the Ministerial Committee for Prices and Incomes what action we should take to meet the fact that the policy has so far proved less immediately effective than our economic situation requires. In this paper I suggest certain ways in which we should, in my view, urgently seek to make the policy more effective. In separate papers I discuss a number of possible improvements in the machinery for pay reviews, arbitration, etc. (C (66) 82) and seek the agreement of the Cabinet to a revised Prices and Incomes Bill (C (66) 80). Although these papers are not intended to commit my colleagues, I have nevertheless tried in them to reflect the main points made in our discussion (FI (66) 2nd Meeting).

Prices and incomes freeze or standstill

2. It has been suggested in various quarters that our present economic difficulties could best be secured by the shock treatment of a temporary but general "freeze" or standstill of prices and incomes. Hardly anyone suggests that this could be done on a statutory basis; it would have to be voluntary. What would be involved would be a call on all business, trade and industrial undertakings (private and public) to hold their prices steady for a period, and similarly on all employers and trade unions to observe a pay standstill for the same period.

3. This is not an idea that one ought to dismiss out of hand. It may well be true that we could secure quite a large number of undertakings in this sense. But the difficulty is that no voluntary arrangements of this sort could hope to be watertight. On the
prices' side we should have to agree that prices of seasonal foods and imported materials would continue to fluctuate. In addition some price increases might have to be accepted in order to avoid causing exceptional hardship to particular firms; and for one reason or another—good or bad—many prices would in practice undoubtedly continue to rise. This would lead to complaints of unfairness from firms which were holding their prices and from workers and trade unions who were maintaining the standstill in pay.

4. On the pay side, it would be necessary to secure deferment of increases due under existing agreements (including cost of living sliding scale agreements) as well as of increases arising from negotiations, statutory wage-fixing bodies and arbitration bodies. The Government would have to be particularly punctilious in getting a complete standstill in the public sector. But again the standstill would be bound to be undermined. For example it could not be enforced at work-place, site or factory level and it could hardly be expected to override an employer's contractual commitments. All this—in particular the deferment of forward commitments—would arouse bitter opposition and there would be a very serious risk of the familiar situation in which the Government was obliged to apply a rigorous standstill in the case of public servants, while its request went unobserved over large areas of the private sector.

5. I do not think that this situation would be tolerable or indeed that a standstill of this type provides the answer to our present problems. At best I do not think that we could expect to hold it for more than about six months, even if we had the support of the Trades Union Congress (TUC) and Confederation of British Industries (CBI). While a six months' breathing space would admittedly have some advantages, they would in my view be outweighed by two major disadvantages; first that the pressures which would build up during the standstill would result in a spate of increases as soon as it was over on a scale which would undo whatever good we had achieved; and secondly that the co-operation of the TUC and CBI would be strained to an extent which would make it difficult, if not impossible, to resume the joint search with them for an effective long-term policy.

6. But there are other ways in which we can further develop and strengthen the policy without the drawbacks of a general standstill discussed above.

Prices and Incomes Bill

7. We must press ahead with the Bill. This is discussed in C (66) 60.

Early-warning arrangements

8. The voluntary early-warning system is now working reasonably well and I am grateful to those of my colleagues who have helped to secure its introduction. But there are still two
respects in which the arrangements fall far short of what is needed:

(i) It has always been clear that the Government cannot implement the policy single-handed. We must look to the TUC and the CBI to give their members a firm lead. The TUC have made a promising start by introducing their own early-warning and vetting procedures; the CBI are moving more slowly but will, I hope, develop in time along the same lines. I have arranged to meet the leaders on both sides regularly to discuss the main problems as they arise and shall use this as a means of keeping pressure on them to extend their influence and activities.

(ii) But the discipline of the early-warning system will only be effective if there lies behind it the possibility of reference to the NBPI. The Board has, in my view, maintained a commendably high level of analysis and comment in its reports. But we must step up the level of its work and I look to my colleagues for help in selecting appropriate cases.

Development of the White Paper principles

9. Although the general principles laid down in the White Paper on Prices and Incomes Policy (Cmd. 2639) in April 1965 have not so far been seriously challenged, there are some respects in which we need to clarify, amplify or develop them. For example:

(i) We need to secure wider recognition that we cannot at the present time afford any further reduction in the standard working week (below 40 hours) or general lengthening of holidays in addition to increases in rates of pay.

(ii) Attempts to secure improvements in pay or hours (or both) at increasingly shorter intervals must be resisted. 12 months should be a minimum period between settlements.

(iii) In some cases an exceptional pay increase will be justified by special circumstances of the type discussed in the White Paper. But even then it may be necessary to phase the increase rather than implement it in a single step.

Improvements in machinery for pay reviews, arbitration, etc.

10. The effectiveness of the policy is still handicapped by some of the institutional arrangements. A number of possible improvements are discussed in C (66) 82.

Social considerations

11. Although I have expressed my views mainly in terms of strengthening the economic effectiveness of the prices and incomes policy, I am deeply conscious of the importance of the social
implications in what we are trying to achieve. We are bound to develop the policy, so far as we can, in a way which accords with our general political and social beliefs. And it is in any case clear that no incomes policy can work on a voluntary basis (and it is unlikely to work on any other basis) unless it is broadly accepted throughout the working population as both sensible and fair. There is no simple answer to this problem; we need to tackle it in a number of ways simultaneously. We need to put more substance into the principle in Cmnd. 2639 that the lowest-paid workers can reasonably expect more than the better paid. We need to make it clear that the policy applies as much to the professions and other highly-paid people as to the wage-earner. (I should like to see more cases of this sort referred to the National Board for Prices and Incomes.) The problem would, of course, be eased if it were possible, as is sometimes suggested, to develop techniques for assessing on some objective and generally acceptable basis the appropriate level of pay for any particular work. I have no doubt that there is scope for the development of such techniques and we must do what we can to develop them. But it would be rash to assume that this will provide a solution in the short term.

12. My general conclusion, therefore, is that we should intensify our efforts to develop the policy on a basis of agreement and co-operation. If the Cabinet agree, I propose, in consultation with my colleagues most closely concerned, to try to reach agreement with the main representative organisations on a further statement of principles covering these points. Many of them are of special interest to public servants whose staff organisations are not affiliated to the TUC and we shall need at the appropriate moment to consult the more important bodies of this type as well as the TUC.

G. B.

*Department of Economic Affairs, S.W.1.*

16th June, 1966.
CABINET

PRICES AND INCOMES; PAY REVIEW MACHINERY

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

The Cabinet invited me recently to put forward proposals on the
future status and functions of independent review bodies in relation to
our policy on prices and incomes (CC(66) 21st Conclusions, Minute 4).
It is desirable to consider at the same time arbitration and other
machinery for determining pay and conditions.

2. I think that our general objectives should be:

(a) to strengthen the authority and influence of the National Board
for Prices and Incomes (NBPI) over the whole field of prices
and incomes;

(b) to ensure that other bodies which continue to have
responsibilities for determining or advising on pay questions
take account of the national interest and apply, in so far as
they can, the agreed criteria set out in last year's White
Paper (Cmd. 2539);

(c) to limit and, as opportunity arises, to reduce the number of
separate bodies undertaking this type of work. Otherwise
it will be very difficult to achieve consistency in interpreting
the White Paper criteria. This is likely to mean gradually
bringing more pay review functions within the purview of the
NBPI.

Existing review bodies

3. There are at present two independent review bodies for the
public services - the Standing Advisory Committee on the Pay of the
Higher Civil Service (Chairman: Lord Franks) and the Review Body
on the Remuneration of Doctors and Dentists (Chairman:
Lord Kindersley). Their purpose is to provide the Government with
independent advice on the pay of groups of public servants who do not
have normal negotiating machinery or access to arbitration. While I
believe that it would be logical, in the light of the general objectives
mentioned above, to transfer the work of these bodies to the NBPI,
any immediate move in this direction would meet with strong
opposition and would, in my view, be unwise. On the other hand it
would be wrong to leave things precisely as they are. I propose that
we should make, after consultation with the staff interests concerned,
three changes:-
(i) The Franks and Kindersley Committees should be formally requested by the Government to take account of the national interest, and in particular the general principles of prices and incomes policy set out in Cmnd. 2639. (This was specifically suggested, in respect of the Franks Committee, in the NBPI report on the pay of higher Civil Servants.)

(ii) There should be some element of common membership of the NBPI and the two review bodies in order to establish a positive link between them and to help secure consistency of approach to pay questions and to the interpretation of the White Paper criteria.

(iii) The Secretariat of the review bodies should be provided jointly by the Cabinet Office (as at present) and the NBPI in order to secure access to NBPI expertise in pay matters.

4. Although they will doubtless prove controversial, I do not think that these changes could be reasonably opposed by either the medical and dental professions or by the Higher Civil Service. I should regard them as a useful step in the direction of securing the objectives summarised in paragraph 2 above.

University teachers' pay

5. A related question calling for early decision is the form of machinery which should be developed for determining the pay of University teachers. The recent history of this question and the main considerations which seem to me relevant are summarised in the Annex. It seems to me clear that we cannot agree to set up another independent review body for this purpose in the Franks-Kindersley pattern and that the right course is to lay on the NBPI (or perhaps a special panel of the Board containing an element of outside membership) responsibility for keeping university teachers' pay under review. The Secretary of State for Education and Science, who has already told the University teachers that an independent review body is out of the question, has indicated that he is prepared to accept this proposal. Its presentation to the University teachers will, of course, be helped by the changes proposed in paragraph 3 above. It will be further helped if we can also make it clear, as seems in any case desirable, that the proposed panel of NBPI will be available to review not merely the pay of University teachers but also that of other public services which have in the past been undertaken by Royal Commissions, Departmental Committees, etc. In addition, I suggest that the panel might undertake regular reviews of the pay of the armed forces, and when appropriate look at the pay of other grounds paid out of the Exchequer (e.g. MPs, Ministers and the Judiciary). It could thus develop into an independent body responsible for investigating pay questions throughout the public services.
Courts and Committees of Inquiry

6. When a Court or Committee of Inquiry is appointed to investigate matters of productivity, pay or other labour costs, I propose that:

(i) They should be required by their terms of reference to take account of national economic considerations, where appropriate by a specific mention of the White Paper.

(ii) A member of the NEPI should normally be appointed to the Court or Committee of Inquiry set up to investigate such questions.

The recent Committee of Inquiry into the seamen’s case has set a useful precedent in both these respects.

Wages Councils

7. I do not think that the Wages Councils (and Agricultural Wages Boards) present a major problem for incomes policy at the present time. Although they cover a very large number of workers (between 3 and 4 million) their rates of pay - and in many cases their earnings - are relatively low. But it is disappointing that we still rely on statutory wage regulation on this scale. I suggest that we ought to try to secure greater progress in establishing voluntary negotiating machinery to replace the statutory machinery.

Arbitration

8. The main function of arbitration tribunals is to reach a decision based on the facts and arguments laid before them by the parties which will be acceptable to the parties. There is no formal requirement that they should pay any regard to the wider national interest, nor is there any tradition or generally accepted view that this is part of their function. Arbitration is not in practice of great importance in the private sector, where only a tiny proportion of wage increases are settled at arbitration. It is much more important in the public services, particularly in the Civil Service and other public services in which the Government is a party to the negotiations, because the Staff Side can always take the Official Side to arbitration and the Government feels bound to implement arbitration awards except in the most exceptional circumstances. Thus the role of arbitration is important in the context of incomes policy in the public services, not so much because arbitration awards necessarily breach the policy but also because of the influence of what amounts to "unilateral" arbitration on the Official Side negotiators.

9. There are some signs that the agreed policy is in fact having some influence on arbitrators as it is on public opinion generally. But it would be helpful if we could make it clear beyond doubt that arbitrators are expected to have regard to the national interest, and in particular the White Paper criteria. The best course would be to secure a joint declaration with the various organisations most concerned to this effect. It will not be easy to reach agreement on this. But I should like to try because I believe that a declaration on these lines would have a useful psychological influence both on arbitrators and on negotiations.
10. I think that this should be the first step. But there are other possible developments in connection with arbitration. For example, the TUC have been pressing the Minister of Labour to reinstate some form of compulsory arbitration; and it is for consideration whether in time the NBPI might be given a general responsibility for keeping under review arbitration awards and wage settlements. I think that these developments still lie some way ahead and I would propose to bring them before the Cabinet at a later stage, if they seem promising.

G. B.

Department of Economic Affairs, S. W. 1.

16th June, 1966
ANNEX

UNIVERSITY TEACHERS' PAY

University teachers' pay has to date been settled directly by the Government after consultation with the University Grants Committee, which is in turn responsible for consulting with the Committee of Vice Chancellors and the Association of University Teachers. There has been no provision for arbitration. All the parties concerned have agreed that this machinery is unsatisfactory. The two alternatives which have already been canvassed with them by the Secretary of State for Education and Science, after consultation with his colleagues are (a) direct negotiations with provision for arbitration and (b) a review type of procedure to be carried out by the NBPI.

2. The main disadvantage, from the point of view of incomes policy, of instituting direct negotiations in this field is that it would also be necessary to extend to university teachers arbitration arrangements on the orthodox pattern and this would make it more difficult to ensure that due regard was paid to the White Paper criteria. There would also be problems in constituting a management side for the negotiating machinery, since the Vice Chancellors are themselves university teachers and are neither the employers nor the paymasters, whilst the Government which is paymaster is not in any sense an employer. The essential link between the two is the University Grants Committee (UGC) which is itself neither employer nor paymaster and which does not wish to have a more formal role in the determination of university salaries.

3. The first preference of both the Vice Chancellors and the Association of University Teachers (and indeed of the UGC) is apparently for a review body procedure similar to that which already exists for higher civil servants and doctors and dentists. The Secretary of State has however told them that a new review body on the Franks and Kindersley model is out of the question, and has suggested that the NBPI might take on the function of reviewing university teachers' pay. Both parties reacted against this proposal but indicated that they would be prepared to consider some common form of machinery to deal with public service pay or at any rate that part of it which is already based on a review body procedure. The Secretary of State is now due to resume his discussions with the parties very shortly with a view to establishing new machinery to review university teachers' pay from April, 1967.
17th June, 1966

CABINET

ARBITRATION AND COURTS OF INQUIRY

Memorandum by the Minister of Labour

Arbitration

In C(66) 82 the First Secretary of State discusses the future of arbitration and makes proposals aimed at aligning the arbitration system more closely with Prices and Incomes Policy.

2. I think we need to examine in the first place what is the true function of an arbitrator, to consider whether that function ought to be preserved and if so, whether an arbitrator can exercise his arbitral function and at the same time act as an instrument for the application of incomes policy. This paper does not deal with Review Bodies whose function is advisory.

3. It is true, as the First Secretary says in his paper, that only a small proportion of wage increases in the private sector are settled at arbitration. We should not, however, be misled into thinking that arbitration is therefore unimportant in the field of private employment, and I hope we shall not under-estimate its usefulness to industrial relations. Arbitration, which is not, of course, concerned only with pay claims is essentially a part of our collective bargaining system. It is a device to enable negotiating parties to reach agreement when they are unable to do so by direct negotiation. It is therefore an extension of the negotiating process to be invoked by the parties, if they are both so agreed, to serve their purposes.

4. I appreciate that the position is rather different in the public sector, and particularly in the public services, where arbitration is commonly resorted to and is regarded by the trade unions and staff associations as the normal and accepted way of dealing with disputes. This is particularly the case where the strike weapon is not normally used. In the private sector arbitration is only one of a series of alternatives, including strike action, which face negotiating parties when they cannot reach agreement. We have seen in the past that attempts to influence arbitrators have led to a considerable falling-off in the use of this method of reaching decisions on wages and conditions and we should, I think, be careful before we run any risk of undermining the confidence of industry in the impartiality of arbitration.

5. Looked at from this point of view I accept that we must expect arbitration to demonstrate some of the defects of the collective bargaining system itself. We do not expect joint voluntary agreements to be uniformly of a kind which are acceptable to Prices and Incomes Policy; the arguments deployed by negotiating parties, both in joint
discussions and in appearances before arbitrators, are rarely disinterested and seldom wholly satisfactory from the point of view of the national interest. While we cannot control the collective bargaining process, however, it is, in my view, out of the question to consider importing control at the stage when disputes are referred to arbitration.

6. The position of an arbitrator, however anxious he may be that his award should conform to the national interest, is very often prejudiced by the negotiations which have preceded the decision to go to arbitration. The simplest illustration is the case where both a claim and an offer are well above the norm; in such circumstances, neither the arbitrator nor the parties would expect that he would depart from his arbitral function of resolving their differences by making an award completely outside the area of difference.

7. To sum up therefore, the function of an arbitrator, as it is conceived at present, is to settle by independent decision cases in which negotiating parties have been unable to agree, and if the parties in dispute (and particularly trade unions) are to continue to have recourse to this peaceful means of settling disputes I think we must accept that the system is liable to throw up individual decisions which may be an embarrassment to Prices and Incomes Policy. In spite of its drawbacks the present arbitration system is a useful adjunct to our present industrial relations system.

3. At the same time, there are steps which we can usefully take to ensure that, so far as the system permits it, arbitrators do take account of the national interest in making their awards. The most important is to ensure that in the choice of arbitrators we select individuals with a wide background knowledge of the economic situation in general and the Prices and Incomes Policy in particular, so that they are naturally disposed to pay regard to the interest of the community and to try as far as they can to reconcile these with the facts and merits of the individual cases with which they deal. The persons whom I appoint either to Standing Arbitration Tribunals or to ad hoc arbitrations are of this kind, and as a class I have much confidence in them. A good deal of arbitration in industry, however, takes place without any intervention on my part, in accordance with arrangements agreed by the parties.

9. Another step we might take is to improve the briefing of arbitrators whom I appoint. At present we supply them with relevant publications, e.g. reports of the National Board for Prices and Incomes (NBPI), White Papers and statistical bulletins, etc. We might prepare factual briefs for arbitrators which, without in any way suggesting how an individual case should be settled would emphasise relevant considerations in the case. This seems to me to be a better and more practical proposal than that the Government should itself give evidence in arbitration cases.

10. The functions of the NBPI are clearly different from those of an arbitrator and its decisions and recommendations are not limited by any considerations other than those of the public interest. The distinctive functions of the NBPI might be emphasised by referring
some arbitration awards to the Board to demonstrate that the Government is willing when necessary to question arbitration awards like other forms of settlement which may be inconsistent with its policy. The Board itself might well want to consider an award and I think we should be prepared to consider suggestions made by the Board. I do not favour the tripartite declaration which is suggested in C(66) 82. I doubt the chances of securing agreement to such a declaration but, this apart, I doubt whether it would be effective except in discouraging recourse to arbitration.

Courts of Inquiry, etc.

11. I agree with the objectives set out in paragraph 6 of C(66) 82. I doubt, however, whether it would be politic to agree here and now that in every case when a Court or Committee is appointed we should insert in the terms of reference a requirement that the Court in its report must have specific regard to the national interest. Courts of Inquiry are generally set up in situations of extreme delicacy and we need to have some room for manoeuvre. I should, however, be willing to accept the proposals in this paragraph as desirable in principle.

R. J. G.

Ministry of Labour, S.W.1.

17th June, 1966
INDUSTRIAL DISPUTES: SEAMEN'S STRIKE

Note by the Secretary of the Cabinet

The attached report by officials has been circulated to the Ministerial Committee on Emergencies for their meeting at 6.00 p.m. on Monday, 20th June, 1966. The Home Secretary will report on the outcome of the Ministerial Committee's discussion to the Cabinet on Tuesday, 21st June.

(Signed) BURKE TREND

Cabinet Office, S.W.I.

20th June, 1966.
Seamen's Strike

Need for Special Action

A Proclamation of Emergency was made and Emergency Regulations were promulgated on 23rd May. A new Proclamation and new Regulations will be required on Wednesday, 22nd June; and the necessary arrangements for this have now been made. The Regulations will, subject to one minor addition relating to air transport, be the same as those now in force. They will have to be debated in both Houses of Parliament.

2. Up to now it has been unnecessary to make use of emergency powers. The expected consequences of the strike have fortunately developed much more slowly than was expected. Supplies of essential commodities are, in general, adequate and prices have remained relatively stable. Production for export has not been much affected so far by difficulties over shipment and a substantial proportion of the goods is getting away. There is no immediate prospect of petrol rationing. Shortages of industrial supplies may lead to unemployment in Northern Ireland. It has been necessary to use Service transport to take supplies of food, fuel and feeding stuffs to the Scottish islands; but in the rest of the country normal transport has sufficed.

3. The policy followed in considering suggestions of special action to deal with the strike situation has been to avoid anything which would be likely to result in strike action by other unions, and so make a more damaging impact on the economy of the country than is being suffered as a direct consequence of the seamen's strike. It is suggested that this policy should be continued for as long as possible.

4. As regards the ports themselves, a substantial number of vacant berths are still available. Tugmen and other workers have co-operated in moving ships and there has been little trouble with the dockers. There is a risk that if the strike continues for much longer and more of these berths are occupied by laid up British ships the remaining berths will be inadequate to enable other ships arriving at the ports to discharge their cargoes. If this situation arises, it may be necessary to establish port emergency committees under the Emergency Regulations, and empower them to select the ships to be unloaded—preference being given to foreign ships. It is the wish of the port authorities that such action should be deferred for as long as possible, because the consequences of taking it are unpredictable. It might well bring to an end existing co-operation by other unions and lead to serious trouble in the docks.

5. As regards other forms of transport, it has so far been our policy not to authorise exceptional services under ordinary powers unless it was clearly necessary to do so for the purpose of maintaining essential supplies. It is felt that this policy should now be modified to the extent of interpreting "essential supplies" more liberally—to include, for example, the conveyance of materials which are essential to the maintenance of employment in a particular area. It should be emphasised, however, that the extent to which carrying capacity can be augmented in this way is very limited.

6. The possibility of taking action, under emergency powers to maintain exports or to carry essential supplies to industry—assuming that emergency powers can properly be used for these purposes—is being kept under review. It seems most unlikely,
however, that any substantial freight could be carried either by the Services or by aircraft or road vehicles which are not at present being fully used. It is also to be expected that any major use of emergency powers for such purposes would have serious consequences on the willingness of other trade unions to co-operate to the extent they are now doing in maintaining the normal life of the community.

7. To sum up, it is suggested that the existing policy of avoiding emergency action which could have serious consequences on the willingness of the dockers, the transport workers, and perhaps other people, to continue as they have been doing with their normal work should be maintained, but that Departments should exercise somewhat more liberally their ordinary powers to authorise the exceptional use of air or road transport or otherwise to facilitate the movement of goods.
CABINET

INDUSTRIAL DISPUTES: SEAMEN'S STRIKE

Note by the Secretary of State for the Home Department

The Ministerial Committee on Emergencies met this evening and considered the report by officials which has already been circulated to the Cabinet as C(66) 84.

2. As a result of our discussion, we recommend the following course of action to the Cabinet:

(a) The Proclamation of Emergency should be renewed and a further set of Emergency regulations made on 22nd June.

(b) The existing policy of avoiding Emergency action which could have serious industrial consequences should be continued.

(c) Departments should authorise more liberally as necessary the exceptional use of sea, air or road transport and other facilities for the movement of goods.

R.I.

Home Office, S.W.1.

20th June, 1966
EUROPEAN LAUNCHER DEVELOPMENT ORGANISATION: MINISTERIAL CONFERENCE IN PARIS ON 9th/10th JUNE, 1966

NOTE BY THE MINISTER OF AVIATION

At its meeting on 9th June (CC (66) 27th Conclusions, Item 2) the Cabinet authorised me as head of the United Kingdom delegation to the conference to make clear to our partners our serious doubts about the future technical and economic viability of the European Launcher Development Organisation (ELDO) but that nevertheless the United Kingdom would be prepared to reconsider its position in regard to ELDO if:

(i) an early and substantial reduction in our future contribution to a figure which should not exceed 25 per cent could be negotiated;
(ii) an absolute money limit of say, £40 million were placed on our contribution;
(iii) an arrangement could be arrived at whereby the ELDO programme would be reviewed annually and would incorporate suitable safeguards against automatic commitment to escalating costs.

2. I was, as expected, called upon to state our position at the beginning of the meeting. After a brief reaction from other Ministers, the conference adjourned to restricted session. While there was a clear desire to come some way to meet our point of view, there was great reluctance to accept reduced contributions for the rest of the initial ELDO-A programme and after I had made clear that it was essential for new contributions to operate on the whole of our ELDO expenditure the conference adjourned on 9th June.

3. On the following day the principle was conceded but it was impossible to negotiate a reduction from our present contribution rate of 38.79 per cent to 25 per cent since this involved too great a variation from a scale of contributions based upon
GNP figures and too great a consequential burden on the smaller countries. There was also the problem of allocation of work since we receive more than our present contribution. On a GNP basis our share would be 26·6 per cent. But after hard bargaining the other delegates were prepared to recommend to their Governments a new contributions scale under which we would pay 27 per cent. In effect this scale amounts to a rounding off of the GNP figures with France paying a little more and Italy a little less. The decisions taken by the conference, which were all to be referred to Member Governments for endorsement, are embodied in the resolution which is reproduced as Annex A to this note.

4. On the basis of a 27 per cent contribution related to payments from 1st January, 1967, the United Kingdom contribution during the six years beginning on 1st April, 1966, would be as shown below. For comparison the cost at 25 per cent is also given.

<table>
<thead>
<tr>
<th>Year</th>
<th>ELDO-A Programme Cost</th>
<th>Secretariat Costs</th>
<th>Perigee/Apogee Programme Cost (United Kingdom estimate)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>£m.</td>
<td>£m.</td>
<td>£m.</td>
<td>£m.</td>
</tr>
<tr>
<td>1967</td>
<td>29-0</td>
<td>1-8</td>
<td>1-9</td>
<td>32-7</td>
</tr>
<tr>
<td>1968</td>
<td>22-5</td>
<td>1-8</td>
<td>12-7</td>
<td>37-0</td>
</tr>
<tr>
<td>1969</td>
<td>13-5</td>
<td>1-8</td>
<td>15-9</td>
<td>31-2</td>
</tr>
<tr>
<td>1970</td>
<td>7-6</td>
<td>1-8</td>
<td>13-9</td>
<td>25-3</td>
</tr>
<tr>
<td>1971</td>
<td>2-7</td>
<td>1-8</td>
<td>13-7</td>
<td>18-2</td>
</tr>
<tr>
<td>1972</td>
<td>75-3</td>
<td>10-8</td>
<td>67-5</td>
<td>153-6</td>
</tr>
</tbody>
</table>

5. The question of devising a procedure for controlling the costs of the programme, imposing cost ceilings, and carrying out periodic reviews of the technical progress and costs of the programme was referred to a working group which was also instructed to study the amendments of the Convention and Financial Protocol which might be necessary, and also to make proposals for the distribution of work in connection with the ELDO-PAS programme. The working group has been set up and will meet in Paris on 20th–22nd June. Our representatives will include technical, legal and financial experts.

6. The procedures for ensuring control of the costs of the programmes, and the amendments necessary to the Financial Protocol and the Convention have been considered by officials of the Foreign Office, Cabinet Office, Treasury and the Ministry of
Aviation on the basis of a note prepared by the legal advisers of the Foreign Office. This note, which has been seen by the Attorney-General, has been sent to our partners through the diplomatic channel with the explanation that it is the result of a preliminary study and is being submitted to the working group as a basis for discussion. A copy of the note is at Annex B.

7. Paragraphs 5 and 6 of the conference resolution refer to two further questions to be considered at the next conference on 7th–8th July, namely, the choice of an equatorial launching site and the co-ordination of European space policy.

8. On the first point we have hitherto maintained a strict neutrality as between the Australian and the French contenders, taking the line in official discussion that whichever site offered the best proposition in terms of cost effectiveness should be chosen. The Secretariat have expressed a preference for French Guiana. The position has been complicated to some extent by the Australian offer to provide freely certain facilities which they estimate to be worth $7.4 million. Whether the French are prepared to make a counter offer, or consider that their estimate includes one, is still to be determined. In the meantime our best course seems to be to maintain our neutrality.

9. As regards the co-ordination of European space policy, the study group set up at the April session of the conference produced a report making certain recommendations for closer co-ordination but it has been generally accepted that this subject must be debated in the light of whatever is decided about ELDO. This remains the position and this item is likely to be low on the agenda for the July meeting.

10. I am circulating this paper for the information of colleagues. When the report of the working group is available I will submit a further paper seeking guidance on the line to be taken at the further Ministerial Conference in Paris on 7th–8th July.

11. In the event of the Opposition seeking an early debate, i.e., before 7th July I will, of course, seek immediate instructions as to the course to be pursued.

F. M.

Ministry of Aviation, S.W.1.

20th June, 1966.
ANNEX A

FINAL RESOLUTION ADOPTED BY ELDO MINISTERIAL COUNCIL ON 10TH JUNE

The conference having at its second session held in Paris on 9th and 10th June, 1966, examined pursuant to paragraph 2 of its resolution ELDO/CM (April 66) 17, adopted at its first session:

(a) The conditions in which the initial programme should be continued;

(b) The issues connected with the adoption of the further programme for upgrading the performance of the Europa 1 launcher (upgrading of ELDO-A inertial guidance equatorial base ASP system);

(c) The issue of the financial and the industrial participation of the Member States;

1. Decides

(a) To propose to the Governments of the Member States for the completion of the initial programme as well as for the programme referred to in paragraph (b) of the preamble the adoption as from 1st January, 1967, of the following scale of contributions:

<table>
<thead>
<tr>
<th>Country</th>
<th>Contribution (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>25</td>
</tr>
<tr>
<td>Germany</td>
<td>27</td>
</tr>
<tr>
<td>Italy</td>
<td>12</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>27</td>
</tr>
</tbody>
</table>

The remaining 9 per cent to be shared between Belgium and the Netherlands by their common agreement.

The terms of Australian participation will be determined in decisions to be taken on the further programme.

(b) To propose that the financial commitments of Member States should be limited to agreed annual amounts and agreed overall ceilings for individual programmes.

2. Takes note with a view to their examination by Governments of the propositions formulated by the delegation of the Federal Republic of Germany concerning the official languages of the organisation and also of the remarks on this subject made by the delegations of Belgium, Italy and the Netherlands.

3. Agrees to hold a third session on 7th and 8th July, 1966, and instructs a working group,

(a) To make proposals to the conference on:

(i) A distribution of work on the programme referred to in paragraph (b) of the preamble taking into account the conclusions of the report by the working group on the distribution of work (ELDO/CM (April 66) 7), and the resolution of the Council (ELDO/C (66) 28 (Final)).
(ii) Procedures for the control of the costs of the programmes and for respecting the agreed ceilings and for carrying out periodic reviews of the technical progress and costs of the programmes.

(b) To study the amendments to the Convention or to the Financial Protocol which might be necessary taking account of Articles 14 and 21 of the Convention.

4. **Decides** that a Ministerial Conference of the Member States of the organisation shall be held at regular intervals and to ensure the satisfactory progress of the work of the organisation.

5. **Agrees** to take a firm decision at its third session on the programme referred to in paragraph (b) of the preamble and on the choice of an equatorial site for the operational use of the launchers. In that respect the conference took note that the Australian delegation has made a new financial proposal relating to their offer of a launching site which would be considered in conjunction with the existing French and Italian offers in this respect.

6. **Decides** also to examine during its third session the problem of the co-ordination of European space policies referred to in paragraph 5 of the resolutions ELDO/CM (April 66) 17 which was the object of the report of the working group set up during the first session (ELDO/CM (June 66) 8).

**ANNEX B**

**NOTE PREPARED BY THE LEGAL ADVISERS OF THE FOREIGN OFFICE**

1. The Ministerial Conference which met in Paris on 9th–10th June, 1966, established a working group whose terms of reference include the following:

   “To study the amendments to the Convention or to the Financial Protocol which might be necessary taking account of Articles 14 and 21 of the Convention.”

2. The amendments contemplated are those which may be required to give effect to the following proposals set out in the resolution adopted by the Ministerial Conference:

   (i) The adoption of a new scale of contributions for the completion of the initial programme as well as for the further programme referred to in paragraph (b) of the preamble to the resolution (hereinafter described as “ELDO-PAS”).

   (ii) The limitation of the financial commitments of Member States to agreed annual amounts and agreed overall ceilings for individual programmes.

**SECRET**
3. There appears, for the reasons set out below, to be no doubt that the proposals summarised in paragraph 2 above would require amendment of the Financial Protocol. It is possible that the Convention itself would not need to be amended to give effect to these proposals. The advantage of confining any necessary amendments to the Financial Protocol is that the latter can (under Article 21 (3) and Article 14 (3) (d) (i) (8) of the Convention) be amended by a unanimous vote of the ELDO Council. If, on the other hand, amendments to the Convention were also required these, after being recommended by the Council for adoption, would not enter into force until 30 days after the United Kingdom (as depository Power) had received notifications of acceptance in writing from all Member States (Article 21 (2)). This might mean delay, as most of the Member States are likely, in accordance with their own constitutional procedures, to require specific parliamentary approval of amendments to the Convention before notifying their acceptance of such amendment.

The adoption of a new scale of contributions

4. It is envisaged in operative paragraph 1 of the resolution adopted by the Ministerial Conference that the revised scale of contributions would come into effect on 1st January, 1967. As from that date it would apply to the initial programme. It would also apply to the further programme (ELDO-PAS), if the latter is decided upon, from the beginning of that programme.

5. Article 4 (2) of the Financial Protocol provides that "during the period of the initial programme . . . approved Budget expenditure shall be met by contributions from Member States . . . assessed in the same proportions as the percentage figures set out in paragraph 2 of the Annex to the Protocol ". Therefore, even if it were only a case of revising the scale of contributions for the initial programme, both the second paragraph of Article 4 of the Protocol, and paragraph 2 of the Annex to that Protocol would be affected.

6. It is, however, as mentioned above, also contemplated that the new scale of contributions will apply to the further programme (ELDO-PAS) as well as to the initial programme itself. Articles 4 (3) and 16 (3) of the Convention envisage the possibility of further programmes to which (under Article 4 (3)) Member States are obliged to contribute financially, unless they formally declare themselves as not interested and therefore do not participate in those programmes. Article 4 (3) of the Financial Protocol accordingly provides that "a revised scale of contributions in respect of expenditure on the further programmes of the organisation shall be recommended by the Council for acceptance by all Member States ". The approval of a further programme would therefore seem in itself to require some addition to the Financial Protocol, though not necessarily any amendment of the Convention. The latter takes into account that there may be further programmes, and in addition to envisaging the possibility
of further programmes in Articles 4 (3) and 16 (3), also provides in Article 14 (3) (d) (i) (7) that the Council shall decide by unanimous vote the majority necessary for decisions on certain questions (e.g., the adoption of the annual Budget) in respect of further programmes. The same provision (Article 14 (3) (d) (i) (7)) also envisages that an orientation of the initial programme (as envisaged in Article 16 (3)) may amount in effect to a further programme.

The limitation of the financial commitments of Member States

7. Operative paragraph 1 (b) of the resolution adopted by the Ministerial Conference envisages that "the financial commitments of Member States should be limited to agreed annual amounts and agreed overall ceilings for individual programmes". This would require, at least, amendments to the Financial Protocol.

8. A possible way of providing for such amendments, and for the revised scale of contributions, would be to add a new Annex (Annex II) to the Financial Protocol, and to introduce this new Annex by adding a new paragraph (numbered 6) to Article 4 of the Protocol. This would read as follows:

"Notwithstanding anything contained in the previous paragraphs of this Article the contributions of Member States in respect of payments authorised in the Budget for (a) the initial programme as from 1st January, 1967, and (b) the further programme (ELDO-PAS) shall be regulated by the provisions of Annex II to this Protocol."

The first three paragraphs of the new Annex might be on the following lines:

1. Payments authorised by the Budget for the initial programme as from 1st January, 1967, and for the further programme (ELDO-PAS) shall be met by contributions from Member States which shall be assessed in the same proportions as the percentage figures set out in the second column of paragraph 3 of this Annex.

2. The contributions of each Member State to the initial programme and to the further programme (ELDO-PAS) shall not, however, exceed in any one financial year the amounts specified in the third and fourth columns of paragraph 3 of this Annex, and the total contribution of each Member State in respect of the completion of the initial programme and of the further programme (ELDO-PAS) shall not exceed the amounts shown in the fifth and sixth columns of paragraph 3 of this Annex.

3. Table to serve as a basis for the assessment and limitation of contributions to the initial programme and to the further programme (ELDO-PAS).

(Here follows table with six columns, headed respectively (1) Name of Country, (2) Percentage, (3) Ceiling of Annual Contribution to the Initial Programme, (4) Ceiling of Annual Contribution to the Further Programme, (5) Total Contribution of Each Member State, and (6) Total Contribution of All Member States.

SECRET
Contribution to the Further Programme, (5) Ceiling of Total Contribution to the Initial Programme, (6) Ceiling of Total Contribution to the Further Programme.

Footnote: There might also need to be further paragraphs about the Australian contribution, and the sharing of percentage costs between Belgium and the Netherlands.

9. On the assumption that only the Financial Protocol, and not the Convention itself, should be amended it would also be necessary to add to Article 4 of the Financial Protocol a further new paragraph (numbered 7) which would cover the situation which would arise if the cost to completion of either programme appeared likely to exceed the estimate on which the contributions of Member States are based. This new paragraph might read as follows:

"The initial programme and the further programme (ELDO-PAS) shall each be reviewed annually by the Council. If, on such review, it appears that the cost of completing either programme is liable to exceed the total amounts of the contributions of Member States to that programme as shown in the fifth and sixth columns, as the case may be, of paragraph 3 of Annex II, any Member State may declare that it is not willing to contribute towards such excess cost, and shall then not be obliged to make any contribution to expenditure on that programme exceeding the total contribution shown in respect of that Member State in the relevant column. In that event the remaining Member States may decide by unanimous agreement to terminate the programme, or they may agree to share the excess cost between themselves according to a revised scale of contributions."

Is any amendment of the Convention necessary?

10. The Financial Protocol is an integral part of the Convention under Article 26 thereof. If the Financial Protocol were to be amended on the lines suggested in paragraphs 8 and 9 of this memorandum, it can be maintained that no amendment of the Convention itself is necessary, but that it must be interpreted and applied in the light of the Financial Protocol as so amended. To place this beyond any possibility of doubt there might be an Agreed Minute, which would be signed by the representatives of all Member States on the Council when the latter adopts the amendments to the Financial Protocol. This Agreed Minute might read as follows:

"On adopting by unanimous vote the amendments to the Financial Protocol, the Council also unanimously declare that the Convention will be interpreted and applied in the light of these amendments."
CABINET

REFORM OF THE HOUSE OF LORDS

MEMORANDUM BY THE LORD CHANCELLOR AND THE LORD PRIVY SEAL

Next month Lord Alport is initiating a debate on the question of reform of the procedure of the House of Lords which may well include wider issues and we ought therefore to know what our colleagues' view is about these matters. Indeed, we feel that in any case a Labour Government ought to have a policy about the reform of the House of Lords.

2. Apart from minor questions, such as the televising of debates, the two major questions are the question of the powers of the House of Lords and the question of its composition.

Powers

3. The two important powers of the House of Lords are:

(a) Its power to decline to approve an Order or Statutory Instrument which requires the approval of both Houses or to disapprove one which is subject to the negative procedure. Such Orders and Instruments may be of vital importance, e.g., those relating to Rhodesia or to Emergency Powers. They are not subject to the Parliament Act and if the House of Lords fails to approve one, there is nothing a Government can do about it, except to re-lay it.

(b) Its delaying power under the Parliament Act. The Act is not a simple one. The second Bill must be passed in the next following Session. The second Bill must be identical with the first Bill. Both Bills must be sent to the Lords at least one month before the end of the Session. At least a year must elapse between the second reading in the Commons of the first Bill and the passing in the Commons of the second Bill. Only three Acts have been passed under the Parliament Act procedure (the Government of Ireland Act 1914, the Welsh Church Act 1914 and the Parliament Act 1949).

4. The present situation clearly provides the Lords with too great an opportunity for tactical manoeuvring of a kind which
could embarrass the Government and could limit its freedom to manage public business in the way which it judged best. This risk would be liable to be particularly acute in the later stages of a Parliament as we would wish to explain to our colleagues orally. We therefore believe that a Bill to curb the present powers of the Lords ought to be introduced next Session when there would be time to pass it, if necessary, under the Parliament Act. We do not believe that the Labour movement would easily forgive a Labour Government with a majority in the nineties which, after two successive Labour Governments, left the powers of the House of Lords intact, particularly as, while the 1964 Manifesto was conditional ("We shall not permit effective action to be frustrated by the hereditary and non-elective Conservative majority in the House of Lords."), the 1966 Manifesto was unconditional ("Legislation will be introduced to safeguard measures approved by the House of Commons from frustration by delay or defeat in the House of Lords.").

5. What is therefore in our opinion required is a Bill next Session which—

(a) provides that any Act which subjects delegated legislation to the affirmative or negative procedure shall be read as referring only to the House of Commons;

(b) provides that any Bill presented by a Minister to the Commons may, on a resolution of the Commons, receive the Royal Assent three months after it has been sent to the Lords with such Lords' amendments as the Commons may agree to, and that any Bill presented by a Minister to the Lords must be passed by that House within three months of its presentation and that Commons amendments thereto should not require the agreement of the Lords. (This would enable a Labour Government to make great use of the Lords, particularly at the beginning of a Session.)

Composition

6. If the powers of the House of Lords are dealt with, we believe that there would be much less difficulty in dealing with their composition. No one can really defend a House of over 1,000 peers, not half of whom could get into the chamber to vote, and the large majority of whom support one political party.

We think that there is a great deal to be said for Mr. Henry Burrows' Two-Writ Plan, recently summarised in The Times. The Burrows Plan would allow all existing Peers, hereditary or created, to come to the House of Lords as now and sit and speak. They would not, however, be allowed to vote unless given a Voting Writ. The Voting Writs would be allocated (whether for life or a single Parliament is a matter for argument) in such a way as to destroy the built-in predominance of one party. The present quality of the debates would thus be preserved, while the overwhelming defect of the present House, the enormous permanent majority of one party, would be removed.
Within this central conception, a good many variations are possible. One vital question would be whether the Government of the day would have a clear voting majority in the new Chamber. A Government would always desire such an advantage which the Conservatives, but never the Labour Party, have always enjoyed. In practice difficulties arise at once. If, for example, one adopted the simple course of allocating Voting Writs to all first creations and Life Peers the Labour Peers might be hardly more than a quarter of the present total (a nominal 75 activists out of a nominal 287). In order to give the present Government a clear majority it would be necessary, either to increase their numbers immediately and immensely, or deny a Voting Writ to many first creations, or adopt both courses.

On the other hand, the Government could give themselves a good chance of winning divisions under normal conditions without making sure of a majority under all conditions if the Voting Writ were given to all first creations and life peers, but refused hereditary Peers as such. (Outstanding hereditary Peers could be awarded Voting Writs on merit.) This would probably suffice for ordinary purposes. In the Defence Debate just before the Election the Opposition amendment was carried by 107 votes to 55. If only created Peers had been able to vote, the Labour Government should have won by 44 to 29. We can assume, therefore, that under the Two-Writ Plan interpreted in this way (with a considerable strengthening of the Labour Peers) we should usually be reasonably safe, and with the reform of the powers of the House, as suggested above, a delay of three months should in any case be tolerable to a Labour Government.

7. We are not, however, wedded to the Two-Writ Plan. There may be alternative proposals in this field which should be considered. Our proposal under this head, therefore, is that our colleagues should constitute a Cabinet Committee to consider this and other proposals for the reform of the composition of the House of Lords and related matters and to make recommendations thereon to our colleagues and to consider and report to them to what extent such recommendations would require legislation or how far they could be implemented by alterations in the Lords Standing Orders.

8. The questions therefore are:

(i) Should a Bill to curb the Lords' powers be introduced next Session in accordance with the election manifesto or should the thing just be allowed to drift?

(ii) Should a Cabinet Committee consider the composition of the Lords and related matters and report to the Cabinet thereon?

G. L.

House of Lords, S.W.1.
23rd June, 1966.
CABINET

THE CONCORD PROJECT

Memorandum by the Minister of Aviation

Introduction

Immediately on taking office we carried out an urgent review of the Concord project. After considering the legal and practical consequences of our abandoning the project unilaterally, we eventually decided to go ahead with the development and my predecessor made a statement to this effect in the House on 20th January, 1965. A copy of this statement is at Annex A.

2. The practical consequences of withdrawing seem certainly no less difficult than they were 18 months ago. I have however asked the Attorney-General to confirm whether his view of the legal position remains as stated in November, 1964 (E. D. (64) 23). The Attorney-General is now reviewing the position and will circulate his opinion as soon as possible.

3. We have so far spent about £40 million on this project, and we are now at the point where we must extend our commitment very considerably if we are to continue to keep to the programme and maintain our vitally important lead over the rival American aircraft. The British and French officials concerned are seeking, in their Report at Annex B, our authority to embark on the remainder of the development programme up to certification of airworthiness. If we agree, we shall very rapidly become committed to spending a further £145 million.

4. Monsieur Pisani, the French Minister mainly concerned, has told me that the French Government remain entirely committed to the project, that they would view very gravely any delays to a programme on which their technology, prestige and budget policy are all staked, and that they wish to proceed as the officials have recommended. Although the French Government have indicated great concern at the rising financial commitments, he told me that they have already agreed to go ahead and will only reconsider the matter if new technical or commercial factors arise. I am convinced that unless we are able to tell the French Government by the date of the French Prime Minister's visit on 6th/7th July that we also intend to proceed, we shall be in an acutely embarrassing position.
Costs

5. In 1962, when the agreement with the French committing us to Concord was signed, it was thought that, the British share of the cost of development up to certification of airworthiness might be about £80 million. (This being half the total, since the whole project is based on the principle of 50/50 sharing with the French.) By 1964, this had risen to £140 million, which was the figure we had before us when we took office. Even then, as my predecessor remarked in the House on 5th November, 1964, it was recognised that there was 'a great possibility of even this very high level of costs spiralling still further'. This has indeed occurred. The estimate now stands at £185 million. After adding a further £40 million for development after certification of airworthiness and additional contingencies of £25 million we now arrive at a total of £250 million.

6. These increases are attributable in part to material and wage increases and to design changes which will give us a somewhat bigger and better aircraft, but the plain fact is that the costs of development were considerable under-estimated. Further escalation is still possible but I believe that the current estimates are much more soundly based than the earlier ones. They also contain substantial contingencies.

7. Originally, it was thought that the aircraft would sell at from £3 million to £4 million each, (including a £1 million levy for recovery of development expenditure). By 1964, this had risen to £5 million. It is now about £6.5 million, with the amount included for levy having been reduced to an extremely low level (a sliding scale of 4-10 per cent but we cannot be sure the market will bear even this). The prospects of any substantial recovery of development expenditure by means of a levy on sales are thus now extremely poor.

8. The original intention was that while development would be financed by Governments, production would be financed by industry. It is now clear that the contractors will require that the Government should either lend directly or underwrite the loan of the working capital which will be required to finance production. This is a point to be considered in relation to plans for a Government holding in the aircraft industry and in BAC in particular. It is estimated that the sums involved will reach a maximum of £75-£110 million in each country around 1972-73. If we continue with the project, the Exchequer will therefore be at risk for very large sums over a period of several years. (A summary of the costs involved and the years in which they will fall is at Annex C.)

Technical progress

9. Technical progress with Concord so far has been encouraging. Construction of the two prototype aircraft required for the development programme is well under way, and they are due to fly in 1966. Several major technical problems have been encountered, but have been successfully overcome. In order to obtain the required performance, certain further relatively small changes need to be made in the design for the production aircraft, in particular to the
wing tips - but officials are confident that this can be done without delay to the programme. The technical advice from my Department indicates that the aircraft's planned performance will be achieved, that there will be no unusual difficulties in obtaining certification of airworthiness, and that there is a good prospect of its being ready for delivery to the airlines before the end of 1971. There is a similar degree of confidence on the French side.

10. Concord, both in respect of design work and production, is of decisive importance for the future of the aircraft industry. Without it, the industry would be not far from the situation described in the Plowden Report as "a cumulative decline which might sweep the industry right down, past a level at which it might otherwise consolidate". Concord also occupies a key place in our policy of basing the industry's future on partnership with France. It is furthermore the one major technological endeavour in which we have a considerable lead over the Americans and, apart from the serious effect on our aircraft industry, our withdrawal would be taken as a demonstration of our inability to meet technological challenge.

Operating economics

11. It is estimated that Concord's operating cost per seat/mile on the North Atlantic will, once the aircraft has the uprated engines planned for it some two years after its first entry into service, be about 25 per cent greater than the cost offered by the most economic of present-day jet aircraft, and there will be less revenue because of lack of space for cargo. The 'very large subsonic jets' which may be in service in the 1970s will probably increase this differential to 30-35 per cent. However, Concord should have a high appeal for passengers which should result in higher load-factors off-set to some extent its higher operating costs per seat/mile. The world's airlines will probably also agree, anyhow at first, to some form of fare differential between supersonic and subsonic aircraft which would take account of their differing appeal and operating economics and thus enable both to be operated with approximately equal profitability.

The market for Concord

12. The general consensus of opinion on both sides of the Atlantic is that by 1980 there should be a market for some 300 to 400 supersonic transport aircraft. British and French officials consider that, if all goes well, Concord should capture 150 or more of this market. (This, we understand, is also Lockheed's assessment.) Sales of such numbers with supporting spares, would have a highly beneficial effect on our balance of payments. But the number likely to be sold is very uncertain. Many factors contribute to this uncertainty but the problem of the sonic bang deserves special mention.

13. The intensity of the sonic bang which will be produced by supersonic transport aircraft can be predicted and measured scientifically with a fair degree of accuracy. What is uncertain is the level or the frequency at which sonic bangs would become intolerable for a significant proportion of the population, and whether they would become more tolerable when they were more familiar.
It is impossible to predict how Governments around the world would react to regular airline operations at supersonic speeds and what restrictions might be imposed in consequence. Some restrictions are inevitable, but the severity of the restrictions will determine both the aircraft’s operating economics and its prospects of sales.

14. Eight Concorde have been reserved for BOAC and eight for Air France. Other airlines (including most of the leading American ones) have put down the fairly modest sums required to assure them of a total of a further 36 places in the queue. BOAC, while co-operating fully in the project as regards technical matters, have otherwise sought to safeguard their negotiating position by appearing as uncommitted observers. This is understandable; Concord offers BOAC the opportunity of remaining in the forefront of aviation, but at the risk of some financial difficulties.

Sonic Tests

15. In view of the extent to which the success of the Concord may depend upon public acceptance of sonic bangs, it is desirable to initiate soon large scale tests to determine public reaction. I am advised legislation is necessary and I propose shortly to submit proposals, for legislation to enable such tests to be carried out. Such tests have been held in the United States but not on a sufficient basis in France so far.

Summary

16. (a) It is now estimated that it may cost the United Kingdom £250 million to develop Concord. The prospects of a financial return on this investment through a levy on sales are very poor.

(b) There are solid grounds for confidence that technically Concord will be a success.

(c) There is great uncertainty about the numbers of aircraft likely to be sold. But if we were able to sell substantial numbers, there would be very large benefits to our balance of payments.

(d) The project, both in respect of design work and in respect of future production work, is of decisive importance for the future of the aircraft industry and has value for advanced technology.

(e) The French will undoubtedly resist strongly any further attempt on our part to withdraw from the project. The practical and political consequences of unilateral withdrawal would, if anything, be more difficult now than they were 16 months ago.

(f) It is desirable to initiate soon large scale tests to determine public reaction to sonic bangs.

(g) There are gains and losses for the national economy to be considered whether we continue with this project or abandon it.
Recommendations

17. In my view, we have no alternative but to continue with Concord, given the French attitude and the legal and political consequences which flow from it. I, therefore, now seek approval to authorise the remainder of the development programme up to certification of airworthiness involving expenditure of a further £145 million over the next 5 years, and for acceptance of the principle that the Government should either lend directly or underwrite the working capital required to finance production.

F. M.

Ministry of Aviation, S.W. 1.

22nd June, 1966
Statement by the Minister of Aviation in the House on 20th January, 1965

"We have now completed the review of the Concord project which we set in hand in October and we have exchanged views with the French Government.

We had, and we still retain, some doubts about the financial and economic aspects of the project. We have, however, been much impressed by the confidence of our French partners and my right hon. Friend the Prime Minister has informed the French Prime Minister that we stand by the treaty obligations into which the last Government decided to enter.

During the coming months we shall be discussing with our partners the detailed programme of development and production.

Now that the uncertainty over the future of this project has been removed I am sure that all those concerned with it on both sides of the Channel will press forward with a real sense of purpose. In this, they will have the full backing of Her Majesty's Government."
CONCORD 161 of 13th May, 1966

REPORT OF THE ANGLO/FRENCH COMMITTEE OF OFFICIALS CHARGED WITH THE SUPERVISION OF THE CONCORD PROJECT

1. Since the Report of the Committee of Officials dated 14th May, 1964 satisfactory progress has been made in the design and construction of the Concord supersonic civil transport aircraft.

In July, 1965 it was decided to improve the design and arrangement of the fuselage so as to increase its capacity and to incorporate these improvements in the two pre-production aircraft.

Construction of major components of the two prototype aircraft is well advanced and assembly of the first prototype has just begun at Toulouse.

Bench testing of the Olympus 593 engines started slightly in advance of the planned date and encouraging results have already been obtained.

2. All the progress accomplished during these past two years relates to the long-range version which was the subject of the options taken out by the airlines. Design of a medium-range version with increased capacity has been postponed indefinitely and both pre-production aircraft will be of the long-range version. The present report therefore deals only with the programme for the long-range version.

3. The next phase of the development programme involves the construction of an airframe for static test, two pre-production aircraft, and an airframe for fatigue test.

The definition of these test airframes and of the pre-production aircraft has been the subject of an agreement between the Committee of Officials and the Committee of Directors. This does not mean that all the technical uncertainties have disappeared, but the difficulties which remain are limited and must be considered normal at the present stage of the project.

4. The first flight remains planned for the beginning of 1968 and certification of airworthiness for the summer of 1971.

5. The target payload for the production aircraft on the Paris-New York stage remains at 20,000 lb. (100 passengers) with Stage O engines and 25,000 lb. (125 passengers) with Stage 1 engines in critical summer conditions, with a full seating capacity of about 136 passengers in normal conditions.

Both the Committee of Officials and the Committee of Directors consider that Concord will be capable of this performance. However, the officials' more severe estimates lead them to believe that an appreciably higher take-off weight may be required than the firm say is necessary. Some relatively small changes in design, particularly to the wing-tips, will enable these two points of view to be reconciled.
6. As a result of a detailed examination of the firms' proposals by officials of the two countries, the Committee of Officials are able to submit to the two Governments the following conclusions concerning the production aircraft which are expected to enter service in the autumn of 1971.

- The engines will be Olympus type 593 Stage O. They will reach Stage 1 characterised by an additional thrust of about 10 per cent at the latest two years after entry into service.

- The Concord production aircraft will in fact be capable of carrying the target payload mentioned in paragraph 5.

- The total operating cost per seat/km on the North Atlantic for a Concord aircraft with Stage 1 engines and arranged for tourist class will be about 25 per cent greater than the seat/km cost offered by the best of present jet aircraft (Boeing 707/320B) used in tourist class. As regards large subsonic aircraft such as the Boeing 747 which may enter service in the 1970's and which will offer even lower operating costs, the differential could reach 30-35 per cent. The passenger appeal of Concord is expected to result in the aircraft being better filled and this would offset to some extent the effect of the higher operating costs per seat/km.

- As an indication of what passengers are prepared to pay over and above the basic fare, it may be noted that, on the North Atlantic, and depending on the seasonal variation of the tourist fare, the first class fare is from 45 per cent to 75 per cent higher. On the other hand, it is thought that fares may fall by at least 10 per cent in the 1970's.

- The market for supersonic civil transport aircraft in the 1970's is variously estimated at between 300 and 400 aircraft. The Committee considers that if all goes well, Concord should achieve sales of 150 or more aircraft.

Airport noise and sonic bang still present problems. At take-off and landing, fly-over noise should remain within the limits at present tolerated, but the level of lateral noise on take-off currently expected is still a cause for some concern. In the absence of further public experiments, it is still not possible to give precise indications of the restrictions due to sonic bang. If these were severe routeing would be affected and the market reduced accordingly.

7. The costs corresponding to the realisation of this programme up to the entry into service of the aircraft with Stage 1 engine (i.e. up to 1973) have been estimated by the contractors at £390 million in the economic conditions of July, 1965*.

*Exclusive of tax on the French side.
However, officials think that certain costs have been under-estimated and have made their own evaluation of the cost of the programme, allowing for contingencies. Having regard to the fact that improved cost-control methods have been introduced at the firms and that negotiations have been started for the early introduction of incentive contracts on as wide a basis as possible in both countries, they believe that it should be possible to contain the total cost of the programme within an upper limit of £500 million.

8. The number of options taken out for production Concorde has reached 50 and new options are being discussed. Nevertheless, in view of the novelty and complexity of the problem posed, the exercising of the options cannot be expected until six months after the flight of the prototypes and it therefore does not seem reasonable to foresee the airlines signing firm contracts before the autumn of 1968.

The attention of the Governments is drawn to the special position of BOAC and Air France for whom production aircraft have been reserved without their having paid the sums (albeit almost nominal) which all other airlines have had to pay.

9. The costs of manufacture of production aircraft and of spares will give rise to a significant net outlay in advance of sales, which will begin as from 1967 and reach a maximum towards 1972/1973 of about £75 million - £110 million in each of the two countries. The two administrations are discussing with the firms the methods of financing which could be utilised to resolve this problem, the solution of which is essential for the continuance of the programme.

10. Adherence to the timescale of the Concord programme is judged to be essential to preserve its chances of success vis-à-vis the American supersonic transport programme, under which, in so far as can be judged, entry into service is not planned until 1975. As has been said, the Concord timescale has been adhered to as regards the prototypes. The following stage, which must follow on immediately is the launching of the pre-production aircraft which will require substantial sums of money for which it is necessary first to have the approval of the Governments. The Committee of Officials hope to be able to communicate this decision to the Committee of Directors by the end of June, 1966.

11. The Committee of Officials considers that the programme defined above can be carried to a successful conclusion and that it should result in the Concord being sold in quantity to the world’s airlines. They therefore recommend to the two Governments that the programme be continued.

on behalf of the
Committee of Officials

Chairman. Vice-Chairman
### Estimates of Development Costs (United Kingdom Share)

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<th>Year</th>
<th>Annual £m.</th>
<th>Cumulative £m.</th>
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<td>41.7</td>
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<td>1972/73</td>
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<tr>
<td>1973/74</td>
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<td>225.0*</td>
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*An additional contingency of £25 million has been allowed for, making a total estimate development cost of £250 million.

### Estimates of Net Outlay Required to Finance Production In Advance of Receipts from Sales

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<td>50-85</td>
</tr>
<tr>
<td>31.3.76</td>
<td>25-55</td>
</tr>
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</table>

The above sums are the amount of loans likely to be outstanding in the years mentioned.
27th June, 1966

CABINET

CONCORD

Memorandum by the Secretary of State for Foreign Affairs

I have seen the Minister of Aviation's memorandum (C(66) 88) on this subject and I support his recommendation that we must go ahead with the Concord.

2. The political repercussions of a unilateral British withdrawal (and all the indications are that the French are determined to go ahead) would be very damaging. It would be hard to defend ourselves from the charge that Britain was not a trustworthy partner. Other collaborative projects could well be prejudiced. Nor would the political repercussions be confined to the additional strain which would be placed on our relations with France. Our relationship with Europe as a whole could suffer. A unilateral British withdrawal could seriously shake the confidence of the Five and of our NATO partners in our capacity to fulfil our obligations.

M.S.

Foreign Office, S.W.1.

22nd June, 1966
CABINET

THE CONCORD PROJECT

Memorandum by the Attorney-General

In November, 1964, in E.D.(64) 23 I made the following main points on the legal aspects of the Concord Agreement, and in particular the United Kingdom's obligations under it -

(i) the Agreement is an international treaty, enforceable as such by the International Court of Justice;

(ii) the Agreement contains no express or implied provision permitting unilateral withdrawal from it;

(iii) if we were to repudiate, or fail to comply with, our obligations, we would be liable to be taken before the International Court; and

(iv) we would then face the possibility that the Court would make an order that we should pay compensation to the French, possibly amounting to the additional cost to France of having to complete the Concord project without our assistance. At that time the estimate of the possible compensation was £140 million; it could now amount to well over £200 million.

2. Following the Report of the Committee of Officials dated 13th May, 1966, I have reviewed our legal position under the Agreement. In view of the mounting and enormous cost of the project, I have considered, in consultation with Sir Humphrey Waldock, QC, the leading authority in this field, whether there is any legally defensible way of terminating the Concord project against the wishes of the French, or alternatively of limiting the United Kingdom liability under it. Two particular questions arise, namely -

(a) does the large escalation in the cost of the project itself constitute a legal ground which would justify us in withdrawing from it; and

(b) can any "let-out" or other relieving clause be implied from the terms of the Agreement and/or the Arrangement of 29th November, 1962, between the two countries?
3. As to the first of these questions, we have come to the firm conclusion that the escalation in the cost does not amount to such a fundamental change in the circumstances as would in law justify the United Kingdom in withdrawing from the project. A fundamental change of circumstances can in some cases entitle one party to withdraw from an agreement; but this can only be where the change was one not foreseen by the parties and where the circumstances which have changed constituted an essential basis of the consent of the parties to be bound by the Treaty; and further, the effect of the change must be radically to transform the scope of the obligations still to be performed under the treaty. In our view, it would not be held by the International Court that the escalation in the cost of the project amounted to such a fundamental change. In particular, it would be very difficult to argue that the United Kingdom in entering into the Treaty did not foresee the possibility of a considerable increase in the cost of developing and producing an entirely new kind of aircraft. Further, the acceptance, as the project has proceeded, of the various reports by the Committee of Officials would lend weight to the probable French contention that we had confirmed our willingness to proceed with the project despite the increase in costs.

4. As to the second question, similar considerations apply. The evidently speculative and finance-absorbing character of the project and the evidence of the subsequent approval given by Her Majesty's Government to the increase in costs make it unlikely that the Court would accept that there was any implied understanding in the Agreement that there should be a limit to the extent of our financial obligation thereunder. We have come to the conclusion that the Court would be unlikely to accept any such argument by the United Kingdom.

5. We have also considered the position of the Standing Committee of Officials, and its relationship to Her Majesty's Government. It might perhaps be arguable that the provision in the Agreement for the creation of the Standing Committee with specific responsibility for proposing measures designed to secure economy and for making recommendations on all matters affecting the preparation of the national estimates and accounts enable Her Majesty's Government to retain control of the cost of the project. But this argument is not, in my view, very helpful, as we are still thrown back on the financial commitments of the two Governments to each other under the Agreement. When the United Kingdom Government comes to consider the recommendations of the Standing Committee, it cannot decide to approve or disapprove them simply by reference to its own financial views, and must respect its commitments to France. We may object to items which we consider unnecessary or outside the scope of the project. But any rejection of items within the scope of the project, and generally regarded by both sides of the Official Committee as needed for its success, would expose us to a charge of breaking faith with our commitments to the French Government. In other words, Her Majesty's Government may disapprove the recommendations, but our disapproval could well be interpreted as a withdrawal from our commitment.
6. In my opinion, therefore, there is at present no legally
defensible way of withdrawing from our obligation under the Agreement,
or of placing a limit on our financial liability under it. I am therefore
still of the opinion that if we were to seek to withdraw from the Treaty
we would face the risk of proceedings in the International Court of
Justice, which could order us to compensate the French for the
additional cost of having to complete the project on their own.

F. E. J.

Law Officers' Department, W. C. 2.

23rd June, 1966.
Cabinet

European Launcher Development Organisation

Memorandum by the Minister of Aviation

At their meeting on 9th June (CC(66) 27th Conclusions, Minute 2) the Cabinet authorised me as head of the United Kingdom delegation to the conference to make clear to our partners our serious doubts about the future technical and economic viability of the European Launcher Development Organisation (ELDO) but that nevertheless the United Kingdom would be prepared to reconsider its position in regard to ELDO if:

(i) An early and substantial reduction in our future contribution to a figure which should not exceed 25 per cent could be negotiated.

(ii) An absolute money limit of, say, £40 million were placed on our contribution.

(iii) An arrangement could be arrived at whereby the ELDO programme would be reviewed annually and would incorporate suitable safeguards against automatic commitment to escalating costs.

2. I circulated a short report of the Conference of 9th-10th June, 1966 (C(66) 86). The Final Resolution adopted (Annex A of C(66) 86) proposed, subject to confirmation of Member Governments:

(a) A new scale of contributions for both the initial ELDO A and the further ELDO PAS programmes with effect from 1st January, 1967.

(b) That the financial commitments of Member States should be limited to agreed annual amounts and agreed ceilings for individual programmes.

3. The proposed new scale, with a comparison of the existing scale, and scales of contribution based on United Nations monthly statistics (January, 1966, issue, Table 61) of average net national incomes at factor cost for 1962-64 are as follows:
The terms of Australian participation are to be further considered.

4. The proposed scale amounts to a rounding off of the GNP figures. It was impossible to get our figure down to 25 per cent since this would have been too great a variation from GNP and would pose too great a burden on the smaller countries who are worried too about getting a greater allocation of work. An additional difficulty in getting down to 25 per cent was Australia's unwillingness to take a share in the contributions for ELDO PAS. She makes no direct financial contribution to the original programme, but if, however, the Australian offer to provide some equatorial launch facilities is taken up, or it is matched by a comparable French proposal, it will have the effect of reducing the total cost. A GNP basis including Australia would give us 25.05 per cent.

5. As compared with 25 per cent, a 27 per cent contribution will involve an increase of £2.6 million in our expenditure over the six years 1966-1972, i.e., from £41.6 million to £44.18 million. The figures are given in detail in paragraph 4 of C(66) 86.

6. The study of necessary amendments to the Convention or the Financial Protocol to give effect to our proposal to have annual and overall programme ceilings of expenditure was remitted to a Working Group charged to report to the resumed Ministerial Conference on 7th-8th July. Our proposals were circulated at Annex B of C(66) 86.

7. The Working Group met on 20th-22nd June and is due to meet again on 28th-30th June. Its final report is thus not available. Our proposals have however been well received and it seems likely that the substance of what we want will be agreed. It has also been agreed that contracts should be placed directly by the Secretariat and as far as possible on a fixed price basis. There will, however, be difficulty in getting immediate agreement on the amounts of the ceilings since the big reduction in our contribution presents major problems of re-allocation of work if the smaller countries are to get increases of work corresponding to their increased contributions. Agreement on this may not be reached by 7th July. We are likely to receive a substantially higher proportion of the work than our new contribution (on the existing basis we get 102 per cent of our contribution, less administrative expenses). However when ceilings of expenditure are agreed they are unlikely to exceed our estimates which make larger contingency allowances than those of the ELDO Secretariat.
6. Other matters on the agenda at the resumed conference are a decision on the location of an equatorial launching site and the report of a study group on proposals for the co-ordination of European space policy. No firm decisions are likely to be reached on the latter and on the question of the equatorial site I consider we should continue a course of neutrality and support the solution which offers the best proposition in terms of cost effectiveness (see paragraph 6 of C(66) 86).

9. The Opposition have given notice that they intend to choose ELDO as the subject for a Supply debate on Tuesday, 5th July. And at the next Ministerial Conference in Paris on 7th July we are required to take firm decisions on the ELDO A and ELDO PAS programmes.

10. I therefore seek authority at the Ministerial Conference on 7th July to:

(a) Confirm our continued participation in the ELDO A programme and agree to our participation in the further programme (ELDO PAS) on the basis of the proposed new scale of contributions with effect from 1st January, 1967, subject to satisfactory arrangements for the review of programmes and safeguards against escalating costs.

(b) Announce our acceptance of these proposals in the course of the debate in the House.

F. M.

Ministry of Aviation, S. W. 1.

27th June, 1966
28th June, 1966

CABINET

AUTHORISATION OF IMMEDIATE INCREASES IN
THE LOCAL AUTHORITY HOUSING PROGRAMME

Memorandum by the Minister of Housing and
Local Government

Background

The Government are committed to completing 500,000 houses (United Kingdom) in 1970. The Housing White Paper assumed that private builders would contribute about half this number but in view of their performance over the past year it is far from certain that they will achieve this.

2. This year, for the third year in succession, the total number of houses completed in both sectors is likely to be in the range of 380-400,000 (United Kingdom). We have now got to ensure that the annual rate of completions climbs off this plateau towards the 500,000 which has to be achieved in four years' time. Unless we provide for the whole programme to move forward steadily, the target will not be achieved, or will be achieved only by provoking an exaggerated boom in one or two years in the quinquennium, with all the troubles which that entails.

The short-term prospect

3. Housing is not going well this year. The failure is in the private sector. Private housebuilders started 84,000 houses in Great Britain in the first five months of 1966 against 98,000 in 1965. Completions in the same period were 81,000 as against 86,000. We cannot count on private housebuilders starting even 200,000 houses in 1966.

4. I have taken a number of steps to restore the confidence of private builders (particularly the small and medium sized firms which build some 60 per cent of houses for sale) in relation to the selective employment tax which the National Federation of Building Trades Employers have told me will be very valuable. In addition the option mortgage scheme will make home ownership possible for new sections of the community. Even so we cannot rely upon the private sector to restore the situation.

5. The only assured means of maintaining a better rate of completions in 1967 and 1968 is to step up the local authority programme now, by giving additional approvals in the rest of this year.
Local authority programme

6. When the Cabinet considered housing programmes in July last (C.C.(65) 39th Conclusions, Minute 1; and C.C.(65) 43rd Conclusions, Minute 3) the level of local authority approvals in England and Wales was set at

<table>
<thead>
<tr>
<th>Year</th>
<th>Approvals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>150,000</td>
</tr>
<tr>
<td>1966</td>
<td>150,000</td>
</tr>
<tr>
<td>1967</td>
<td>155,000</td>
</tr>
<tr>
<td>1968</td>
<td>162,500</td>
</tr>
<tr>
<td>1969</td>
<td>170,000</td>
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</tbody>
</table>

7. In April the Chancellor of the Exchequer agreed to an extra 3,500 approvals this year in England. This small additional programme was immediately allocated to selected authorities who had schemes ready to put to tender. Nearly all will be built by industrialised or rationalised traditional methods and much of the work on them will be carried out in 1966 (some 1,000 may be completed this year).

8. I estimate that this year non-priority authorities in England, whom I have so far had to restrain, could take up a further 7,500 approvals without over-straining the capacity of the housebuilding industry. (There is no scope for increasing the programmes of the priority authorities because they are already being allowed to build to capacity).

9. Though some of the extra 7,500 may be started late this year, most are likely to be started early next spring and completed in the first part of 1968.

10. The need for an increase in the local authority housing programme was considered by the Prime Minister's Committee on Housing (MISC 113) who agreed (the position of the Chancellor of the Exchequer being reserved) to recommend that an extra 7,500 should be authorised.

Extra approvals for coal miners' houses

11. Lord Robens requires as soon as possible 7,100 houses in England for miners transferred, under the accelerated colliery closure programme, to expanding pits mainly in Yorkshire and the Midlands; and he may need a further 4,800 later. This large number of houses cannot be accommodated within the ordinary local authority housing programme which has already been committed. Contracts for building these extra houses, if authorised, can be let early next year and an increase is therefore required in the 1967 programme.

12. I seek approval for the following increases in the England local authority housing programme:

<table>
<thead>
<tr>
<th>Year</th>
<th>Approvals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>7,500 approvals for general needs</td>
</tr>
<tr>
<td>1967</td>
<td>7,100 approvals for miners' houses</td>
</tr>
</tbody>
</table>

R.H.S.C.

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

28th June, 1966
CABINET

AUTHORISATION OF INCREASE IN LOCAL AUTHORITY HOUSING

PROGRAMME IN WALES - HOUSES FOR MINERS

Memorandum by the Secretary of State for Wales

The National Coal Board require 2,900 houses in South Wales for miners transferred to long-life and expanding collieries. About 1,000 were approved in 1965 and earlier. The remaining 1,900 are required urgently to keep pace with the accelerated closure programme announced at the end of 1965. 1,000 of these must be approved this year and the balance of 900 next year. Unless these approvals are given this year there will be a break in the completion of miners' houses next year.

2. The level of local authority approvals in Wales in 1966 is limited to 10,000. Local authorities are themselves expected to ask for 12,000 to 13,000 approvals this year - 75 per cent or more of them in industrial South Wales where the housing problem is most acute. A number of authorities must, in any event, therefore, be put off until next year.

3. The demand for miners' houses in Wales represents 10 per cent of the total local authority programme - which is more than double the comparable demand in England. Local authorities in Wales cannot accommodate this demand within the programme of 10,000 approvals.

4. The accelerated colliery closure programme has seriously sapped confidence in the mining industry in South Wales and the present labour force of 58,000 is dwindling at the rate of 9,500 a year. If this continues - and there is no indication that it will not - collieries now deemed to have a long life will be placed in jeopardy. The provision of houses near the long life collieries can play a major part in inducing miners to transfer to these collieries.

5. I seek approval for an increase of 1,000 in the local authority housing programme for 1966.

C. H.

Welsh Office, S. W. 1.

28th June, 1966
28th June, 1966

CABINET

PIRATE BROADCASTING

Memorandum by the Postmaster General

This paper seeks the support of my colleagues for the early introduction of the Marine etc. Broadcasting (Offences) Bill to eliminate the pirate radio stations.

2. This Bill was prepared in 1964 but it was not included in the legislative programme for the 1964, 1965 or 1966 Sessions.

3. The situation has now developed in such a way as to make this legislation far more urgent. Among the new factors are the following:

(a) The establishment of several new pirate stations (one of them, equipped with two transmitters broadcasting two separate programmes, financed from America) eager to take advantage of the present state of chaos to make quick profits.

(b) The threatened establishment of Radio Freedom which has political objectives.

(c) The mounting criticism from European countries about interference with their domestic services which can no longer be ignored.

(d) The discovery of defects in the Wireless Telegraphy Act, 1949 which suggest that prosecutions cannot be successfully mounted even against those stations broadcasting within territorial limits.

(e) The obvious dangers implicit in a situation that allowed Radio City to be seized by force by a group of strong-arm men beyond the reach of police action.

(f) The growing evidence that gangsterism is thriving in this atmosphere.

(g) The increasing volume of public and press criticism of the Government's inaction which makes it much easier politically for us to legislate than at one time seemed possible.

(h) The likelihood that a Private Member's Bill will be introduced soon by a Government back-bencher to fill the gap left by the Government's deferment of the Bill.
The general feeling that what is at stake is now much more than the maintenance of international telecommunications agreements and involves wider questions of law and order and the Government’s will to enforce it.

The fact that the longer the legislation is delayed the harder it will be to deal with the problem.

The indications that the Opposition might facilitate the passage of the Bill and hence reduce the Parliamentary time required.

For these reasons I believe that legislation cannot properly be deferred any longer, and I ask my colleagues to agree that the Bill be now published and enacted as soon as possible.

Some consideration has been given to combining the anti-pirate Bill with the anti-evasion Bill for which a space had been set aside in the current Session. However work on the anti-evasion Bill is not yet far enough advanced to enable a combined draft Bill to be ready before the summer recess. I do not believe that the anti-pirate Bill can be delayed meanwhile.

Proposals which would provide alternative sources of light music and would allow the licensing of local radio will be reported to Cabinet soon and if accepted will make the passage of the anti-pirate Bill much easier. However consideration of these issues should not be allowed to delay an early announcement of the Government’s decision to proceed with the Marine etc. Broadcasting (Offences) Bill.

I therefore invite my colleagues to agree that the Bill should be introduced as soon as possible, and certainly before the summer recess; that I should make an announcement in the House to this effect at once; and that the passage of the Bill should be expedited.

A. W. E.


28th June, 1966.
I ought to tell my colleagues that the 1966 Public Expenditure Survey, which has just been completed, reveals a difficult position on public expenditure as a whole. Substantial overspending of the amounts approved by the Cabinet last July for 1969/70 is in prospect, yet the outlook for the growth of the economy is less favourable. And there is an acute difficulty in 1967/68, when the increase in expenditure, in real terms, over 1966/67 is put at 6.9 per cent, exclusive of Selective Employment Tax payments and investment grants. This is on basic programmes only, strictly defined, and excludes, for example, the cost of further improvement in the standard of local authority housing.

2. I shall be shortly asking my colleagues to consider the implications of this and will circulate a paper in the near future.

3. In the meantime, I think it would be wrong to take an immediate decision (which it is anyway not intended to announce) on the addition of a further 7,500 approvals for non-priority areas to the local authority housing programme. This would add £25 million to public expenditure, most of it in 1967/68. I suggest a decision be deferred for the short period necessary to enable us to look at the position as a whole, and the possible effect of it on other programmes. Meanwhile the number of approvals already in the hands of local authorities, and not converted into starts, is at a very high level (91,000 in May, compared with 75,000 in May, 1965); and the number of approvals issued out of the programme already agreed was 71,000 in January-May, 1966 compared with 80,000 in January-May, 1965.

4. As regards the houses for transferred miners, it was the view of the Prime Minister's Committee on Housing (MIS.C 113) that these should be included in, and not additional to, the local authorities housing programme for the two years 1966 and 1967. It is entirely reasonable that this programme should provide for transferred workers and indeed 7,500 houses for transferred miners have been provided within the programme over the years 1962-65. The present Coal Board requirement ought surely to take priority over the programmes of some of the non-priority authorities. If 7,100 houses for England and 1,900 for Wales were treated as a net addition to the programme, this would add some £31 million to public expenditure, of which more than half would be an addition to the problem in 1967/68.

L. J. C.

Treasury Chambers, S.W.1.

29th June, 1966
4th July, 1966

CABINET

THE APPOINTMENT OF JUSTICES OF THE PEACE IN ENGLAND AND WALES

Memorandum by the Lord Chancellor

The Cabinet at their meeting on 9th December, 1965, (CC(65) 67th Conclusions, Minute 5) invited me 'to bring before them in due course proposals for improving the arrangements for selecting Justices of the Peace in England and Wales'. I am now in a position to do this. My proposals were considered by the Home Affairs Committee at their meeting on the 24th June (H(66) 14th Meeting, Minute 3) and they were in favour of them, subject to certain minor qualifications.

2. This subject has given rise to considerable and continual controversy for 135 years and has already resulted in two Royal Commissions. This memorandum begins with a review of these years and of the recommendations of the Royal Commissions. It goes on to describe the present position and its defects, and concludes with a summary of my proposals for dealing with the problem once and for all.

Historical

3. For many years from 1830 there was considerable complaint by the Whigs that Tory Governments always appointed Tory Justices and by the Tories that Whig Governments always appointed Whig Justices.

4. By the end of the century the complaint was mainly that of the Liberals that the Conservatives appointed too many Conservative Justices. It was also complained that Church of England Justices were appointed to the exclusion of Catholic and Non-Conformist Justices.

5. After the Liberal landslide in 1906 the Government abolished the property qualification for Justices and in 1910 appointed a Royal Commission "to consider and report whether any and what steps should be taken to facilitate the selection of the most suitable persons to be Justices of the Peace irrespective of creed and political opinion". The Commission included Mr. John Simon and Mr. Arthur Henderson and it reported in 1911 (Cmd. 5250).

6. Since 1536 Justices of the Peace in England and Wales have been appointed by the Crown on the advice of the Lord Chancellor (except in Lancashire where they are appointed on the advice of the Chancellor of the Duchy). In 1906 the Lord Chancellor acted in nearly all cases on the advice of the Lords Lieutenant.
7. I am going to quote fairly extensively from the Report of the Royal Commission of 1910-11 as it seems to me that their views are just as apposite today as they were more than half a century ago.

In their Report they said:

"Speaking very generally we in the first place express the opinion that the evils now existing in the system of selecting Justices of the Peace can, to a great extent, be remedied by removing political opinions and political action from the influences affecting such selection.

The substitute for such political opinion and influences should be found in the fitness of the intended Justices, and such fitness should be constituted by their moral and personal character, their general ability, business habits, independence of judgment, and common sense.

The voluntary system, no doubt excludes the existence of a high judicial standard; but such standard may find some equivalent if only men of high character and intelligence be appointed to act as Justices.

Political zeal and decided political convictions in no way represent such equivalent standard.

We therefore express the confident view that political opinion or political services should not be regarded as in any way controlling or influencing the appointment of Justices. The man most fitted to discharge the duties of the office should be appointed. The declaration contained in the Statute of Henry V should still prevail: Justices of the Peace must be residents in their several counties, 'of the best reputation, and most worthy men in the county'.

We seek to enforce these views by recording an opinion, formed after full inquiry, that appointments influenced by considerations of political opinion and services are highly detrimental to public interests, and tend to lower the authority of the Magisterial Benches in the country.

We have shown how necessary it is to consider the qualities which render a person suitable to be a Justice of the Peace, and we have already referred to the important judicial and administrative duties which the holders of the office are called upon to discharge. We have also expressed the opinion that in view of these duties it is necessary that Justices should be men of sufficient ability, of impartial and independent judgment, and of high personal character. But it is also in the public interest that they should be men who command general confidence. And for this reason also it is desirable that the area of selection should be wide, and the choice comprehensive, so that the Bench may include men of all social classes and of all shades of creed and political opinion.

-2-
The removal of the property qualification for County Justices by the Act of 1906 has of course materially enlarged the field of selection. Under the operation of this Act members of all classes are eligible for appointment, and we concur in the view which has been presented to us very forcibly that it is in the public interest that working men with a first-hand knowledge of the conditions of life among their own class should be appointed to the County as well as to the Borough Benches.

8. The Royal Commission recommended that Justices of the Peace should continue to be appointed to the bench on the recommendation of the Lord Chancellor, who, as Head of the Judiciary, ought to remain the Minister responsible for their selection and discipline. They recommended too that the Lords Lieutenant of Counties should retain their functions of making recommendations for appointment to the Lord Chancellor, but that they should be assisted by small advisory committees appointed by the Lord Chancellor and acting in accordance with practice and procedure approved by him. The Lord Chancellor was to appoint similar committees for the Boroughs.

9. Thus it was that the present system of advisory committee came into being, though the first committees were not actually appointed until 1912.

10. The Royal Commission went on to express themselves, in definite and forthright terms, on the high importance of keeping politics out of the appointment of Justices and as to the qualities which must be sought in men and women to be appointed to the Bench. I think it well worth while setting out their views verbatim:

"We are of the opinion that it is not in the public interest that there should be an undue preponderance of Justices drawn from one political party.

We strongly condemn the influence and action of politicians being allowed to secure appointments on behalf of any political party.

We submit to the Lord Chancellor for the time being that he ought to reject and repudiate any such influence, and we equally urge that Lords Lieutenant and anyone recommending persons for appointment as Justices should decline to recognize political or religious opinions as any ground of qualification or disqualification.

We also submit that the Lord Chancellor and the Lords Lieutenant should refuse to receive any unasked-for recommendations for appointment from Members of Parliament or candidates for such membership in their own constituencies, or from political agents or representatives of political associations.

In view of the important judicial and administrative duties which Justices of the Peace are called upon to discharge, it is necessary that persons appointed to the office should be men of moral and good personal character, general ability, business habits, independent judgment, and common sense,
It is in the public interest that persons of every social grade should be appointed Justices of the Peace, and that working men with a first-hand knowledge of the conditions of life among their own class should be appointed to the County as well as to the Borough Benches.

The appointment of every Justice should be accompanied by a formal undertaking on his part to fulfil his fair share of magisterial duties and in the absence of any valid excuse for neglect to discharge such duties he should be called upon to resign his office, and if he refuses to resign he should be removed from the Commission of the Peace. But a request on the part of a Justice who has changed his place of residence out of the area of the Commission for which he acts to be transferred to the Commission for the district in which the new residence is situated should receive very favourable consideration.

11. Lastly, the Royal Commission recommended no change in the statutory qualifications of Justices, nor did they recommend any change in the numbers or tenure of office of ex-officio Justices.

12. When the Labour Government was elected in 1945 there were similar complaints that an undue proportion of the Justices were Conservative or Liberal and the Labour Government appointed another Royal Commission inter alia "to review the present arrangements for the selection and removal of Justices of the Peace in Great Britain, and to report what changes, if any, in that system are necessary or desirable to ensure that only the most suitable persons are appointed to the Commission of the Peace".

13. This Commission, which included Mr. Dingle Foot, sat for two years and received 93 memoranda and heard 75 witnesses. In their Report (Cmd. 7463 of July, 1948) they confirmed the views of their predecessors that the Lord Chancellor (and the Chancellor of the Duchy of Lancaster) should retain their existing functions in regard to the appointment of Justices. They thought that the Lord Chancellor's staff for dealing with this section of his responsibilities was undergraded and inadequate; they wished to see the advisory committee system retained, recommending that the committees should be small and constituted as follows:

"The first aim should be to appoint as members of such committees judicially minded people who will recognise that the selection of men and women to sit in judgment on others is a high responsibility, that their duty as members of an advisory committee is to find the men and women who are best qualified for this office, and that in making recommendations to the Lord Chancellor they must subordinate to this all other considerations. Secondly, members of advisory committees should be drawn from different sections of the community, so that as far as possible the advisory committee will represent a cross-section of society - the members being people who have such local knowledge and associations that they can provide or obtain the information which the committee requires to enable it to select from persons in various walks of life..."
those men and women who are best fitted to be justices. Thirdly, the proportion of members of the committee who are appointed because of their affiliation with political parties should be restricted, so that their influence shall not be predominant and that room may be found for other members whose interests and associations lie in other fields than political work. Fourthly, if in any area it is found practicable without including persons chosen because of their affiliation with political parties to constitute an effective committee which will have the requisite local knowledge and the requisite impartiality and freedom from political bias, the Lord Chancellor should feel free to appoint such a committee."

14. The Royal Commission recommended that advisory committees should be given general directions on the carrying out of their duties which should include the following:

(a) No member of the committee should regard himself as 'the representative' of any political party, and that it is the duty of each and every member of the committee to be vigilant, to prevent the recommendation of any person for appointment or the exclusion of any person from appointment as a justice, on the sole ground that he is a member of a particular party.

(b) In appointing justices the paramount consideration is the person’s fitness for the discharge of judicial duties.

(c) Care must be taken to see that there are persons in the commission representative of various sections of the community.

(d) If, after a preliminary selection has been made, it is found that a considerable majority of the proposed new justices are of one political faith, the list should be revised with a view to seeing whether equally good, or better, nominations can be made from among members of other political parties. If the answer is that they cannot, then the original list should stand.

15. The Royal Commission further recommended that Chairman of County Councils and of Urban and Rural District Councils should cease to be Justices ex-officio. The Mayor of a Borough should be a Justice ex-officio during his period of office but not as ex-Mayor, and his rights to preside over the Justices should be curtailed.

Current facts

16. There are 64 Commissions in the Counties and 129 in the Boroughs in England and Wales. Apart from the Justices ex-officio, who number about 2,300, there are some 18,000 Justices of whom about 15,300 are on the Active List and the remaining 2,700 on the Supplemental List.
17. Sufficient information does not exist to admit of their classification into social groups but before the recent election the political affiliation of the Justices on the Active List was, so far as known, as follows:

<table>
<thead>
<tr>
<th></th>
<th>Con.</th>
<th>Lib.</th>
<th>Lab.</th>
<th>Not known</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counties</td>
<td>4,729</td>
<td>1,124</td>
<td>3,328</td>
<td>1,386</td>
</tr>
<tr>
<td>Boroughs</td>
<td>1,682</td>
<td>519</td>
<td>1,458</td>
<td>598</td>
</tr>
</tbody>
</table>

These figures are not accurate. Over the years there has been a substantial shift to Labour but the figures represent the political opinions of the Justices when they were first appointed - in many cases 30 years ago.

18. The votes cast in Boroughs and Counties at the 1966 General Election were, as far as I have been able to ascertain, as follows:

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<tr>
<th></th>
<th>Con.</th>
<th>Lib.</th>
<th>Lab.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counties</td>
<td>5,104,079</td>
<td>1,378,904</td>
<td>5,248,170</td>
</tr>
<tr>
<td>Boroughs</td>
<td>4,963,835</td>
<td>746,239</td>
<td>6,470,418</td>
</tr>
</tbody>
</table>

19. Notwithstanding the recommendations of the two Royal Commissions, the average Advisory Committee has consisted of a Chairman and two Conservatives, two Labour and one Liberal. Nor have the ex-officio Justices been abolished.

20. The following criticisms are currently made of the existing system:

(a) That, whereas in our past history all judicial officers were at one time appointed on political grounds, today no attention is paid to politics in appointing any other judicial officers (Judges, Recorders, Chairman and Deputy Chairman of Quarter Sessions and Stipendiary Magistrates who are all appointed on merit alone) and it is quite wrong that any attention whatever should be paid to party politics in appointing justices.

(b) A complaint (which comes only from the Labour Party) that not enough attention is paid to party politics in appointing justices.

(c) That the proportion of the population who take an active part in local party politics is very small and that this small class is greatly over-represented on the Bench although -
There is no reason to suppose that local party politicians are necessarily qualified to be good magistrates; if they are, they should be appointed on their merits like anyone else.

They are usually too busy to undergo courses of training.

They are naturally unable to sit in any case in which the local authority has an interest and such cases are frequent.

Their Council and Committee meetings make it difficult for them to sit regularly.

That Justices have not sufficient knowledge of what they are doing and in particular that there is too great disparity in the sentences they impose.

That the ex-officio Justices ought to be abolished as recommended by the Labour Government's Royal Commission because, as the County Councils Association themselves said to the Commission:

"The Association entertain no doubt that, if any approach is to be made to the ideal that only the most suitable persons are appointed to the commission of the peace, then chairmen of county, borough, urban and rural district councils should cease to qualify for admission to the list merely by their assumption of these offices. The qualities which enable a chairman of a local authority to perform his duties with success are not of necessity those requisite for the office of justice of the peace, added to which there is the point that in many areas the office of chairman is a matter of rotation rather than of distinctive merit. In any event, if a chairman of a local authority is suitable for appointment as a justice of the peace, the ordinary procedure should suffice to ensure his consideration for that office."
My own conclusions

21. I have read not only the Reports but also all the evidence given before both Royal Commissions.

22. On the 28th February I had a meeting which I had called of all the Chairmen and Secretaries of both County and Borough Advisory Committees and 248 attended and we discussed the questions referred to above. I have since received many letters from them expressing additional views. These have raised a number of problems with which I need not trouble my colleagues such as the anonymity of Advisory Committees, the method of selection of Chairmen of Benches, the minimum number of sitting days required of Justices, the holding of Regional Conferences of Chairmen of Advisory Committees, removals from one district to another and whether prospective Justices should be interviewed and, if so, by whom.

23. I have however come to a number of conclusions based on my observations and experience both at the Bar and while I have held office as Lord Chancellor. These conclusions are as follows:-

(i) In recent years the functions of Justices of the Peace have increased greatly both in volume and in difficulty, and it is more necessary than ever that those who are appointed Justices should be well qualified to carry out this important work.

(ii) The paramount qualification for the office of Justice is that a person should have a judicial temperament, possess more than average intelligence, enjoy the respect and confidence of the community in which he lives and preferably have shown a desire for public service in some field.

(iii) It is satisfactory that it is now generally accepted (a) that a man should not be appointed a Justice for services rendered in some other field and (b) that no attention should be paid to what his religion is.

(iv) It is important that Justices should be drawn from all social classes in the community so that whoever appears before a Bench will probably have someone on it who is familiar with his habits of thought and speech and his economic and living conditions. Justices are not at present so representative and I think it important that steps should be taken to make them so.

(v) Advisory Committees are confused as to whether the Lord Chancellor wants them to concentrate on class or on party politics. No doubt at one time it was broadly the same thing, the propertied class being Conservative, the middle class Liberal and the man in the cloth cap Labour. Today the manual worker may well turn out to be a staunch Conservative and the young electronic scientist Labour.
I cannot help thinking myself that a spread of the social classes is much more important than any exact equilibrium between party political affiliations. Moreover, an excessive proportion of local party politicians on a Bench gives the impression that the Bench is substantially the perquisite of the political parties.

(vi) There are, however, a number of difficulties in obtaining a sufficient spread of social classes because:

(a) The lower income groups are much less inclined to undertake public work than they used to be ("What do I get out of it?"). According to a survey recently made in a representative large village, the percentage in income groups doing public work has been:

<table>
<thead>
<tr>
<th>Year</th>
<th>Upper</th>
<th>Middle</th>
<th>Lower</th>
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<tbody>
<tr>
<td>1955</td>
<td>44.0</td>
<td>24.5</td>
<td>31.5</td>
</tr>
<tr>
<td>1965</td>
<td>34.5</td>
<td>38.5</td>
<td>27.0</td>
</tr>
<tr>
<td>% change</td>
<td>-9.5</td>
<td>+14.0</td>
<td>-4.5</td>
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</tbody>
</table>

(b) It is not easy for the weekly wage earner to get the necessary time off in a time of full employment. Employers need encouragement about this; and the Government and Nationalised Industries should set a better example. Civil Servants are usually not allowed more than twelve days off a year for public work and the same rule is applied by the National Coal Board and by the Transport Commission.

(c) The pecuniary loss may be too great. Justices should have financial loss allowances, similar to those payable to local authority members. The Home Affairs Committee agreed that, pending consideration of the report of the Maud Committee on allowances for elected members of local authorities, Justices should be entitled to financial loss allowances on the basis applicable to members of local authorities, the problem of self-employed and others not reached by this allowance being considered in conjunction with the similar problems in the local government field.

(d) The three-mile limit for subsistence allowances is a great handicap for Justices who are weekly wage earners. The Home Affairs Committee was disposed to agree to the abolition of this limit provided that this could be done on grounds special to Justices which would not affect subsistence allowances generally. Justices can in fact be distinguished from members of local government bodies because the Courts cannot resume after the luncheon adjournment unless all the members are present. Consequently it is difficult for Justices to go home, and those who cannot afford to lunch in a restaurant are compelled to go to a public house where they may be thought to be associating with persons appearing before them.
(vii) I would like to see the present retiring age for Justices gradually reduced from 75 to 70.

(viii) One of the principal complaints which I receive from members of the public about Magistrates' Courts is that the sentencing is unsatisfactory - either because the penalties imposed are too great or too small or because the sentences imposed by different Courts are inconsistent. It is not open to me, in my executive capacity, to give directions to Magistrates on the level of sentences which they are to impose. I propose, however, to deal with this problem by organising Sentencing Conferences throughout the country on the lines of the Conferences organised by the Lord Chief Justice for High Court Judges, Recorders and Chairmen of Quarter Sessions. At these Conferences all Justices in each area would be required to consider different types of case and to compare the sentences which they would impose. The Conferences would be attended, in an advisory capacity, by persons who are expert in the Probation Service, Prisons and other institutions and in penology in general, and they would be presided over by a senior Chairman of Quarter Sessions.

(ix) Ex officio Justices ought to be abolished. Conditional approval was given to this proposal by the Home Affairs Committee at their meeting on 3rd December, 1965 (H(65) 28th Meeting). A list of the offices concerned is contained in my memorandum to the Committee (H(65) 129). The Cabinet, however, at their meeting on 9th December, decided to defer further consideration of this question until they had had an opportunity to consider my proposals for improving the system of selecting Justices (C. C. (65) 69th Conclusions, Minute 5). It is quite anomalous that there should now be two groups of Justices, one of which have been appointed on their merits, have undergone a course of training and sit regularly, and another group who have not been appointed on their merits, undergo no training and cannot sit regularly. There are more Conservative than Labour ex officio Justices. Out of a total of 1,470 local authorities only 364 are actually controlled by Labour.

Following the meeting of the Home Affairs Committee on 3rd December, the Minister of Housing and Local Government informed the local authority organisations of my proposal to abolish the ex officio Justices. The County Councils and the Greater London Council were prepared to accept the abolition of all local government ex officio Justices, but the Municipal Corporations and the Urban and Rural District Councils were opposed to abolition, though they recognised that some restriction should be placed on everyone who became a Justice and who did not both complete a course of instruction and also undertake to sit regularly. I have seen representatives of the latter three authorities' associations and have discussed the question with them.
The key to the problem of appointing Magistrates lies in the Advisory Committees. The Advisory Committee system was introduced following the recommendations of the Royal Commission of 1910, and it was carefully reviewed and approved by the Royal Commission of 1946-48. I am convinced that this is the best system for appointing Justices that can be devised, but I am equally convinced that the existing Advisory Committees require fairly drastic reorganisation. They are much too limited in their scope and most of them show little initiative in seeking candidates from all sections of the local community. Moreover, most of them tend to be self-perpetuating because the Lord Chancellor has been obliged to rely very largely upon the Chairman of each Committee in finding persons to serve as members of the Committee.

I propose to carry out a thorough review of all the Committees throughout the country, to get rid of the dead wood, and to reconstitute the Committees on the following lines:

(a) Each Advisory Committee should consist of at least one member of each of the leading political parties; but it should also include persons who are not active politically but are drawn from different walks of life, and in particular it should include persons such as Doctors who in their work meet large numbers of men and women of all social classes.

(b) No member of an Advisory Committee should normally serve for more than six years. It may be desirable to modify this rule in the case of Chairman but even they ought to change more often than they do now. As regards County Committees, all of these have as their Chairmen the Lords-Lieutenant of the Counties. This, however, is a matter of long-standing custom. I propose in future to appoint someone else, instead of the Lord Lieutenant, as Chairman of the County Committee if I think that this is in the best interest of the administration of justice in that particular area.

(c) Committees must be made to take active steps to seek suitable candidates among all sections of the local population. The Lord Chancellor's Office should also approach organisations throughout the country and ask for recommendations.

(d) The Lord Chancellor should exercise a much closer supervision over the Advisory Committees and their work.

(xi) The main reason for the unsatisfactory condition of the present Advisory Committee system is that in the past the Lord Chancellor has not been able to exercise adequate supervision of the Committees owing to the smallness of his staff. This consists of the Secretary of Commissions, one other lawyer, one training officer, three Executive Officers and secretaries.
To organise the provision of training courses for Justices, to maintain an adequate system of records of Justices throughout the country, to deal with an average of 900 appointments of new Justices and the removal of some 200 existing Justices every year, and to maintain a close supervision over my 192 Advisory Committees throughout England and Wales, my present staff is wholly inadequate. In addition to this work they also have to deal with the appointment and remuneration of Chairman and Deputy Chairmen of Quarter Sessions, Recorders, Deputy Recorders, Assistant Recorders, and Metropolitan and Provincial Stipendiary Magistrates, as well as some 1,900 Chairman and members of ten different kinds of Administrative Tribunals and no less than 5,200 General Commissioners of Income Tax, in addition to dealing with questions relating to the Central Criminal Court and Commonwealth legal matters. It would not be possible for me to carry out my proposals relating to Justices unless this section of my Department was increased by at least two more officers of administrative grade with the necessary secretarial assistance.

(xii) If my proposals are accepted the additional cost of the staff and administration in my Department will be not more than £9,000 a year.

It is not possible to give an exact figure for the cost involved in granting financial loss allowances to Justices nor in the removal of the three-mile limit, because it is not known how many persons would apply for the allowances. The Home Secretary and I estimate that the probable additional cost resulting from the removal of the three-mile limit would be in the neighbourhood of £50,000 a year, and that the grant of a financial loss allowance would cost about £100,000 a year. The figure of £100,000 is based on the assumption that about 10 per cent of the Justices would draw the allowance; but the Treasury think that 50 per cent would be more realistic as a longer term assessment. If they are right, the figure could be as much as £500,000. If all Justices were to draw the allowance the cost might amount to £1 million; but this could not in fact happen because all Justices would not be eligible for the allowance.

Summary of Recommendations

24. My proposals may be summarised as follows:-

(1) Justices of the Peace, who must be well qualified for the work, should be drawn from all social classes in the community.

(2) To achieve this -

(a) The Advisory Committee system should be reorganised and the Committees placed under close supervision by the Lord Chancellor's Department.
(b) Employers should be encouraged to allow their employees more time off to attend Court; and the Government itself should make it easier for Civil Servants to accept appointment as Magistrates.

(c) Justices should be entitled to financial loss allowances.

(d) The three-mile limit for subsistence allowances should be abolished.

(3) The retiring age for Justices should be reduced gradually from 75 to 70.

(4) Ex officio Justices should be abolished.

(5) Sentencing Conferences should be organised by the Lord Chancellor's Department throughout the country at regular intervals.

(6) To enable the Lord Chancellor to improve the selection of Justices of the Peace he should be given a small increase in staff.

Recommendations (2) (c) and (d), (3) and (4) would require legislation.

G.

House of Lords, S.W. 1.
4th July, 1966
CABINET

TRANSPORT POLICY; DRAFT WHITE PAPER

Memorandum by the Minister of Transport

I attach for my colleagues' consideration the draft of the White Paper on transport policy. The draft text was considered by the Ministerial Committee on Economic Development on 22nd, 27th and 28th June, and the summary, which forms Chapter X, earlier today (ED(66) 14th to 17th Meetings inclusive). The paper has been extensively redrafted to take account of the comments made then.

I am anxious to have the White Paper published on Tuesday, 19th July. Accordingly I seek agreement to the text of the draft and to publication on that day.

B. A. C.

Ministry of Transport, S.E.1.

5th July, 1966
# Draft White Paper on Transport Policy

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I: INTRODUCTION

The rapid development and mass production of the motor vehicle over the past 20 years has brought immense benefits to millions of people: increased mobility, a fuller social life, family enjoyment, new experiences. It has also produced new, quick and convenient means of moving goods. But at the same time it has brought severe discomforts: congestion in the streets of our towns; the misery of the journey to work for commuters; noise, fumes and danger as the setting of our lives; a rising trend of casualties on our roads and a threat to our environment in both town and country-side which, if it continues unchecked, will ensure that the pleasure and benefit for which we use the car will increasingly elude us. The aim of a rational transport policy must be to solve this paradox.

2. The nation has not yet begun to face up to the implications of the motor age. Each of us still believes he can find his own individual means of escape from the accompanying unpleasantness; for example, by finding a house further afield and buying a car - or cars - to enable him and his family to get to it. In the context of such impulses transport policy would have only one aim: to build more routes for the private car. And it would find its economic justification in the fact that goods would be moving by the same routes.

3. The problem of the motor vehicle has been intensified because it has been thrust, unplanned, on the environment we have inherited from a very different age. We have been slow to realise that the expansion of motor traffic on the present scale calls either for a completely new kind of physical environment or for a willingness to adapt its use to the sort of conditions in which we want to live. Countries which became "motorised" earlier than Britain are just beginning to face up to this truth.
4. Even if we had as a nation consciously chosen the first of these two courses, which we have not, it would be at present beyond our means. New towns can be built to the requirements of the motor age though, even then, they will not necessarily be the sort of towns we want if they are built on the assumption of total dependence on private transport. But most of us live in towns built a century or more ago and the cost of adapting them to take hundreds of thousands of cars is prohibitive. Some adaptation must clearly be made but, inevitably, it can only be slow.

5. The same problem faces us on inter-urban roads. Today Britain is spending more on new and improved roads than at any time in her history: the amount for 1966 will be nine times what it was even 10 years ago. Yet so explosive has been the expansion of traffic that by 1970 50% more of our major trunk roads will be heavily over-loaded than are today - the legacy of years of neglect.

6. In such a situation, two courses are clearly necessary. The first is to give the country's transport needs the priority they require, not only in the allocation of money, but in their relationship to other developments. Until very recently we have not even attempted in this country to plan as a whole the factors which create our environment: industry, housing and transport; or to plan different forms of transport in relation to each other. Indeed, until the necessary national and regional planning machinery was created, this was impossible.

7. Since Britain's resources are limited, it is imperative that they should be used to the best effect: in other words, industries should not be built without their communications, ports without the means of moving the goods to and from them or houses without adequate roads. Transport must be planned as part of the national effort as a whole and of the regional contributions to that effort.
8. The second requirement is to face up to the role of public transport. Our towns and cities will never be able to cope with their traffic, or the transport needs of millions of people, without strengthening, improving and expanding their public transport services. Nor can we afford to under-estimate, as we have been doing, the valuable contribution which the railways can make in moving goods and passengers from town to town and people to and from work. Clearly these services must adapt themselves to new technological developments but to get more people and goods moved with less use of road space is vital to the solution of our transport problem.

9. New thinking is required, not only about types and combinations of public transport, but also about how they should be financed. To attempt to solve these problems in exclusively commercial terms is to bring the Victorian mentality to the solution of modern needs. Those who manage or work on London Transport, British Railways and provincial bus services are struggling to reconcile two mutually contradictory objectives: to provide an adequate service for the public and to pay their way. As a result they are finding it increasingly difficult to do either. The solution will call for radical changes in the 1962 Transport Act.

10. It will also call for structural changes. If the public sector of transport is to play its important role effectively, its road and rail elements can no longer operate in isolation. But the new forms of organisation must take account of modern developments. On the freight side this calls for a nationally planned and integrated road-rail service designed to take full advantage of the new techniques for handling freight. Passenger services, on the other hand, must be adapted to local needs. The
urgent need for integration is now emerging from the practical experience of transport problems in different localities. The ways of ensuring this integration, and the forms it should take, are being discussed with the Regional Economic Planning Councils and local authorities.

11. The key to solving Britain's transport problems, therefore, lies in planning designed to reconcile our many-sided needs, national and regional, economic and social. If we are to live within our means, while developing modern, efficient transport systems, and drawing full enjoyment from the motor car, we must put all our resources to their best use as part of a coherent and integrated whole. This paper outlines what is being done.
II: BRITISH RAILWAYS – A NEW POLICY

1. This country has an extensive network of railways, with the capacity to provide fast, safe and reliable services for passengers and goods. It already offers, by comparison with roads, a very high ratio of traffic capacity to track area; and there is ample scope for technical development to higher capacity at higher speeds, without increased use of land.

2. To make sure that the railways can play their part to best effect in a planned transport system the Government has made a fundamental review of policy. The development of road transport and continuing industrial evolution have made it necessary for the railways to specialise. Equally, these developments have emphasized the need to save road space and congestion costs by making the fullest use of railways where they can give efficient service, as in the trunking of freight, inter-city passenger journeys, and travel to work in the major conurbations.

3. The touchstone of a sound railway policy is the extent to which it meets the country's overall transport needs. Commercial viability is important, but secondary. Under the Transport Act 1962 the link between nationalised road and rail transport was broken and the new Railways Board was given the task, as a separate corporate body, of "breaking even" as soon as possible. Such a target could only be achieved by paring down the railway system to a degree which would be socially and economically unacceptable. In practice successive governments have intervened to prevent closures which were obviously harmful to national and local needs.

4. The provisions of the 1962 Act have vitiated much of the good work which the new Railways Board has done. Useful progress was made under Lord Beeching in identifying the roles which the modern railway can best perform and in...
relating investment and marketing policies to them. Practical results were seen in the rationalisation of passenger and freight services, the accelerated replacement of steam by diesel and electric traction, improvements in the control of the wagon and coaching fleets and the development in conjunction with trade and industry of new transport conceptions such as the Freightliner and "merry-go-round" services. But the Board was given no proper yardstick, statutory or otherwise, for measuring the effectiveness of the railway system against the real national requirement. Too little account had been taken in the Act of the interrelation of the railways with other forms of transport and of economic and environmental needs, whether national or regional.

5. It is now widely recognised that the railway system cannot play its proper role in the economy of the country and also comply with the Transport Act 1962. The Act led inevitably to the pursuit of successive reductions in rail services regardless of wider considerations. Moreover this progressive reduction appeared a never-ending process, with a depressing effect on the morale of management and men — the opposite of what is required for a healthy, efficient industry.

6. The right way forward is to decide now what is to be the new role of the railway system in our society, to amend the relevant statutory and financial provisions accordingly, and to restore stability to the industry so that management and men can concentrate on carrying out that new role with maximum efficiency.

Shape and Size of the Future Railway System

7. For the foreseeable future, the country's transport system must include a substantial railway network.

8. In most spheres the railways can be expected to continue to operate on a commercial basis. For example,
over a wide range of long-distance bulk haulage, on fast inter-city passenger services, and on some of the more heavily used commuter services, there is no reason why an efficient railway should not attract an expanding volume of traffic at rates which reflect the true cost of providing the services. There are other services, however, which have little or no prospect of becoming directly remunerative, in a commercial sense, on the basis of revenue from users, at least until a more sensible framework for urban transport can be established; yet their value to the community outweighs their accounting cost to the railways. These socially necessary services include many commuter services in conurbations, whose closure would add to road congestion costs, and some services in remote areas where reasonable alternatives are impracticable or excessively costly.

9. The first problem is to determine the size and shape of the basic system to meet both commercial and social needs. It is already clear from discussions between the Minister and the Railways Board that no network which the Board would consider commercially and operationally viable within its present terms of reference could be achieved without further extensive closures of socially necessary lines. On the other hand it is essential to enable management to concentrate on the improvement rather than the reduction of the basic system, so as to provide a first class service to the public, trade and industry, and to give railwaymen the incentive of an assured and worthwhile future. The Government has therefore decided, in order to restore stability to the industry, that the general shape and size of the system must be determined now, and that it should include:

(a) a network of main trunk routes selected for special development linking the main centres of population, industry and commerce;

(b)
(b) secondary lines feeding the trunk network, including some to be developed to carry particularly heavy flows of freight;
(c) certain commuter routes in and around the main cities and conurbations;
(d) certain lines essential to the life of remote areas.

The detailed proposals discussed between the Government and the Board are now being considered by the Regional Economic Planning Councils, and as soon as possible particulars of the proposed basic network will be published. The future of some of the lines retained for certain freight flows would, of course, have to be reconsidered if the source of the traffic disappeared or if there should be a major change in their circumstances.

10. The result will be a considerably larger system than seemed likely with the previous policy of widespread closure. This change reflects a revised assessment by the Board of traffic potential and the associated operational requirements, as well as a recognition of the importance of the contribution of the railways to broader planning for society as a whole. It will, nevertheless, involve some further closures beyond those already announced, since there is some pruning still to be done before the system is brought up to date. New proposals are likely to include, for complete closure, around 400 route miles now carrying passenger services and around 1,330 miles carrying freight only; but the basic network will still be very substantial.

11. The Government's decision that there should be a basic continuing network of the general size and shape indicated will not finally settle the future of any line not included in it, or prejudge the decision on the closure of a particular passenger services. Each of these will go through
through the normal procedures, including consultation with the Regional Economic Planning Councils. Any redundancy that may result from the limited number of further closures will be mitigated by the comprehensive agreements between management and staff which provide for the transfer, resettlement and retraining of the men concerned, and for compensation payments in those cases where men leave the railways service. These arrangements are working successfully but in some cases men whose jobs are threatened have been left in a state of uncertainty through delays over passenger closure decisions. Decisions on closures which substantially affect the personal future of railwaymen will be taken, one way or the other, as quickly as possible.

12. Where however it appears that services might in future have to be reinstated on a closed line - for instance as a result of planned movement of population and industry - the Government will ensure that the route is preserved meantime, even if the actual track is removed, so that there will be no physical obstacle to reopening.

**Future Development**

13. Attention can now be concentrated on the improvement of the part of the system to be retained. This has two principal aspects which are closely linked:

First, the need to ensure that the best possible use is made of the lines which are to continue in being. To this end road and rail services must be re-integrated. The necessary developments in urban and freight transport are described in Chapters IV and VI.

Second, the development of the network as necessary to enable it to carry the traffic efficiently.
For this latter purpose the Government will make available, on a proper economic basis, and within the general limits imposed on public sector investment, the capital needed for the replacement of obsolete by modern rolling stock, the continued modernisation of track and signalling, and other necessary investment. It will have very much in mind the need to concentrate long-term investment on the major trunk routes, while undertaking works required on other routes for their efficient and economical use as feeder lines, commuter routes and so on. The Government will continue to discuss with the Railways Board both its general programmes for investment and appropriate methods of investment appraisal. It will take particular account of the need to consider investment in all forms of transport together and in the context of regional economic planning.

These developments will not by themselves provide the efficient, cheap and reliable services needed to enable them to attract the traffic to which they are basically suited. This demands the full co-operation of men and management at all levels in the improvement of services and the raising of productivity. The Government is deeply conscious of the difficulties of the past which, in the atmosphere of an unstable and declining industry, have inhibited the fullest co-operation among all concerned. The new atmosphere which these proposals will engender should do much to overcome this difficulty.

But the Government is also taking more specific steps. The Prime Minister has met representatives of the Railways Board and of the unions to launch a review of the structure of railway pay, measures to increase productivity and efficiency, and the machinery of negotiation and consultation within the industry. As then agreed, detailed talks are now taking place under the chairmanship of the Minister of Labour.

/ Financial
Financial Provisions

15. The Government intends to introduce a new system under which the Board will be relieved of the burden at present placed on its accounts by any unremunerative but socially necessary services which, with the Government's agreement, it continues to maintain. These will comprise more than those passenger services to whose closure consent has been refused under Section 56 of the Transport Act 1962; they will include, for instance, a number of important commuter and cross-country services whose closure the Board has refrained from proposing because of their social and economic importance. There may also be other elements of the Board's expenditure which can be properly attributed to social requirements and which ought to be handled exceptionally.

16. A permanent revision of the financial framework within which the Railways Board operates will require legislation and this will be introduced later. In the meantime it is important that the Board, the railwaymen and the public should know as soon as possible how much of the present deficit can be fairly regarded as attributable to the maintenance of unremunerative services which the community requires. Arrangements are, therefore, being worked out with the Board to identify these costs so that they can be published in the Board's Annual Report and Accounts. This will be one of the first tasks in the review described below.

17. As part of the long-term arrangements the Government is considering the possibility that local communities might assume some, at any rate, of the financial responsibility for passenger services whose retention is required for local reasons, if they should decide that the line ought to be preserved as part of the local transport system. This responsibility would devolve on any new transport authorities that might in future be established for the areas concerned.
18. These changes will enable a real drive to be made to eliminate the deficit over the rest of the system apart from these "social" services. The Government intends that the Board's operations as a whole (including the running of the "social" services) should be carried out with efficiency and enterprise. It proposes periodically to determine and make public realistic objectives for the Board by which its progress towards a fully economic basis of operation can be measured. These objectives will, of course, be set within the context of the new financial framework. The Board's essential task will be to operate economically and effectively on the new basis, and to move as soon as possible to a position of financial equilibrium. In this it should be greatly helped by the removal of the depressing effect of an apparently perpetual deficit, attributable at least in part to factors outside its control.

Joint Studies

19. The establishment of the new financial framework will require the identification and costing of those services and facilities whose cost should properly be borne or aided by the community. This will be a complex and difficult job. The Government and the Railways Board have accordingly decided to set up joint machinery for the study of these and certain related questions. These studies will be controlled by a Steering Group under the chairmanship of the Joint Parliamentary Secretary to the Ministry of Transport; the other members will be drawn from the Railways Board and Government Departments, together with two distinguished industrialists and a working railwayman.
20. The main study will be carried out by a team including experts from the Ministry and the Board, together with independent consultants, into certain aspects of the Board's finances with a view to working out a new and acceptable basis for meeting the costs of the "socially necessary" services. The team will consider the suitability of the Board's management structure and procedures in the light of changes which may stem from other proposals in the White Paper, in particular from the proposal to set up a national freight organisation. The detailed terms of reference of the review are set out in the Annex.

21. These studies will be of a different kind from the several studies into the railways of this country which have hitherto been undertaken. In the first place, they will be jointly controlled and undertaken, so that the experience and detailed knowledge which can come from the Board will be applied within the broad framework of the Government's policy, and can in turn affect that policy and the proposed legislation at the formative stage. Then their scope will be sufficiently wide to ensure that the railways are considered within the context of the transport system as a whole. The studies will also, where necessary, be carried out in depth, for instance in the identification and costing of unremitting passenger services. Finally the team undertaking the enquiries will not be limited. Expert help will be brought in from outside wherever this proves desirable.
22. The Government is confident that these measures will provide the conditions for the progressive development of the railway services to meet the needs of present and future users and for a corresponding improvement in the Board's financial position. In this new venture it looks for the full co-operation of both management and men, relieved of the uncertainties of the past and encouraged to set their sights on a successful future.
III: ROADS AND ROAD SAFETY

1. The Road Programme

Whatever is done over the next two decades to improve our railways, roads will have the dominant role in the movement of passengers and goods. They carry almost 90% of the passenger traffic and almost 60% of the goods traffic. Good roads are vital to the efficient working of industry, the movement of exports and the quality of life in our towns. The importance which the Government attaches to the roads programme is shown by the resources it is devoting to it. Current Exchequer expenditure on new roads and major improvements in Great Britain has risen to about £180 million a year. Provision has been made in the National Plan for this to be increased to £280 million (at constant prices) by 1970. These figures include Scotland and Wales and in what follows in this chapter references to the Minister include references to their Secretaries of State.

2. This rapidly rising programme is tackling two main tasks. The first is to provide an effective inter-urban network of major routes. By 1970 more than 700 miles of motorway will have been completed out of the planned 1,000 miles and 350 miles of trunk roads will have been built or reconstructed. Thus, by 1970, the traffic situation will have been greatly improved on certain of the most important routes, with faster journey times, greater safety and more satisfactory travelling conditions. The second task is to step up the rate of classified road building in towns, a problem of growing urgency which is dealt with in Chapter IV. Unless we can give this greater importance, conditions in our towns will become intolerable.

3. Despite increasing expenditure on the roads programme, the backlog of years of neglect and the rise in traffic mean that our roads will be still more congested in the /1970s
1970s than they are now. The Road Research Laboratory forecasts that both vehicle ownership and vehicle miles travelled will double between now and 1980. The crucial questions therefore are how much of our national resources can be devoted to roads in the 1970s, having regard to all the other demands on public investment, and how to get full value for the money spent.

4. Plans for the improvement of inter-urban roads in the 1970s are now being drawn up. They are being based first on a complete assessment of the capacity of the present system to cope with future levels of traffic, and second on an appraisal of the economic returns which investment in road improvements is likely to produce. The Ministry's existing techniques for road investment appraisal are being progressively developed. They will enable the Ministry to identify the type, place and timing of the schemes which offer the highest returns - and thus the highest benefits to the community. Special techniques are needed because benefits from road improvements cannot be measured by simple profitability. They are principally measured in terms of the savings in travelling time and vehicle operating costs and savings in cost of accidents which road improvements achieve. Further research into the calculation and projection of these benefits and assembling and analysing the basic data is in hand.

5. Since roads are an essential part of physical and economic planning, the Ministry's plans have been drawn up after consultation with Regional Economic Planning Councils, other Government Departments, the National Ports Council and the British Railways Board. The plans will fit in with the broad pattern of population growth in the 1970s and with the Government's proposals for regional development. But changes may be needed in the conception and timing of particular features. The plans will, therefore, be kept under continuous review so that new needs can be met as they arise.
6. The rate at which it will be possible to implement the plans will depend on the level of national resources which it will be possible to devote to roads in the 1970s. Later this year the Government will announce the new road programme for 1970/71 and provisional figures for a planning period covering a further period of years. This will allow work to start on the detailed planning and preparation of a substantial number of road schemes. This block of schemes will then be translated year by year into a firm programme, in full consultation with the other Departments concerned with planning and with the Regional Planning Councils.

Productivity

7. It is not enough simply to increase the resources allocated for roads. We must also see to it that we get greater value and greater output. Action has already started. In 1965 the Government set up the E.D.C. for the Civil Engineering Industry under Lord Campbell of Eskan. The E.D.C. in turn set up a Working Party to examine costs and productivity in the road construction sector of the industry, whose first report has just been published.

The Government welcomes the report and is acting on it. In particular the Ministry is:

(i) developing its contract procedures so as to give contractors better opportunities to work continuously on road construction, to employ their plant more productively and to specialise more; this will mean a smaller number of firms being more committed to road construction, still, however, in effective competition with one another;

(ii) helping contractors and material suppliers with their forward planning by publishing every quarter forecasts of every major scheme due to start within two years;

/(iii)
(iii) making the most of contractors' know-how by collecting their experience on major contracts and taking fuller advantage of their suggestions for cost-saving modifications in design, giving them as well more time to study jobs and possible economies in them before tendering;

(iv) promoting the development of better road construction plant and more investment in it;

(v) with the co-operation of the industry, getting better data about the costs of design changes; significant savings are already on the way through changes in the Ministry's specifications and there will be even more standardisation, especially in bridge design;

(vi) commissioning studies into the economics of construction, e.g. shift working, continuity of operation and the possibilities of serial contracting;

(vii) reviewing the working of the statutory and administrative procedures before a road is built or improved.

Further and more detailed studies of productivity in road construction will be carried out which may well reveal scope for further advances.

8. Although the trunk road and motorway programme is wholly financed by the Ministry, much of the design and engineering supervision of the construction of these roads is at present undertaken by the county councils acting separately as its agents. This diffusion of effort does not make the best use of scarce engineering resources. Uniformity of standards and practices are difficult to achieve and continuity of work for experienced design and construction teams cannot be ensured.
9. In order to remedy these defects the creation of a Roads Board, independent of the Ministry, has been advocated in some quarters to be responsible for the unified planning and construction of all highways. But this is no real answer. The Government must retain control over the extent of national investment in the roads programme, its place in national and regional planning, and the determination of priorities. The execution of the programme - design, construction, contracts, development planning, rehousing, land acquisition and the like - involves so closely both central and local government that the solution must lie in some new form of partnership between them. The Government therefore proposes to establish a small number of large-scale Road Construction Units, each covering a number of counties, in which Ministry and county engineers will work together on all aspects of design and construction work for the major motorway and trunk road schemes. The Units will be able to make fuller use of specialist teams, economise on engineering resources, ensure greater continuity of work and arrange an interchange of staff between the county councils and the Ministry. The standard of technical and financial control will be improved while much of the present duplication will be eliminated. The county councils have agreed to examine the details of the scheme urgently with the Ministry. The Secretaries of State for Scotland and Wales are considering how far similar arrangements would be useful in the conditions obtaining in their countries.

Road Safety

10. No transport policy for the motor age will be complete unless it incorporates a new attitude to road safety. In the last 10 years 34 million people have been injured on our roads, 800,000 of them seriously, and 67,000 have been killed. The toll of death and injury is steadily increasing and the risk which every individual faces is a growing one. The chance of being injured in a road accident in 1934 was one in 190; by 1964 it had become one in 156.

/If
If accidents continue to increase at the present rate, road casualties in the 1980s will be nearer a million a year than the present 400,000. Even as things are, accidents are estimated by the Road Research Laboratory to be costing some £220m. a year in damage to vehicles and property, medical treatment, police effort and in the cutting short or interruption of life. This figure excludes any allowance for the premature deaths of those whose contributions to the nation's well being is not generally measured in financial terms - such as housewives and the elderly. Nor has any attempt been made to assess in economic terms the pain and bereavement caused to millions.

11. Immense gains - both social and economic - can be won from a reduction in road accidents. In the past this problem has been tackled by applying remedies where the damage has become obvious - as well as new roads, which substantially reduce accidents, highway programmes have included measures, such as the elimination of accident black spots, specially for reasons of safety; defects in vehicles have been tackled by a succession of regulations and arrangements for inspection; human failure at the wheel or on foot has prompted measures to reduce reckless or careless driving, accidents caused through drink, and the conflict between pedestrians and vehicles. But useful though these measures have been, they have not been able to prevent the risk of injury from rising.

12. To secure a real and lasting improvement a more positive and ambitious approach is needed. As traffic increases, so do the risks of death or injury and so, therefore, should the resources and research we devote to reducing these risks. But action needs to be better co-ordinated, planned ahead as the roads programme is planned, and concentrated on those measures which are likely to produce the greatest savings in life and limb. Without such a lead from the Government, local authorities, vehicle manufacturers and
road users cannot be expected to make the further contribution which is needed from them all if we are to achieve greater road safety.

13. The Ministry is now drawing up its forward programme for attacking the problem on three fronts - safer roads, safer drivers, safer cars. To make the best use of our resources existing methods of economic assessment are being developed by the Ministry's economists in conjunction with the Road Research Laboratory. And the Laboratory in its new relationship with the Ministry of Transport is intensifying its research into road safety and in particular into those aspects of it such as human behaviour, which is at the root of the road safety problem. The outcome of these studies will form the basis of the long-term programme which will be published later.
About 80% of our population live in urban areas, half of them in the larger towns and cities, and the proportion of town-dwellers is growing. Many more people live near towns and travel in for work, shopping or entertainment. Providing the right transport services for this very large majority of the population is perhaps the most difficult and important transport problem we have to solve. The challenge of the motor age is, therefore, at its most acute form in urban areas. Our cities and towns developed on the pattern set by radial public transport systems - buses, trams, surface and underground railways. The growing use of private transport, brought about by rising prosperity, has now fundamentally altered the situation. The motor car, allowing much more diverse patterns of movement, gives people greater freedom of choice in both their living and their working places. Goods vehicles, catering for the growing needs of urban living, help to fill the streets.

Unchecked, these developments could distort our whole pattern of living, as they have done in some places in the United States. Since the trend has not gone so far here, however, we still have the opportunity to shape our cities more consciously. But the objectives are complex. An efficient and convenient transport system is a necessary basis for living in towns and yet it must be provided in a way that does not destroy other important elements of urban life. There is no single, easy or quick solution to this dilemma, but it is vital that we should succeed in both these objectives.

A Comprehensive Approach

One thing is now clear. The urban traffic and transport problem can be successfully tackled only by a combination of
policies. It is not enough simply to concentrate on more roads or tough traffic management or improvements in the public transport services. All these are needed as part of integrated policies worked out for each town and region. Nor is it possible to solve transport problems in isolation. Town planning and transport planning must go hand in hand as the proposals put forward by the Planning Advisory Group stress. The land use/transportation studies and traffic surveys now being carried out in the conurbations and in larger towns provide the basis of this planning, but the Government must provide the proper framework within which local authorities can act.

Urban Road Planning and Construction

It is clear that to meet modern traffic needs, to protect the environment and to relieve congestion, our large cities and towns will need over the next generation a modern network of high capacity traffic routes. These networks will call for massive investment in road construction. We now have an expanded urban road programme, growing and gathering momentum. Even so, its present scale cannot be regarded as more than a beginning of the inevitably long and expensive job of providing enough road space in our towns. A bigger programme will be needed in the 1970s, its extent and timing properly related to the resources available for the road programme as a whole. The Government's aim is to see that the new primary networks essential for the main traffic flows and the establishment of environmental areas as visualised by Professor Buchanan will be built as soon as the economic resources available for our transport needs allow. Before that is possible, however, the situation will be critical.

Traffic

5. Traffic policy, therefore, will continue to be an essential part of urban transport planning. Traffic management and parking policies are primarily the responsibility of individual local authorities and the main role of the Ministry of Transport has been to draw the attention of local authorities to the advantages to be had from adopting effective traffic policies - one-way streets, parking restrictions, waiting restrictions and so on - and to making available to local authorities advice on the latest techniques of traffic management. The Ministry takes part in joint studies with local authorities and carries out joint experiments. An example is the experiment in centralised computer control of about 70 signal intersections and 30 pedestrian crossings in an area of 6½ square miles in West London, with the object of reducing journey times by more efficient linking of signals. A complementary experiment is being undertaken in Central Glasgow. The financing of traffic management schemes will be helped by the new Exchequer grant system, which will enable County Boroughs to get highway grants for them.

6. An effective traffic policy, however, should not only make it possible for traffic to move more freely but also ensure that the volume of traffic attempting to enter congested central areas is sensibly related to the capacity of the road system. This will require deliberate measures of traffic restraint and the Minister will shortly publish a report on the various methods of controlling the use of urban roads. At present, a thorough-going parking policy is the best method for achieving this, but in the longer term this may not be enough in the larger towns. Other possible methods of restraint are, therefore, being investigated, including in particular methods of road pricing.
7. In congested conditions, the individual road user pays considerably less for using a road than the cost he imposes on the rest of the community. This leads to economic waste - chiefly in the form of delays to traffic. Road pricing - a metering system to charge directly for the use of congested roads - is, from the economic point of view, the most obvious solution to this problem. It is not yet established, however, that a reliable, workable and enforceable system can be devised on the scale that would be needed. Detailed research to test the technical and operational feasibility of road pricing is now in train and a special team has been set up in the Road Research Laboratory.

8. But whatever individual techniques of traffic management may prove worth while, it is already clear that traffic policy is going to be an increasingly important component in the whole transport policy of big urban areas. Two changes will be needed. The powers of local authorities, in relation to traffic matters, must be improved to make them as flexible and effective as possible and the Ministry of Transport must play a more positive role. To this end powers under the Road Traffic Acts are being reviewed.

Public Transport

9. Public transport has a key part to play in dealing with the urban transport problems, both for the mass carriage of passengers at peak hours and for the transport needs of people without cars. Yet public transport is in decline. Rising costs, the effects of congestion and the loss of passengers to private cars have all contributed to this situation. Traffic management, by relieving congestion, can help public transport to operate more efficiently but more fundamental changes will be necessary.

10. The Government propose to deal with this in three ways:
   (i) Re-organisation

   Public transport in the conurbations must be reorganised. The basic defects of the present
organisation are that the main elements in the transport system - public transport, road building and maintenance, and traffic control - are separately planned and financed; that transport as a whole is not being integrated into the general planning of conurbations; and that each continuous urban area which is a unit from the point of view of its transport requirements is carved up between a number of separate authorities. In many of these areas bus operation is inefficient because of the small size of the undertakings. Municipal and private bus services often overlap and complex working agreements are necessary. Suburban rail services, particularly important for commuter traffic, are under separate control.

11. This fragmentation and lack of central control militates against any rational co-ordination of transport policies. Thus, those responsible for traffic management and parking are not directly affected by the consequences of their policies for the operation of public transport undertakings. Public transport operators, for their part, must try to pay their way without having any control over several of the factors which affect their power to do so. Again, because local authorities have a financial responsibility for their own bus undertakings but not for local railway services, their attitude to fare levels in either case is naturally quite different.

12. The lack of a carefully weighed local transport plan to which all this must give rise is often exacerbated by the fact that highway development is grant-aided while rail or bus development is not. Local authorities therefore have little incentive to explore the development of rail or other rapid transit systems which might better serve local needs.

13. In the long term the right solution will probably be the establishment of single authorities in these areas with land use, highways, traffic and public transport responsibilities.
Clearly, however, a fundamental change of this kind must await the considerations and findings of the Royal Commission on local government.

14. Nevertheless, action is urgently necessary over the next two or three years if there is to be a proper development of public transport over the next decade. The Government, therefore, will promote the establishment in these areas of interim machinery that can put right at least some of the defects in the present system. Already in some of the conurbations, such as Merseyside, the local authorities and public transport operators concerned are working together on the problems of integration and the Regional Councils are examining what steps might be taken in other areas. The Government welcomes and supports these initiatives. They believe that as a first step conurbation transport authorities should be created under broad local authority control, with the duty of securing an efficient, convenient and integrated system of public transport for the urban region. The Minister of Transport proposes to take powers to create such authorities.

15. The Government believe that these arrangements can be made without prejudice to the work of the Royal Commission and that it should be possible to build into these interim transport organisations enough flexibility to allow their absorption in the long-term pattern of local government, whatever this might be.

(ii) Finance

16. Public transport will not be able to play an effective part without financial help. Where financial assistance proves necessary, those who benefit directly or indirectly from the existence of the service should contribute to its costs; and it should be possible to use the revenue from any transport
service (including parking) for wider transport purposes. It is also reasonable that the first source of "outside" support should be revenues from the local community. Where outside assistance is given, it will be important not to remove from management the spur of clear financial objectives.

/17. The
17. The Government already contributes heavily to the cost of building and improving main roads in towns. It now proposes an extension of this. It intends to take powers to provide financial help for the construction or major improvement of public transport structures that form part of local transport plans - railways, new forms of reserved track transport which may be developed, and terminal and interchange facilities on public transport systems.

(iii) Technical improvement

18. Technical improvements are constantly being made in vehicles and in methods of public transport operation. But public transport is still a labour-intensive industry, and its patterns of operation have not changed enough in response to the conditions in which it now operates. More research is needed into new operating methods and the development of new labour-saving equipment. Steps are already being taken in this field. The Ministry has set up a group to examine the technical and operational problems of one-man bus operation. Joint investigations are in hand in Leeds between the Ministry and the local authority over the whole transport and planning field. A joint study has begun with Manchester Corporation into the comparative costs of various rapid transit systems. But more is needed. The Government proposes to mount a large and centrally co-ordinated programme of research and development with the aim of securing a much needed improvement in services and productivity.

London

19. London's transport problems are unique in their size and complexity. And the ways in which they are being tackled represent the new approach which will be needed in other conurbations. The London Transportation Study, under the joint sponsorship of the Ministry of Transport and the Greater London Council, is collecting the basic data on transport movement.
movement in London, projecting future demand for transport and developing new methods of evaluating the benefits of alternative forms of transport in the light of various possible land-use plans for the London area. The work of the Study is closely linked with that of the new Transport Co-ordinating Council for London, which brings together for the first time, under the Chairmanship of the Minister of Transport, the major authorities responsible for highways, traffic management and the provision of transport facilities in London. The Study and the Co-ordinating Council together will provide valuable experience of the problems of co-ordinating decisions and of determining which of many possible strategies of urban development are the most desirable.

20. The Co-ordinating Council provides the framework within which the planning of roads, traffic management and public transport can be integrated. Five working groups have been set up to deal with the co-ordination of public transport facilities; the provision of interchange facilities, such as car parks at stations; investment in public transport; highways planning and the problems of freight transport. The aim is to achieve, by concerted action, immediate improvements in travelling conditions and to define what changes in the law may be necessary.

21. Public passenger transport in London is provided by two nationalised transport undertakings. The Railways Board's problems are discussed in Chapter II. The London Transport Board, too, suffers from the defects of the 1962 Transport Act. It has not only a statutory duty to pay its way, but also a duty "to provide or secure the provision of an adequate and properly co-ordinated system of passenger transport". In practice, these duties have proved irreconcilable. Difficult road operating conditions and shortage of staff have made it impossible for the Board to offer an adequate
adequate bus service. Between 1955 and 1965 the number of vehicles entering the Central Area during the morning peak rose by 30%, but carried 17% fewer passengers. During this period London Transport lost a third of its bus traffic; 29,000 cars, carrying 39,000 people, took over from 1,900 buses and occupied five times more road space. For the Board to pay its way is equally impossible in present conditions. The difficulties have resulted in an overall deficit of £1 million in 1965; this will probably rise to about £5½ million in 1966.

22. The first answer lies in comprehensive traffic policies including some deliberate measures of restraint. The Coordinating Council and its working groups are following up two major studies carried out earlier by the Greater London Council at the Government's suggestion. The first was an investigation, jointly with London Transport and the Police, into traffic management measures which might help bus operations. The second was a major programme for extending parking control over forty square miles of central London (with the object, among other things, of making commuting by car less attractive). Work is in hand in conjunction with the London Boroughs and others concerned to implement these two reports.

23. Action has also been taken by the Government to deal with the immediate financial problems of London Transport. In the Transport Finances Act 1966 powers have been taken as an interim measure to provide deficit grants up to £16 million to support the finances of the Board over the next three years. But more radical solutions will be needed in the long-term. A joint review is therefore being undertaken by the Government and the Board with expert outside help, of the Board's financial needs and commercial policies, and the main operating and management problems arising from them.
24. Meanwhile, the practical job of planning major new facilities for London is going ahead. The road programme for the 1970s is being worked out by the Ministry and the Greater London Council together, with particular emphasis being placed on the right choice of major ring roads. Extensions of the Underground, further surface railway electrification, links to the airports and possible interchange facilities are being examined within the Co-ordinating Council machinery. Any projects which can be justified on their individual merits will be approved in advance of the comprehensive transportation plan to be produced on the basis of the London Transportation Study.

25. These measures are a start towards the achievement of a properly co-ordinated transport system for London; as the longer term studies are developed, wider measures involving legislation will be needed.
1. The main transport system - the railways, the inter­urban road network, the ports and airports - must be planned centrally and investment must be co-ordinated. The central Government must therefore draw up the broad framework for the development of the system, in the light of the total needs of the economy, and determine the main priorities within it. It is equally important however that the overall transport plan should reflect the needs of the individual regions. Decisions about road, rail and airport investment need to be taken in the light of comprehensive studies of the transport needs of each region. These in turn are dependent on, and must be related to, the overall planning objectives for the region, and must take into account not only the existing transport requirements, but also future population growth, changes in the structure of industry and employment, and the importance of safeguarding and improving environmental standards.

2. The Regional Economic Planning Councils have an important part to play in the planning of transport. As mentioned in Chapter II, they are being consulted about the future size and shape of the railway system and they have already given the Government their views about the inter­urban road plans for the 1970s, the Interim Ports Plan and the future of the inland waterways. Their advice will also be sought on the extent to which domestic air services need to be integrated with other forms of public passenger transport as part of the development of national and regional transport plans.

3. Within the regions themselves there is a need for the re-organisation and integration of public passenger transport services to enable them to meet more effectively the changing demand brought about by the growing use of the private car. Over the five years up to 1965 the proportion of all passenger movement...
movement accounted for by private transport has risen from 56% to 69% and this trend is likely to continue. Yet for many people and many purposes public transport is still essential.

4. The needs of public passenger transport vary with the character of each locality. The forms of integration, therefore, must be adapted to local needs. Already, the local authorities in some of the conurbations are, with the Government's encouragement, considering the possibility of setting up conurbation transport authorities to integrate all their passenger transport services. But the need for rationalisation goes wider than the conurbations. The present structure and operations of public passenger transport, whether nationally owned, municipal or independent, have been determined largely by historical and geographical growth. They follow no rational pattern. Despite the arrangements developed by operators to co-ordinate their services and facilities, considerable scope still exists for better connections and inter-change facilities, shared timetables and joint information services. Nor are the deficiencies likely to be overcome until there is a basis on which the services can be planned as a whole.

5. The Minister of Transport has enlisted the help of the Regional Economic Planning Councils in determining what is the best means of achieving co-ordination, and ultimately integration, of passenger transport. At her request they are already undertaking a number of pilot studies into the transport problems of their regions, some of which cover the integration of passenger transport services in their areas, both in the large cities and elsewhere.

6. The Councils agree on the need for more effective co-ordination of passenger services. Many of them think, however, that what is needed is the full integration of
these services and that the right answer, in the long term, may prove to be the setting up of regional, or sub-regional, transport authorities, responsible for all public passenger transport services in the area. But they accept that, for the short term, some voluntary machinery for co-ordination would help. At the Minister's request, the Councils have considered what would be the most appropriate machinery for each of their regions and they are all now agreed that transport co-ordinating committees, or bodies with very similar functions, closely linked with the Councils, should be set up in each region.

7. The Minister of Transport has accepted the Councils' advice and steps are now being taken to set up these committees. They will co-operate with co-ordinating committees or transportation survey steering committees already established within the conurbations. Their membership will include representatives of the Regional Councils, local authorities, local transport operators, users and trade unions and the Chairmen of the Traffic Commissioners will be associated with the Committees' work. They will probably find it convenient to work through small expert groups dealing with particular subjects or areas. Their main task will be to study the local transport arrangements and advise on the steps necessary to get a more effective and co-ordinated service by public transport. They will also advise on such related matters as traffic management measures to assist public transport, on the siting of car parks in relation to public transport facilities and on arrangements for inter-change between train and bus or between different bus services.

Rural transport

8. In recent years bus operators have been exposed to the twin forces of sharply declining demand and steeply rising costs. The former pressure has largely derived from the...
substitution of private transport. The latter has risen mainly because wages are 70% of bus operating costs.

9. Whilst there is no evidence of any large withdrawal of bus services these adverse pressures cannot be allowed to continue without check. For the people who would suffer from any decline in bus services would include a disproportionately high percentage of the economically weak - in particular the old, the young, the poor and the infirm.

10. In the Government's view, if help from public funds is to be made available to secure that rural services are provided or continued, the local community should take its part in determining what services are to be considered as essential and should contribute to the cost. The Government proposes, therefore, that local authorities shall be empowered to give, at their discretion, financial assistance for providing or improving road passenger transport for the benefit of rural areas and the people living in them. The Minister of Transport will be empowered to contribute towards the costs incurred by local authorities in giving such financial assistance. General criteria for assessing assistance will be worked out in consultation with the local authorities. Legislation will provide that assistance can be given in respect either of the ordinary bus services where this is required, or of services of a less conventional nature (for example, run by smaller vehicles) where these would meet the public need and would relieve the regular operator of a heavier responsibility.
VI: A NATIONAL FREIGHT PLAN

The Distribution of Freight Traffic

At a time when many trunk roads carrying large numbers of goods vehicles are heavily overloaded, main railway lines have spare capacity. This situation is so clearly in conflict with the best use of national resources that the Government has put in hand a comprehensive review of the policy for freight transport.

2. In 1965 the distribution of freight between the main carriers was as follows -

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Tons (Millions)</th>
<th>Ton Miles (Millions)</th>
<th>Share Average (Ton-Miles)</th>
<th>Haul Average (Miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road</td>
<td>1,430</td>
<td>41,000</td>
<td>60</td>
<td>30</td>
</tr>
<tr>
<td>Rail</td>
<td>229</td>
<td>15,400*</td>
<td>23</td>
<td>70</td>
</tr>
<tr>
<td>Coastal Shipping</td>
<td>55</td>
<td>11,000</td>
<td>16</td>
<td>210</td>
</tr>
<tr>
<td>Inland Waterways</td>
<td>8</td>
<td>132</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Pipelines</td>
<td>22</td>
<td>800</td>
<td>4</td>
<td>40</td>
</tr>
</tbody>
</table>

*Excluding carriage of railways own materials (which amounted to 1,000 million ton-miles in 1962).

A small tonnage of inland freight is also carried by air.

3. The staple components of the coastwise traffic around Britain are coal and oil. For these steady flows of bulk commodities between coastal sites, shipping is a cheap and efficient form of transport. Coal carryings are expected to decline but an increase in oil traffic will offset this loss and is likely to maintain the overall tonnage conveyed by ship. Improvements in terminal handling facilities at the ports will increase the efficiency of sea transport for these bulk traffics. The Government sees no reason at present for suggesting any change in the arrangements under which coastal shipping operates.

4. The domestic airlines are rapidly increasing the quantity of freight they carry, but this is likely, in the foreseeable future, to remain a very small fraction of the total amount of freight moved. Air transport carries a limited range of compact and generally high value goods. These are specialised traffics, and so there is no need to bring air transport within the compass of the Government's new plan for freight.
5. The inland waterways have a minor part in the overall freight picture. As Chapter VIII explains, they are important only in a few limited areas and principally for traffics such as solid fuel, bulk liquids and some general merchandise. The economic use of the waterways must be fully developed, but it can never be significant on a national scale, and the Government does not consider it necessary to make specific provision for this traffic in its new proposals for freight transport.

6. Apart from water and gas distributed by the public utilities, the main materials moved by pipeline are crude oil and petroleum products. By 1970 probably about 50 per cent more than the present quantities will be conveyed. Local industrial distribution systems are expected to be developed on a wide scale: but trunk lines have a more restricted role in the overall transport picture, because they are justified only by large, regular flows of a very limited range of products. The development of trunk lines is already controlled by the Government, and as far as the future of pipelines can be foreseen at present there is no reason to alter this control.

7. The greatest scope for rationalisation lies in road and rail transport. The large number of companies making up the road transport industry between them provide facilities for the carriage of general merchandise to all parts of the country. Particularly for traffic which arises in lorry-load quantities, or can be aggregated, the service provided is convenient, profitable and competitive.

/Road
Road transport does not usually have the same advantage in the carriage of traffic which arises in, or can be aggregated into, bulk. The railways, by contrast, have at present two distinct roles in the field of general merchandise. On the one hand, they compete directly with road haulage for consignments which are of wagon-load size or smaller. This is uneconomical because it involves the time-wasting, expensive and repetitive process of handling wagons one at a time, which is rapidly becoming obsolete. On the other hand, the railways are able to move goods in large quantities very economically. This is being effectively exploited for mineral traffic, other bulk commodities and company trains, but remains largely unexploited for general merchandise. Yet there is a large amount of traffic which could be aggregated for through movement between terminals, equipped with modern road/rail transfer facilities, in the main centres of industry and population. There is thus a strong technological and economic case for the railways progressively...
ceasing to deal with single wagons in isolation and concentrating on the carriage of traffic which can be bulked into full train-loads or even part train-loads. Road transport can then complement this role by collecting and bulking general merchandise for trunk haul by rail and subsequently sorting and delivering it by road. By contrast, wagon load traffics which are not easily aggregated, do not come forward in regular flows, or involve circuitous routing would in many cases be better transported by road than rail.

8. The railways and road transport together account for about 80 per cent of inland transport. The bulk flows of such traffics as coal, minerals and raw materials for the iron and steel industry, for which the railways are generally the most satisfactory means of transport, at present form about 70 per cent of rail ton-mileage. At the other end of the scale is the traffic for which there is no alternative to road transport, such as local distribution, medium distance work involving collection from and delivery to many different points en route, and certain specialist loads. It is estimated that this traffic comprises between 70 per cent and 80 per cent of the ton-mileage carried by road. It is within the remaining traffics, amounting to some 25 per cent to 30 per cent of the total road and rail ton-mileage, that the real scope for rationalisation arises. Of this, the two-thirds now being carried by road includes some traffic - particularly long-distance traffic - which is suitable for rail, and for which there is ample spare capacity on the railways; the third now moving by rail includes some short-distance and other traffic which could better be carried by road.
9. Over the past ten years rail freight traffic has declined by some 5,000 million ton-miles, while total goods traffic has increased almost three times that amount. This has been mainly brought about by, on the one hand, a heavy decline of coal traffic, offset to a limited extent by a modest rate of growth in the transport requirements of the steel industry, and, on the other hand, an upsurge in the output of the industries that have hitherto provided the most important of the traffics carried by road - construction and building materials, food, drink and tobacco. The decline in rail ton-mileage occurred almost wholly between 1956 and 1962. Between 1962 and 1965 rail ton-mileage (excluding the railways' own materials) has been between 15,500 and 16,000 million ton miles a year.

10. In the five years 1965 to 1970 the total demand for goods transport - amounting in 1965 to 68,000 million ton-miles - is expected to grow by about 20 per cent or by some 14,000 million ton-miles. On present trends, the great bulk of this would be additional road traffic. If the railways were just to maintain their 1965 share of traffic, industry by industry, they would gain only some 1,500 million ton-miles or about one-tenth of the total new traffic.

A new plan for freight

11. One of the main causes of this imbalance between road and rail has been the determination of successive Conservative Governments to destroy the machinery for integrating road and rail transport. A substantial part
of the country's road/rail freight system (accounting for approximately one half of the ton-mileage by public transport) is owned by the British Railways Board and the Transport Holding Company. Under the Transport Act, 1962, they operate not only independently but in competition with each other. Each undertakes the handling of large or small consignments of general merchandise. There is no obligation on them to co-ordinate consignments by road and rail. On the contrary they duplicate each other's facilities and services. As a result the nation's transport resources, particularly the railway network, have not been put to the best use and the ability of the public sector to offer an efficient door-to-door road and rail freight service has not been fully exploited.

12. The Government has, therefore, been considering the integration of the freight services of the two publicly-owned undertakings on a functional basis, concentrating in a single national freight organisation, operating on a commercial basis, responsibility for general merchandise and sundries traffic. The object would be for the organisation to offer the customer a comprehensive efficient and cheaper door-to-door service, including collection, transport and distribution of his goods, by rail or road or both as appropriate for the particular load.

13. Such a reorganisation would have the advantages, amongst others, of -

(i) increased efficiency through

(a) the integration and rationalisation of such fixed installations as depots, warehouses and maintenance and workshop bases in the public sector;

(b) the integration of the Railways Board's and the British Road Services' collection and delivery services;
(ii) the further development and promotion of new joint road/rail techniques of freight handling to make better use of, e.g. containers and pallets. Better freight handling would benefit all through services, not only road and rail but also sea and air;

(iii) the bringing together within a single management of marketing and development policies at present applied by two separate managements of publicly-owned undertakings within the same sectors of the freight market.

14. Details of the new national freight organisation are being worked out, in consultation with the Railways Board, the Holding Company, the transport unions and user organisations. Among the matters still under consideration are the working relationship between the Railways Board and the new body, the arrangements for co-ordinating their policies and operations, including their pricing policies, and the division of staff and assets between them.

15. It is, however, clear that it is through the reorganisation and rationalisation of the non-bulk traffics that the greatest immediate benefits can be obtained. The key to success in this task will lie in making the most efficient and economic use of both road and rail transport in the interests of all concerned, with all suitable traffic being bulked for carriage by rail in train-load quantities. The ultimate solution in the long term may prove, in the light of further examination, to be that the new body should be the marketing organisation for all freight traffic in the public sector; but for the present the Railways Board will continue to be responsible for bulk traffics, other company trains and freight which moves, mainly in whole train-loads, wholly within the railway system.

16. The provision of a comprehensive door-to-door service for small consignments and general merchandise traffic will
require the development of a network of modern road/rail transfer terminals. The Railways Board are already planning a freight grid, which will lead to the concentration of general merchandise traffic, not destined for private sidings, at some fifty terminals in the main centres of industry and population and conveniently located for the transfer of road traffic for trunking by rail. Direct railway services, using the latest equipment, will operate between the terminals and collection and delivery over wide areas will be undertaken by road vehicles. A national freight organisation could develop this freight grid to secure a rational use of road and rail facilities, and at the transfer depots could provide warehousing and other facilities for the making and breaking of bulk as may be required.

**Interim Measures**

17. Legislation is necessary to set up a new National Freight organisation. The Government does not intend to wait before taking steps to promote co-ordination between the freight operations of the Railways Board and the Transport Holding Company. It is discussing with them how best their services can now be organised to complement one another and so to facilitate the setting up of the new organisation. It is planned to make an early start on the co-ordination of the parcels service of British Road Services with the freight sundries service of the Railways Board.

**Review of Road Goods Transport Policy**

18. One of the most serious weaknesses of past transport policies has been the failure to identify the relative costs, both economic and social, of carrying goods by road and rail. The value of the Beeching report's analysis into the role of the railways was to a large extent vitiated by the lack of a similar analysis of the true costs of carrying goods by road. Nor was this failure remedied by the setting up in October 1963
of the Geddes Committee on Carriers' Licensing. The terms of reference given to it by the Conservative government were so limited that it was unable to consider policy on road goods transport as part of a plan for the carriage of freight as a whole. Although it received evidence from various quarters both for and against the argument that road hauliers are not paying their true costs it decided that it was not necessary to its task to pronounce on this issue.

19. The first essential in any policy designed to secure the right balance between different forms of transport, particularly road and rail, must be to remedy this deficiency in our knowledge. As a first step the Ministry of Transport is developing a trunk route transport costs model, which will show the relative costs of carrying goods by road and rail on certain trunk routes and the effect on costs of altering the distribution of traffic between road and rail. It is also carrying out a survey of transport from industrial establishments to get more detailed information about the factors which influence the choice made by users between different forms of transport.

20. The transport costs model will help to answer the hitherto unresolved question of track costs, and the Government expects to have the necessary data towards the end of this year. It will then be in a position to decide, on the basis of a proper economic assessment, what changes, in the conditions under which road goods vehicles are operated will be required. In the meantime it would not be right to take any decision about the detailed recommendations of the Geddes Committee on the future of the road goods licensing system. The Government accepts the Committee's view that the present carriers' licensing system is wasteful, ineffective and unduly complicated; it agrees that it is ill-designed to achieve the objectives for which it was set up, even where these objectives are still relevant. But it
does not agree that the system should be scrapped. On the contrary, it believes that it will be necessary to devise a licensing system which is an effective instrument of a modern national freight policy.

21. These studies need not delay steps to improve the safety and efficiency of road vehicles and to limit the social nuisance, particularly from noise and smoke, and the Government is taking urgent action in this field. The safety regulations applied to road goods vehicles are being reviewed and improved. Higher standards for braking are being introduced. Schemes for "plating" goods vehicles with the weights they may safely carry, for testing them regularly and for type-approving essential features of the construction of new goods vehicles at the manufacturing stage are being developed. These were described in detail in the White Paper "Road Safety Legislation 1965/6" of December 1965 which also confirmed the Government's intention to re-introduce special licences and tests for the drivers of heavy goods vehicles. The necessary new powers will be sought in the Road Safety Bill. New controls over noise and smoke are being developed, and the Ministry is studying ways of reducing the nuisance to other road users from loads of exceptional size and weight.

22. Regulations to improve safety are effective only if they are properly enforced. The staffing, direction and priorities of the enforcement work now being carried out in the Traffic Areas are, therefore, being reviewed in order to secure the most efficient management and direction of this work and the best results in terms of road safety.
23. The Government is also considering ways in which the efficiency and productivity of the road haulage industry may be effectively improved. It wishes, too, to link the road haulage industry more effectively with national and regional economic and transport planning. Representatives of the industry are beginning to play their part in the development of ideas and plans for transport in the regions, but the industry should be brought in more effectively at national level.

24. To achieve all this will require a fundamental and detailed re-shaping of policies, legislation, regulations and machinery now effecting road goods transport. The Government has set this in hand. Representatives of both management and the Unions in road goods transport, and of industry, will be fully consulted in the course of this review.
VII: PORTS RE-ORGANISATION AND MODERNISATION

1. For a country as dependent as Britain upon international trade, an efficient ports system is vital. The inadequacies of our ports for present and expected needs have become increasingly apparent. In too many cases exporters and importers are not getting services of the quality they require. In this respect they are at a serious disadvantage in comparison with their competitors in other major industrialised countries which have modern and up-to-date port transport. The seriousness of the situation is aggravated by the prospect that, as the economy expands, the volume of imports and exports passing through the ports will also grow rapidly.

2. Considerable improvements have been made at a number of ports in recent years, but a great deal more needs to be done. The Government has, therefore, prepared a programme of action which includes the modernisation and development of port facilities, the introduction of investment grants, and the incorporation in port charges of incentives and deterrents. Even more important in the longer run are the Government's proposals for radical changes in the administrative structure and ownership of the ports and in the conditions of employment of the dock workers.

Capital Investment

3. First, the Government intends to press ahead with a programme of capital development. It accepted in principle the National Ports Council's Interim Plan for port development which provided for the construction of some 70 new berths and the renovation of 46 more, at a total cost of about £150m. But the Plan is not a rigid one: as the Council have pointed out, a high degree of flexibility is required in port planning. It will be necessary, for instance, to take account of the accelerated development of unit transport services, which will increase enormously the "through-put" of cargo at a modern dock berth but require many times the amount of land needed...
for a conventional berth. The further ports plans will contain forecasts of this country's trade in the 1970s, by both commodity and world zones, and assessments of the adequacy of existing port capacity. From this will be determined the capacity needed in the ports, in the light, in particular, of such technological developments as the rapidly increasing use of containers and pallets and the packaging of cargoes, such as timber, previously handled as "break bulk" cargoes. Studies will also be required of the trends in ship size for the main categories of freight and for the shipping routes serving this country.

4. All this will take time. Meanwhile, the Government, with the help and advice of the National Ports Council, is pressing forward with the task of making the ports fit to satisfy the demands imposed by modern methods and techniques. Over the next few years, investment on schemes in the Interim Plan and other necessary improvements will amount to some £200-250m. It is essential that this capital should be wisely spent. The working of the investment control procedure under the Harbours Act, 1964, will secure that the projects approved, as well as being justifiable from the point of view of the port authorities, also yield the highest possible benefits to the community as a whole, e.g. through saving of labour, and are consistent with the Government's overall planning.

5. It is essential, if the right investment decisions are to be taken, for the improvement in the costing and forecasting of port authorities to be carried still further. There has been much useful work in this field in recent years but there is still a good deal to be done. In particular, the introduction of management accounting throughout the industry and at all levels is of high importance.
6. The National Ports Council has also done valuable work in improving the financial state of the ports and in securing improvements in their budgeting and accounting. Many ports are still financially weak, but lack of funds should no longer be a constraint upon desirable investment. The scheme recently announced by the Government will provide investment grants to port authorities and port operators of 20% on approved expenditure on plant and equipment in harbours and on harbour works. Government loans will continue to be available to port authorities.

**Estuarial Unification**

7. Immediately, steps are being taken to secure a greater degree of unification of control in all the major port areas. The Clyde Estuarial Authority has been functioning since January 1st of this year; schemes for the Forth, the Humber and Southampton Water are in an advanced stage; a Private Bill for the unification of facilities on the Tees is before Parliament. These interim measures will provide for much needed concentration and closer supervision of development and operation than is possible with the present system of fragmented management and ownership. The Docks and Harbours Bill now before Parliament contains a number of provisions designed to increase port efficiency and to facilitate the carrying out of port reorganisation proposals; additional powers are proposed for the National Ports Council to enable it to carry out its planning functions more effectively.

**Port Labour**

8. The main purpose, however, of the Docks and Harbours Bill is to provide a system for the licensing of employers of dock workers. The aim is to bring about a large scale reduction in the number of employers in the ports so as to eliminate the casual employer and reduce the present excessive fragmentation of responsibility. These proposals constitute an important
step forward in the Government's policy of improving industrial
relations and efficiency in the ports and will place greater
control and responsibility on the major port authorities.

9. Since the war efficiency has been greatly impaired by
poor labour relations and inadequate use of labour in an
outdated physical environment. In November 1964 the Minister
of Labour appointed a Committee under Lord Devlin to inquire
into the problem and its Report was published in August 1965.
It recommended, as the Rochdale Report had done in 1962, the
abolition of the casual system of employment in the docks and
the introduction of permanent employment for all dock workers.
Linked with this were detailed recommendations for the licensing
of port employers, amendment of the National Dock Labour Scheme,
the improvement of amenities for dock workers, revision of the
wages structure and the abolition of restrictive practices.

10. The National Joint Council for the Port Transport Industry
accepted the principles of the Report and set up a National
Modernisation Committee under the Chairmanship of Lord Brown
to work out the detailed changes. Action to adapt the existing
Dock Labour Scheme to a system of permanent employment and
negotiations on the terms and conditions to be introduced as
part of the new system is well advanced. In addition to
legislating for the licensing of dock employers the Docks and
Harbours Bill provides for the improvement of welfare amenities
for dock workers. The Government believes that these radical
reforms in conditions of employment will provide a basis for better
industrial relations and greater efficiency in the docks in the
immediate future.

11. There is much else that can be done in the short term to improve
efficiency. There is great scope for the improvement of existing
methods and practices, in particular the adoption of the most modern
methods of cargo handling. There is room, too, for the development
of more efficient methods of operation and management. The
Government will take the steps necessary to secure this, and at the
same time will seek to encourage the rapid developments which are
being
being made in the unitisation of cargo.

12. Modernisation of the financial and charges structures of the ports is also essential, and the work at present being done by the National Ports Council on these matters will be given high priority. The aim must be to ensure that port charges are based on economic costs and cross-subsidisation of services is eliminated. The level of charges should be such as to encourage an efficient flow of goods, for example the delivery of export goods to the docks in an orderly sequence, planned to fit in with the loading of ships.

Movement of Exports

13. If the export drive is to succeed, and the image of British exports is to be improved, exports must be moved quickly and efficiently to the overseas customer. This is not simply a ports problem: improvements are needed all along the chain, including handling in the factory or depot, inland transport, ports, shipping and air freight. The Government therefore set up, in the summer of 1965, an Economic Development Committee for the Movement of Exports, under Lord Caldecote, "to examine the present movement of goods for export and to make proposals to improve and speed it".

14. The first need is to obtain comprehensive information, which is not at present available, about export movement times, the points at which delays occur and the effect of delayed or unreliable delivery on the willingness of foreign customers to buy British goods. This information is being obtained with the help of consultants.

15. Meanwhile, the Committee is working hard to encourage more efficient export movement. In particular, it has published its first report, which sets out comprehensive recommendations on the importance of the through transport concept for exporting to Europe, and the need to improve transport facilities (particularly the development of unit load systems and the establishment of inland clearance depots), to streamline customs procedures and to simplify export documentation.

Confidential
Reorganisation

16. The policies set out in this Chapter are immediate and necessary steps towards the realisation of the Government’s long term intention of reorganising the ports on the basis of public ownership. This will require the creation of a strong National Ports Authority and publicly-owned Regional Ports Authorities, and the details of the plan are now being worked out. Central to the conception is the establishment of a National Ports Authority as the main planning and policy agency, and as such responsible for the control of the development of a comprehensive national plan for ports, the selection of particular ports and projects for development, and the relationship of the ports plan and port investment to the National Plan. It will also be responsible for such common services as research, statistics, and training, and the general lines of charges policy.

17. The Regional Port Authorities will have a wide measure of independence and will be encouraged to plan the developments called for by the needs of the regions within the guiding lines laid down by the National Ports Authority and in conformity with the requirements of the National Plan.
VIII: INLAND WATERWAYS

1. Few of the 2,000 miles of canals and river navigations controlled by the British Waterways Board now have any important transport roles to fill; only a few hundred miles are commercially viable. But most of the rest of the Board’s system, constructed in the late eighteenth and early nineteenth centuries, before the days of the railways, is ill-placed to compete for the carriage of freight. It is idle to suppose that in this country economic canal development could have any significant effect on the volume of road traffic. Canals are now carrying less than one half per cent. of the total inland national freight tonnage.

2. The Board is nevertheless still obliged by legislation, much of it as old as the waterways, to keep many hundreds of miles open to commercial navigation regardless of the extent of their use for carrying goods. The expense is considerable and the losses heavy. The time has come for a hard look at the facts which are available for the first time in a comprehensive and realistic form in the Board’s Report, "The Facts about the Waterways". The first task is to match the waterways and the obligations imposed on their owners to modern needs and conditions.

3. Most of the assets created by the investment of past generations in the waterways have—and can have—no further commercial value. The Government does not propose to invest large resources in new transport waterways, but those few existing nationally owned waterways which can form an economic transport undertaking will, with their allied transport facilities such as docks and warehouses, be operated on a commercial basis in a separate division of the Board’s undertaking with a more realistic capital structure.
structure. Ancillary sources of revenue, such as the sale of water, will continue to be exploited.

4. In their Report the Board referred to a special group of well-known waterways, the Crinan and Caledonian Canals in Scotland and the Lower Grand Union Canal in the London area, which lose money heavily. Their future will need consideration in the light of the special needs of Scotland and London.

5. The standards to which the remaining waterways should be maintained - or whether they should be eliminated as waterways - must be decided in the light of the importance of the other purposes they could fulfil and the costs involved. The waterways form an integral and important part of drainage and agricultural and industrial water supply systems and plans for their future must pay particular regard to these important functions. But whatever is done a continuing charge on public funds of at least £600,000 a year seems unavoidable.

6. As was made clear in the White Paper "Leisure in the Countryside" many waterways provide usefully for recreational activities such as canoeing and fishing. The preservation of existing facilities for these activities would as a rule give rise to little or no expenditure which could otherwise be avoided. But the increasing use of waterways by powered pleasure boats creates a different problem. If the non-commercial waterways at present used by these boats were to be closed to them the annual loss could be cut from about £940,000 a year to the inescapable minimum of about £600,000 a year at present costs. But once they were taken out of use for pleasure cruising and standards of maintenance lowered it is unlikely that it would ever be possible to restore them. It would be
wrong to allow this to happen to those waterways which seem likely to have a valuable part to play in meeting the country's leisure-time needs in years to come.

7. The Government will, therefore, discuss with the Waterways Board and the appropriate bodies in the regions concerned, and with the representatives of users, the extent of the network it would be justifiable to maintain in the immediate future for use by powered pleasure boats. These discussions must be completed in time for legislation to be enacted to take the place of the present statutory provisions which expire at the end of 1968. The network which the Government decides should be maintained for use by powered pleasure boats following these discussions will again be reviewed after five years, and thereafter at regular intervals, in the light of the use made of it, of the success achieved in attracting more custom and in exploring the possibility of increasing charges and other sources of revenue, and of prospects for the future. The Government must, however, reserve the right during the period between these reviews, exceptionally, to close a waterway to use by powered pleasure boats by statutory order if the cost of keeping it open proves to be out of proportion to the benefit from it.

8. In the Government's view, both the commercial and the amenity waterways owned by the Waterways Board should remain under the single management of the Board. The day-to-day running of the waterways requires specialised skills, to cover such services as water control, lock repairs and the safety of canals and river navigations, all needing to be co-ordinated over wide areas to ensure the efficiency of the system as a whole. Moreover, because of the cost that must continue to fall on the Exchequer for many years, the Government must maintain direct control of expenditure through the Board.
9. At the same time there will be scope for voluntary effort. There are many people who have given of their time and resources to working on canals to fit them for recreational use and also to advocating their cause. This energy and enthusiasm should not be allowed to go for nought. The Government proposes, therefore, that the Waterways Board should be empowered to enter into agreements for the rehabilitation of disused waterways for recreational purposes by suitably organised bodies which can raise the necessary resources of finance and labour by voluntary effort, without any additional burden being imposed on public funds.
Economic Planning and Research

1. The need for a planned and co-ordinated development of the country's transport system has been the dominant theme of this White Paper. But planning must be done in the light of the facts, and up till now insufficient data on transport has been available to permit this.

2. The economic and statistical research facilities of the Ministry of Transport have, therefore, been greatly strengthened. Earlier this year a Director General of Economic Planning was appointed. He is supported by a staff of professional economists, including a Mathematical Advisory Branch and a group working on problems of investment appraisal over the whole transport field.

3. The Directorate has started by concentrating its efforts on short-run projects aimed at providing information of immediate value relevant to forecasting demand, assessing costs and calculating the effect of proposals for solving the most pressing problems. The Mathematical Advisory Branch is mainly concerned with the problems of processing as much as possible of the work on computers. There will be many problems, both urban and inter-urban, where an economic model, which can be evolved with the aid of a computer, would help both to explain their nature and to explore them in depth, and also would be valuable for prediction. Another part of the research programme is an investigation of the economic aspects of urban planning, which will assess the effects of transport policies on urban planning and development in the widest sense.
4. At the same time, the longer-term future is not being neglected. It will be evident from other parts of this White Paper that extensive investment in transport facilities will be required in the remaining years of this century. It is likely that large sums will be spent on research, and the techniques of cost effectiveness must be used, first to get the right priorities and then to ensure a continuing check of costs against the likely return. Applied technical and scientific research will be more effective if related closely to information on population trends and other social forecasts; the growth of income and in particular the proportion likely to be spent on various forms of transport; and the forecasting of industrial and passenger demand for transport services. All these studies form part of the Government's new approach to economic planning, in which greater emphasis is being placed on closer collaboration between the Government Departments concerned, and between them and the local authorities.

**Technological Research and Development**

5. The solution of economic problems, though crucial to the development of an effective framework for transport, is only part of the picture. We must make the most of our technological skills and resources to improve transport equipment. The latest scientific techniques are being used in dealing with a range of practical problems. An example is the experiment in reduced journey times through centralised computer control of traffic being introduced at about 70 signal intersections and 30 pedestrian crossings in an area of 6½ square miles in West London. A complementary experiment is being undertaken in Glasgow. Plans are being prepared for the use of a computer as a basis for the whole of the vehicle and driving licensing system in the early 1970s. This is a major undertaking which will eliminate much of the routine work inherent...
inherent in the present methods. Additionally, this computer will play a direct part in the administration of the heavy goods vehicle testing scheme, providing a comprehensive store of information about vehicles and their drivers which can be analysed in ways possible only with a computer, and aiding road safety by providing efficient means of tracing vehicles and their drivers, thus assisting enforcement by the police. A new large computer has been ordered for research work at the Road Research Laboratory.

6. There is little obvious connection between the diverse technological problems confronting different sectors of the transport industry, and for this reason there has never been any single research and development organisation for transport. Resources have tended to be deployed in particular sectors. In land transport, there are the Railways Board's and London Transport's research and development organisations, bodies such as the Motor Industry Research Association and the Civil Engineering Research Association, both partly financed by the Ministry of Technology, and several research groups wholly financed by industry.

7. The advances being made are considerable. For example, the Railways Board's Research Department is probably ahead of the world in the techniques of operating steel wheels on steel rails, of fundamental importance to the further development of high-speed rail transport; and the Board's new electrification system is acknowledged to be in the forefront. London Transport lead in automatic operation of their kind of railway; they already have an experimental section of line carrying passengers between Hainault and Woodford, and the new Victoria line, now under construction, will be automatically operated throughout.
8. The Road Research Laboratory, for which the Minister of Transport assumed direct responsibility in April 1965, has a world-wide reputation and standing in road construction techniques, and in traffic and safety research as well. To assist in the co-ordination of all road research the Advisory Council on Road Research has been set up to advise the Minister, and, as appropriate, the Secretaries of State for Scotland and for Wales, upon the orientation and scope of research on roads and road traffic.

9. But the main interests of these research groups have been, quite properly, devoted to the problems of their particular part of the transport system. None is orientated, or equipped, to study and experiment with systems which radically differ from, and which may supersede, those now operated. The nationalised transport undertakings have been short of money for research. In industry development is, in the main, undertaken specifically for stated requirements of operators or users.

10. The total public investment in research and development directly identifiable with transport (excluding aircraft, ships and hovercraft) is of the order of £5 million a year. This is not a large sum, particularly since much of the development financed is directed to the improvement and modernisation of existing forms of public transport. There is no lack of ideas, but the country clearly cannot afford to pursue them all to a conclusion. Valuable research and development effort needs to be guided along channels that bear some realistic relationship to the possibilities of future capital investment in new systems, or in modernisation. For example, the continuing modernisation of the railways must be backed by a research and development programme that will enable them to hold their rightful place in an advanced technological environment.
11. But the new possibilities which are continually appearing will not be ignored. The Government has decided that research and development in inland transport should be expanded under the guidance of the Ministry of Transport. The aim will be two-fold:—first, to meet the needs of the Government where the development of equipment is required in support of possible policies; and second, to ensure that new ideas are properly examined in the light of the problems facing the country. The Ministry will work in close co-operation with the Ministry of Technology and the National Research Development Corporation, and as much use as possible will be made of the skills and facilities that exist in Government Research Establishments. Items which will be given first consideration for support will be the exploitation of the full potentialities of our railways to give higher speeds, greater comfort and safety; the development of automatic fare collection machines and of road pricing mechanisms; the experimental development of prototypes of a guided bus system and a novel kind of urban transport system in tubes (which may be on the surface, underground or elevated); and a new study of the possibilities of applying existing technological knowledge to the solution of the problems of mass transport in city centres. In the more basic fields of research, the techniques of tunnelling, the intractable problem of storage of electrical energy as a possible power supply for road vehicles, and new forms of electric traction will all be further studied.
SUMMARY

1. Four basic themes have shaped the Government's transport policy:
   (i) the transport infrastructure and services (rail, road, ports, etc.) must be modernised. Since total resources are limited, this means planning investment as a whole, increasing productivity and developing better criteria to assist choice;
   (ii) the problem of traffic conditions in towns must be given greater priority. Here again the solution lies in integrated planning. New machinery is needed for the conurbations, where the problem is most acute;
   (iii) the transport system must take account of the social, as well as the economic, needs of the country;
   (iv) public transport must play a key role in solving our transport problems. Publicly-owned road and rail services must be integrated on a functional basis.

British Railways

2. As a starting point for development the size of the basic railway network is to be defined and stabilised. Details are now being considered by the Regional Economic Planning Councils and will be published as soon as possible.

3. The Government will assume responsibility for the losses on services retained for social reasons, or on wider cost/benefit grounds, though the loss on such services which meet mainly local needs may ultimately be assumed by the local community. The Railways Board will then be given realistic financial objectives to assist them to move as soon as possible to a fully economic basis of operation.

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4. The Government and the Railways Board are jointly undertaking a study of the Board's finances to determine an acceptable basis for meeting the deficit arising from "socially necessary" services: the study will also cover other matters, including the suitability of the Board's management structure and procedures in the light of other changes proposed in the White Paper.

5. The Government will make available capital for the modernisation and development of the railways on an economic basis, particularly for those tasks for which it is best suited - carriage of freight in bulk, inter-city passenger services and commuter services in conurbations.

6. The Government is reviewing with the Railways Board and the trade unions the structure of railway pay and ways of improving productivity and efficiency.

A National Freight Plan

7. The Government is proposing to establish a national freight organisation with responsibility initially for the general merchandise and sundries traffic at present carried by the British Railways Board and the Transport Holding Company. The organisation - which would operate on a commercial basis - will offer the customer an integrated door-to-door service by road and rail.

8. The first step will be to integrate the parcels service of British Road Services with the freight sundries service of the Railways Board.

9. The Government will review the road haulage licensing system and other conditions under which road goods vehicles are operated in the light of information about transport costs to be provided by the Ministry of Transport trunk route transport costs model.

10. The Government is taking urgent action to improve the safety and efficiency and to limit the social nuisance of
heavy goods vehicles - e.g. by improved safety regulations, higher standards for braking, "plating" and testing schemes for goods vehicles.

Roads and Road Safety

11. Exchequer expenditure on new roads and major improvements in Great Britain will increase under the National Plan from £180 million this year to £280 million in 1970 - an increase of 15% a year.

12. The objectives of the expanded programme must be to provide an effective inter-urban trunk route network, and to put increasing emphasis on the relief of urban traffic congestion.

13. Techniques for road investment appraisal are being improved to ensure we choose schemes which give highest benefit to the community.

14. The Government has accepted the main recommendations of the Working Party of the EEC for the Civil Engineering Industry that has been examining costs and productivity in road construction, and is acting on them.

15. The Government proposes to establish Road Construction Units in which Ministry and county engineers will work together on design and construction work for motorway and trunk road schemes.

16. A new long-term programme for dealing with road accidents is being worked out and will be published later.

Urban Transport

17. Land use and transport in our towns must be planned together as part of an integrated whole. The land use/transportation studies being undertaken in all the conurbations will provide a sound basis for such planning.

18. A traffic plan is needed in every major town or city: this must include a comprehensive parking policy to keep traffic routes clear of parked cars and to keep total parking space in balance with the capacity of the road system.
19. Further research is being undertaken into a system of road pricing - to charge directly for the use of congested roads.

20. An expanded road programme will enable a start to be made on the provision of a modern network of high capacity traffic routes in our towns.

21. An efficient public transport system is essential to our city life: the Government is taking measures to improve public transport and ensure that it can fulfil its proper role.

22. Pending the reorganisation of local government the Government will encourage the establishment of conurbation transport authorities under joint local authority control to integrate public passenger transport services throughout the conurbation.

23. The Government proposes to take powers to provide financial help to local authorities for the construction or major improvement of public transport infrastructure - railways, new forms of reserved track transport, terminal facilities and so on - where needed as part of the overall urban transport plans.

24. The Government and London Transport are making a joint review of the Board's financial and commercial policies. In the meantime, powers have been taken to provide deficit grants up to £16 million to support the finances of the London Transport Board over the next three years.

Regional Transport Planning

25. Regional Economic Planning Councils have agreed that machinery should be established under their aegis to secure better co-ordination of public passenger transport services and facilities - connections and interchange facilities, timetables, etc. - and they are studying how transport in their areas can be integrated.

26. Powers are to be sought to enable local authorities and the Government to contribute to the cost of providing bus services in rural areas.
Over the next few years, some £200-£250 million will be invested in port improvements. Investment control procedures are being strengthened to assure that the projects approved yield the highest possible benefits to the community.

Port authorities and other port operators are to receive investment grants of 20% as approved expenditure on plant and mechanical equipment in harbours and on harbour works (excluding land).

In order to secure a drastic reduction in the number of employers of dock workers, a licensing system will be introduced under the provisions of the Docks and Harbours Bill. This will make a major contribution to the improvement of industrial relations and efficiency in ports.

The financial and charges structures of the ports are to be modernised, to ensure that port charges are based on economic costs.

The Government intends, for the long term, to reorganise the ports on the basis of public ownership, with a strong National Ports Authority and Regional Port Authorities.

The Government accepts as the basis for the development of new policy the broad factual analysis in the British Waterways Board's report "The Facts about the Waterways".

It proposes to discuss with the Board, the Economic Planning Councils, the local authorities and the appropriate bodies in the Regions concerned, and also with representatives of users, what network should be kept open for pleasure boat use - the "amenity" network.

The commercial waterways will be reorganised in a group separate from the amenity and other waterways; all will, however, remain under the management of the Waterways Board.

The economic and statistical research facilities of the Ministry of Transport have been greatly strengthened in...
order to provide the data and techniques necessary for a planned and co-ordinated development of the country's transport system.

36. A good deal of valuable research and development is being undertaken by various organisations into the technology of transport. The Ministry of Transport will co-ordinate and expand this work.
Preamble and terms of reference for the Joint Steering Group and Expert Working Party

1. The Government has reached the conclusion that for the foreseeable future there will be a need, as part of the country's transport system, for a substantial railway network. In order to restore stability to an industry which has been the subject of continual change and uncertainty, and to enable management and staff to concentrate on the development of the system in the interests of the public and of trade and industry, the Government has decided that the basic size of the railway network should be determined now. It will consist primarily of routes linking the main centres of population and of industry and commerce, with additional routes to serve major freight traffic flows and to provide essential passenger services for commuters and others. There are still some lines, services and stations whose retention in modern conditions can no longer be justified, and their future will be decided under the usual procedure as soon as possible to avoid prolonging uncertainty.

2. The Government and the Railways Board are determined that this stabilised rail system shall play a full part in the transport system of the country and do so with rapidly increasing economic efficiency. Capital will be provided for the replacement of rolling stock and the modernisation of traction systems and of track and signalling wherever this can be justified in economic terms. Investment will be concentrated on the main trunk routes carrying heavy flows of traffic, but other feeder and commuter lines will also be adapted to modern needs.
3. The social and other considerations which have led to the decision to stabilise the rail network also make it necessary to substitute a new financial framework for that imposed by the Transport Act 1962. It has become clear that the requirement contained in the Act for the Board to "pay its way" by the beginning of 1968 is entirely unrealistic and would, if pursued, force it into action which in many cases would be against the interests of the community and inconsistent with the plans for transport and other services which the Government is developing. It must therefore be amended to provide more realistic and appropriate financial objectives and a new financial framework and discipline.

4. Against this background the Minister of Transport and the Chairman of the Railways Board have agreed to undertake a review of certain aspects of the railway industry. For this purpose they have set up a Joint Steering Group under the chairmanship of the/Parliamentary Secretary to the Ministry of Transport. The Group includes, in addition to representatives of the Board, led by the Vice-Chairman, and of Government Departments, two independent industrialists and a working railwayman.

5. The Joint Steering Group will be assisted by an expert working party, consisting as necessary of independent accountancy and management consultants and including economists from the Ministry's new Directorate General of Economic Planning, and by a number of Joint Ministry/Railways Board teams investigating particular subjects. The terms of reference of the review as a whole will be as follows:

(a)
(a) To establish an acceptable basis for costing and to identify those categories of services (both passenger and freight) which are not covering costs; to isolate those categories which are potentially viable; to examine the remaining loss-makers and to isolate those with no prospects of becoming viable; and to cost in detail the annual loss on each passenger service which is unlikely ever to become viable so that the Government can decide whether it should be grant-aided on broad social and economic grounds;

(b) to consider any steps in the field of pricing policy or elsewhere which may be necessary to improve the prospects of those services which are already remunerative and those which are potentially viable;

(c) to examine the Board's methods of costing and financial control in the light particularly of the new proposals for meeting the cost of essential but unremunerative services and of other changes proposed in the White Paper;

(d) to assess whether and, if so, to what extent the cost of the railway infrastructure includes an element of "standby capacity";

(e) to examine the Board's investment programmes and the criteria for investment appraisal;

(f) to examine the continuing obligations deriving from the past which rest on the Board, including those in respect of road bridges and level-crossings, of superannuation and pensions for past and present employees, and of the British Transport Police Force;
(g) to consider the suitability of the Board's management structure and procedures for the future operation of the system in the light of the contents of the White Paper and the changes which may stem therefrom;

(h) to make consequential recommendations, including suggestions for possible legislative changes; and to report to the Minister of Transport and the Chairman of the Railways Board accordingly.
CABINET

A BRITISH LIGHT AIRCRAFT INDUSTRY

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

At their meeting on 4th July (ED (66) 17th Meeting, Minute 1) the Ministerial Committee on Economic Development approved proposals by the Minister of Aviation for the acquisition by the Government from the Pressed Steel Company Limited of the Beagle Aircraft Company.

History and background

2. The Pressed Steel Company Limited started Beagle in 1960 to develop and manufacture a range of light aircraft. By the end of 1965 they had invested nearly £5 million in it. Pressed Steel, now a subsidiary of the British Motor Corporation (BMC), do not want to continue with Beagle; BMC wish to concentrate their resources on activities related to making and selling motor cars, and regard light aircraft as being too remote from their main functions.

3. For some months the Minister of Aviation has been considering, and discussing with Pressed Steel and BMC, proposals to take over responsibility for Beagle. At the beginning of the year the proposal was for a 75 per cent Government interest; now Pressed Steel would prefer to dispose of the whole concern, though they are prepared to leave 20 per cent of the purchase price in the business as an investment, if we want them to do so.

4. Earlier this year General Dynamics Corporation of the United States made a thorough investigation of the company with a view to acquisition. They concluded that Beagle's range of aircraft had potentialities, and that by 1972 or 1973 the company could be a profit-making concern and could begin to show a positive, though modest, return on capital invested in it. They decided, however, not to acquire Beagle themselves, because the prospect of profitability was too remote (and there is some suspicion that they were discouraged by the United States Government from the acquisition of Beagle). General Dynamics have, however, undertaken to assist
Beagle with marketing their aircraft. Beagle have also made arrangements with two aviation corporations in the United States. All these arrangements with America could be an important help, because the bulk of the market for light aircraft is in the United States.

5. Beagle have also reached agreement in principle for collaboration with Sud Aviation of France. This agreement provides not for joint production but for market-sharing: each company would produce a range of aircraft, the two ranges would be complementary and not in competition with each other and the two companies would aim to achieve an integrated network for sales and service of the joint range of aircraft.

6. With the agreement of the Ministerial Committee on Economic Development the Minister of Aviation undertook to finance Beagle while the negotiations with Sud Aviation were going on. We have now had to decide whether to take over permanent responsibility for this company. If we do not do so, Pressed Steel will wind it up on 31st July. If we do decide to take it over, Pressed Steel will continue the Beagle company until we have obtained the necessary powers, provided that the Government meet all the company's financial obligations in the meantime.

Implications, and pros and cons

7. Taking over the company would mean taking power to enable the Minister to acquire the undertaking, expenditure of something between £1 million and £3 million on acquisition, and the injection of £2 million to £2 1/4 million working capital over the next five years, until the company begins to make a profit. The return on capital would be modest: over a period of 13 years it would probably not be much more than 6 per cent on a discounted cash flow basis.

8. The Plowden Committee considered that the light aircraft end of the industry would eventually become commercially self-supporting and should not have Government assistance indefinitely. It could conceivably be argued that it would be contrary to this view if the one company in this country exclusively concerned with light aircraft were to be wholly or virtually wholly Government-owned. Nor, on the information available, does Beagle make a very attractive investment proposition. But Britain ought to be able to compete successfully in the light aircraft business, and in the long run the balance of payments should benefit if we were able to do so. It seems that Beagle is the only going concern that provides a basis for a British light aircraft industry. If the Government do not now take responsibility for Beagle, it will be wound up, and our chances of establishing a successful light aircraft industry will be considerably, and perhaps permanently, set back. A total investment of £4 million to £5 million over five years, with the reasonable prospect of a modest return thereafter, does not seem an unduly high price to pay for keeping Britain in this business, compared with other expenditures in the aircraft industry.

CONFIDENTIAL
Conclusion

9. The Ministerial Committee on Economic Development agreed, with some misgivings, that the Government should acquire Beagle from Pressed Steel and provide it with the working capital needed to establish it as a profitable concern. This approval was subject to satisfactory terms of acquisition: the Minister of Aviation thought that he would be able to bring Pressed Steel down from the £3 million which is Pressed Steel's valuation on a "going concern" basis to £1½ million or less, on the basis that the Government would not be willing to pay more than the break-up value of the assets. The Committee also agreed that the Government would not be interested in leaving a proportion of the equity with Pressed Steel unless Pressed Steel were prepared to provide a corresponding proportion of the further working capital required over the next five years. It seems unlikely that separate legislation will be required to give the necessary powers: we shall have to take legislation in any case to provide the powers that will be needed to enable the Government to participate in other sectors of the aircraft industry, and that legislation could probably cover the acquisition of Beagle as well. Even if that were not possible, it might prove that the President of the Board of Trade already had powers that could be used for this purpose; this possibility is being further investigated. We shall need to strengthen the management of the company by appointing a first-class full-time managing director and, until such time as we can acquire the undertaking, a part-time Government Director with financial experience, to look after our interest.

10. I am reporting the Committee's decision to the Cabinet for information, both because what is proposed is a measure of nationalisation, though in a small way, and because we should have it in our minds as part of the background to consideration of our wider policy for the aircraft industry, which we shall shortly be having to discuss.

G. B.

Department of Economic Affairs, S.W.1,
5th July, 1966.
8th July, 1966

CABINET

THE GROWTH RATE AND PRODUCTIVITY

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

The Outlook for Growth

The National Plan set a target of 25 per cent for the growth of national output between 1964 and 1970. None of us ever thought that it would be easy to achieve this target. But I must warn my colleagues that there is now an increasing danger that we shall not do so. This has a number of important consequences for our policies.

2. The Plan target implied an average rate of growth of 3.8 per cent a year between 1964 and 1970, but made it clear that the rate of growth would be below this average in the early years, while we were getting the balance of payments right. This meant, of course, that the rate of increase would have to be correspondingly higher in the later years.

3. In the event, output in 1965 was only 2-2\(\frac{1}{2}\) per cent higher than in 1964. The official forecasts suggest that output will continue to rise at about this rate to the end of 1967.

4. There are two main factors limiting the growth of output in current circumstances. The first is the rate of growth of our capacity to produce. The second is the limit placed on the expansion of demand in order to meet our balance of payments difficulties, i.e. the extent of the restraints imposed by budgetary and monetary policy.

5. Up to now both these factors have played a part in the recent slow rate of growth. Some industries have been held back by shortage of labour and capacity, others by shortage of demand. Over the coming period, however (given a continuation of existing policies), the main limitation on output is likely to become more and more the rate of growth of demand. In other words, the capacity of the economy to produce can reasonably be expected to rise by more than the rate of about 2-2\(\frac{1}{2}\) per cent a year at which demand is expected to rise.

6. But despite these restraints the balance of payments in 1967 is likely to remain unsatisfactory. Nor does the longer term prospect indicate that the balance of payments is likely to permit any rapid expansion in 1968.
7. Yet the expected rate of expansion on present policies, up to the end of 1967, would leave us with a need to expand at an average of over 5 per cent a year in the last three years of the Plan period for the 25 per cent target to be achieved.

8. We must consider how our policies need to be developed or strengthened to improve the prospects for growth.

**Productivity**

9. Even if there were no balance of payments limitations, the poor growth of productivity since 1964 suggests that there might be difficulties in achieving the growth target. Output per head has been growing at only about 1½ per cent a year. Although part of this disappointing performance was due to a reduction in working hours, it compares unfavourably with the average rate of 3.4 per cent a year required by the Plan.

10. The experience of individual industries has, however, varied very considerably. A fair number of industries have been showing increases in productivity fully comparable with the average rates of increase for 1964-70 forecast in the Plan. These are mainly industries where demand has remained high. They include electrical engineering, scientific instruments, clothing, paper and board, rubber, and chocolate and sugar confectionery.

11. Among industries where productivity has grown less quickly than the Plan forecast there are a number where this can be explained by weak demand, for example, domestic electric appliances, radio and other electronic equipment and cotton. In these industries, with demand falling, productivity could have been increased only by reducing employment more than output; and this is sometimes neither possible nor desirable, if the fall in demand is believed to be only temporary.

12. In a good many industries, however, the poor performance of productivity cannot be explained by weak demand. For example, in the important field of mechanical engineering, demand has increased at broadly the Plan rate but the labour force has increased at twice the Plan rate. Another example is the motor industry where there was a substantial rise in employment although output last year was held down by the fall in demand for cars. The chemical industry also increased its employment substantially above the Plan level although output rose considerably more slowly than the Plan rate.

13. In the public sector, productivity has grown at less than the Plan rate in coal mining, the railways, the postal side of the General Post Office (GPO) and in electricity. On the other hand gas output rose faster than the Plan rate, with no increase in employment; and in the telecommunications side of the GPO, output and productivity increased at rates in line with the Plan.

14. Employment by public authorities rose slightly more rapidly in 1965 than the average rate envisaged in the National Plan; 94,000 compared with a forecast of 85,000. The additional increases were mainly in the education and medical services. On present policies, the latest forecasts suggest considerably greater increases in employment in central Government, local authorities (especially in education and the health services) than the estimates in the National Plan.
15. An important factor in achieving the required increase in productivity in future is the need for a rapid rise in industrial investment. The Plan stipulated an average increase of 7 per cent a year in manufacturing investment from 1964-1970. Investment in manufacturing rose rapidly last year, but there are now signs that despite our new financial incentives some decline is to be expected in 1966 and 1967. This is a disturbing threat to the prospects of longer term growth.

Specific Measures

16. The fact that the balance of payments is now the main factor limiting growth reinforces the need for stepping up our efforts to promote exports and save imports. But fundamental to all our problems is the need to improve productivity more rapidly. This is essential (along with an effective Prices and Incomes Policy) to improve our competitive position in world markets. It is also the ultimate determinant of the rate of expansion.

17. In addition to the general economic measures designed to encourage industrial expansion and efficiency, we are seeking to raise productivity in individual industries through the Economic Development Committees (EDC), of which there are now twenty, covering two-thirds of private industry. At the Government’s request, they have so far concentrated on measures to save imports and increase exports. Their emphasis on import saving through competitive manufacture has brought helpful developments in a variety of ways. A major development has been to stimulate joint consultation between makers and users of machinery.

The latest step has been the establishment of a maker/user group (with Government representation) on chemical plant with the job of expanding the production of equipment to meet the investment plans of the chemicals, oil refining and gas industries and export requirements.

18. The impact of the EDCs cannot be measured solely in terms of headline-catching action. Their main job is to identify the opportunities for growth and higher productivity and to make them, and their recommended action to seize these opportunities, known to companies throughout the industry. But they have in the course of their work brought about specific results, of which the following are some recent examples. The EDCs generally are supporting work on standardisation and reducing the variety of products with consequent benefits in longer production runs. The most notable success has been the agreement this Spring, on the initiative of the Electrical Engineering EDC, between the Central Electricity Generating Board and the cable manufacturers, to reduce the number of types of high voltage transmission cables from 250 to about 20. Better stock control, which releases capital for new investment and can lower the level of imports, has been pursued by some EDCs and the manual of stock control methods for retailers, published by the Distribution EDC at the end of May, sold 14,000 copies in the first three weeks. The Civil Engineering EDC has recently produced a major report, warmly welcomed by the Minister of Transport, with numerous recommendations for increasing productivity in road construction, including concentration of major road construction contracts in the hands of fewer teams. In the course of its work on speeding the movement of goods the Movement of Exports EDC has taken a direct initiative in bringing about the establishment of two inland clearance depots as pilot schemes for helping to reduce port congestion.
19. In many cases the EDCs have started helping to promote rationalisation in their industries. In distribution transformers the industry has been brought to agree to produce its own scheme with the aim of reducing the number of firms from the present thirty to about six. The electric meter manufacturers have also been invited to produce their own scheme and the Electronics EDC has initiated discussions on rationalisation between the six major firms in its industry. Research into the economies of scale in production has been initiated by the Rubber, Food and Wool EDCs.

20. Although the EDCs can analyse the scope for greater efficiency through structural changes in their industries and can bring the horses to the water, they have no power to get them to drink. It will be the Industrial Reorganisation Corporation’s (IRC) function to follow up suggestions put to it by the EDCs, Government Departments and others, and to carry through practical schemes in co-operation with the industrial interests concerned. The Bill which will formally establish the IRC, and provide it with the necessary financial backing, will be given a Second Reading before the Summer Recess, and we should make every effort to press on to Royal Assent as soon as possible after the House reassembles. Meanwhile, I have urged Sir Frank Rearton, the Chairman designate of the IRC, to get ahead as rapidly as possible with preparatory work on one or two schemes which might bring early benefits to the balance of payments. He has agreed to examine the possibilities in the fields of electrical machinery and chemical plant and hopes to have firm proposals ready to be put into effect as soon as the Bill becomes law and the IRC is able to commit funds.

21. Most of the EDCs work on labour problems so far has been on estimating man-power requirements in the context of the Plan and attempting to identify present or future shortages and suggest action, as the Mechanical Engineering EDC has recently done in proposing a crash training programme of welders. Other EDCs are arranging international and national comparisons of productivity between firms and the Chemicals EDC is sending a joint trade union/management team to the United States to establish in detail why man-power usage in British chemical plants compares unfavourably with the United States. This is the kind of comparison the Government is encouraging through the Anglo/United States productivity study on refrigerators which the Electrical Engineering EDC is supporting. The Paper and Board EDC study of four-shift working has made easier its acceptance by trade union members and it now operates in 20 per cent of the industry and is spreading.

22. It is, however, difficult to discuss and act on labour productivity on an industry basis outside wage negotiations. For this reason, although we hope to get the EDCs to extend and deepen their work on labour productivity, we intend to tackle the problem as well through the National Productivity Conference to be held this Autumn. This is envisaged as the beginning of a sustained effort to raise productivity, particularly by initiating practical projects directly involving people on the shop floor. These projects might include extending to further industries Anglo/United States productivity comparisons, but the major project that we should like
to see is a pilot scheme to establish new plant bargaining committees which would tackle industrial efficiency and restrictive practices in detail in individual factories. Despite a cool initial response from the Confederation of British Industries and the Trades Union Congress, there is still hope that the Conference might agree on such a scheme.

The Implications of Slower Growth

23. If we do not achieve the full 25 per cent growth by 1970, some forms of expenditure will inevitably have to be lower than envisaged in the Plan.

24. Private industrial investment is almost bound to be lower. The nationalised industries, on the other hand, are continuing to plan to provide the capacity needed for 25 per cent growth in the economy as a whole. If in fact that growth is not likely to be achieved, it would be wasteful to continue to base their investment programmes on this assumption. To do so will increase the squeeze on the private consumer. It is also bad for the finances of the industries themselves.

25. The Treasury and the Department of Economic Affairs have asked the Ministry of Power and the Post Office to consider the effect of variations in the rate of growth for their industries. (In Transport the investment programmes are not so clearly related to the general rate of growth). The possibility of the Plan rate of growth not being achieved will obviously be one factor which will have to be taken into account in settling the nationalised industries' investment programmes this Summer. For the moment this will have to be dealt with in an ad hoc way, but as soon as possible we shall have to decide on fresh planning assumptions for these industries going beyond 1970.

26. Whatever marginal cuts may be made in the nationalised industries' programmes up to 1970, and however great a shortfall there may be on private investment, any failure of output to meet the growth target is bound to have implications for private consumption and central and local government expenditure. If we keep our present public expenditure programmes unchanged, the main brunt will fall on the private consumer. A separate paper will be coming to the Cabinet on the results of the Public Expenditure Survey.

The Review of the Plan

27. We are committed to publishing a review of progress on the Plan later in the year. Our present timetable also envisages that we should then give industry provisional assumptions about the rate of growth up to 1972. This would be the basis for a further full-scale industrial inquiry, to provide the material for a new plan to be produced in the second half of 1967, covering the period to 1972. We shall need to consider very carefully how the 25 per cent growth target to 1970 should be handled in this context.

28. These problems were discussed in a general way at this week's meeting of the National Economic Development Council and we shall be discussing them more fully at the Council's meeting on 3rd August.
Conclusions

29. (a) The prospects of achieving the 25 per cent growth target by 1970 have deteriorated since the Plan was published last September. We must review our policies, both in order to strengthen our chances of success and to minimize the consequences of possible failure.

(b) We must pursue more vigorously measures to increase exports, save imports and increase productivity in both the private and nationalised industries.

(c) This summer's review of the nationalised industries' investment programmes should take into account the reduced likelihood of achieving the 25 per cent growth target by 1970.

(d) Proposals for central and local government expenditure up to 1970/1 should also be considered against this background.

G. B.

Department of Economic Affairs, S.W.1.

7th July, 1966
8th July, 1966

CABINET

SURVEY OF CURRENT WORK ON PRODUCTIVITY

Memorandum by the President of the Board of Trade

The Board of Trade undertakes certain work of a general character designed to increase productivity which is referred to briefly in paragraphs 2-4 below. In addition, in its dealings with the wide range of very different industries for which it has production responsibility, it is constantly seeking to promote progress in increasing productivity (and exports) in ways which are most appropriate to the circumstances and problems of each industry. It is impossible to describe its work with particular trade associations and individual firms comprehensively within the compass of this paper. Paragraphs 5-14 below attempt to describe briefly the main lines of this work and the problems to be tackled in some of the principal industries for which the Board is responsible.

General Functions

2. The first of the Board's general functions arises from its responsibility for the work of a number of organisations, the most important of which are the British Productivity Council (BPC) and the British Institute of Management (BIM). The BPC, whose main source of income is the Board of Trade grant (which has been increased in the current financial year), exercises most of its influence through a large number of local Productivity Committees or Associations, which arrange discussion groups, lectures, etc., for employers and trade unionists. The BPC also produces a monthly newspaper, "Target" directed mainly at the shopfloor and lower levels of management. In October the BPC will be launching a "Quality and Reliability Year" which is to be a follow-up of the 1963 National Productivity Year. The BIM has a similar essentially educational function. Its services include an advisory service on management techniques, the arrangement of study groups and conferences and the maintenance of a confidential register of management and industrial consultants. Unlike the BPC the BIM is normally self-financing. It is, however, receiving a special Government grant over the next three years to enable it to expand certain activities including its regional work and the management education information unit.

3. A second responsibility which is relevant in this context is the administration of the new investment grants. These will give a powerful incentive to investment in the sectors where increased productivity can contribute most directly towards economic growth and the improvement of the trade balance.
4. Finally, the industrial location policy of the Board, which is being pursued with increasing effectiveness, is helping productivity by bringing into use resources in Development Areas which would otherwise be unproductively employed or not employed at all.

Developments in Particular Industries

A. Textiles

5. The main textile industries - cotton, wool knitting and clothing - are at different stages of evolution and vary widely in the pattern of their organisation and production. But in all of them, the increasing use of man-made fibres has given the two major man-made fibre producers, Imperial Chemical Industries (ICI), and Courtaulds, a growing interest in their future. This interest has gone furthest in the cotton industry where, with the encouragement of the Board, the fibre producers have sunk a great deal of money in its reorganisation and have a direct and vital interest in its transformation from a low-wage labour-intensive industry to one which will consist of relatively few highly capital-intensive units. The wool, knitting and clothing industries are still, in the main fragmented in their structure. The knitting industry, which has had the advantage of high speed sophisticated machinery for longer than cotton or wool, is growing fast and is probably ahead of the rest of textiles in its attention to productivity. The clothing industry is, for the most part, efficient by world standards and it has hit a period of successful design which has resulted in a 50 per cent growth in exports between 1960 and 1964, and an estimated growth of another 75 per cent between 1964 and 1970. The following paragraphs give short notes on the individual textile industries:

(i) Cotton The Cotton Board have agreed to participate in a major study of the means of promoting productivity. This forms part of a comprehensive programme for the reorganisation of the industry, of which the essential preliminary is the five-year limitation of low-priced cotton textile imports. Much has already been done to improve productivity as a result both of the intervention of the man-made fibre producers and of the work done by the Cotton Board's Productivity Centre. But the study now being planned can be pressed to secure more rapid progress, especially in the fields of integrated production and marketing.

(ii) Wool The structural problems of this industry are formidable. Its units appear to be, in general, too small to sustain the investment needed to modernise its production and to enable it to pay the wages which will retain an adequate labour force. Three steps have recently been taken to tackle this situation. The Economic Development Committee (EDC), after considerable hesitation, is about to embark on consideration of the structure of the industry and of the economies of scale production. The industry is discussing with the Board other means of fostering structural reform which might help to provide more adequate management and finance. Thirdly, the Board of Trade have proposed that the Industrial Reorganisation Corporation (IRC) should include the industry among its candidates for examination.

(iii) Knitting and clothing EDCs have recently been set up for both these industries and will shortly be considering their productivity problems. The clothing industry now appears, after considerable pressure, to be successfully concentrating its export efforts under the guidance of a newly established Clothing Export Council.
B. Shipbuilding

6. A great deal of work is in hand on the reorganisation of the Shipbuilding Industry following the publication of the Geddes Report. This Report shows that the industry has declined for many years because of low productivity caused by poor management and restrictive labour practices, recommends major changes in the structure of the industry and in its industrial relations and makes progress within the industry on these a precondition for Government assistance by way of loans and grants. The changes envisaged for this industry should lead to a major increase in its productivity. Both sides of the industry have now accepted the need for the major changes proposed and I shall shortly be submitting proposals to my colleagues for the implementation of the Geddes Report.

C. Chemicals

7. This industry is a capital-intensive and has a good record of increasing productivity. For years the main firms in the industry, particularly ICI, have been leaders in productivity studies and the industry has developed a fairly comprehensive productivity structure of trade unions and management, who share the chairmanship of the Industry’s Productivity Committees. A considerable amount of work on the efficient use of labour has been carried out by the productivity committees of the Chemical Industries Association and the Trade Unions.

8. The EDC for the Chemical Industry recently made a study which indicated that the manning of German firms was comparable with manning in the United Kingdom but that sales per employee in the United States were approximately twice the value in the United Kingdom or Germany. A team of management and unions is to visit United States chemical plants for a detailed follow-up study of the problem. This visit which will be partly financed by the Government is due to take place in October of this year. The Man-Power Sub-Committee of the EDC is also collecting information about the forms of productivity agreements which have been introduced in the industry.

D. Paper and Board

9. This industry is covered by an EDC which has appointed a working party to inquire into the productivity and structure of the industry and is also discussing suggestions put forward by the trade union representatives on the best means of increasing productivity. There have, in fact, been considerable changes within the industry in recent years, partly stimulated by European Free Trade Association competition, e.g. a considerable concentration of production and the installation of high productivity machines. More uneconomic mills are likely to close. Four-shift working is gradually being introduced. An integrated pulp and paper mill has been set up in Scotland with Government assistance and similar mills are being set up in Cumberland and at Bristol to make the best use of available supplies of home-grown timber.

E. Printing and Publishing

10. There are about 138,000 people employed in newspaper and periodical work and about 235,000 in other printing and publishing activities. There is a considerable volume of work on productivity being undertaken in a number of different ways. The EDC which was set up in January, 1966 is examining a number of subjects including the availability and use of plant and new developments in research. A Joint Man-Power
Committee for General Printing and Provincial Newspapers was set up at the beginning of 1965 to examine the efficient use of labour; its independent Chairman is Mr. R. O'Brien of the Department of Economic Affairs. Following the dispute at the International Publishing Corporation's Southwark plant the Minister of Labour set up a Court of Inquiry under Lord Cameron to look into the problems arising from the introduction of web-offset machines and other modern printing techniques.

F. Non-Ferrous Metals Semi-Manufactures

11. The main progress in this field, made more essential by the Rhodesian situation, has been in encouraging economy in the use of the more expensive metals, particularly copper, and in encouraging the use of substitutes for these metals. My Department have encouraged the increased use of domestic scrap, by propaganda and by stricter control over exports. We have accelerated the establishment of new standards e. g. thin-walled copper tubes etc. which require less copper and are some 30 per cent cheaper than previous standard copper tubes; we have also encouraged the changeover, where technically appropriate, from copper to aluminium in many sizes of cables and wires. My Department have maintained close touch with all user Government Departments to encourage ready acceptance of these newer products. In addition we have attempted to encourage new long-term projects within the industry which are likely substantially to increase productivity and save imports. At present we are discussing with the Ministry of Technology ways to stimulate research and development projects within the industry and are investigating ways to bring about the more efficient recovery of scrap.

G. Miscellaneous

12. There are a large number of other, generally smaller, industries not covered by EDCs whose progress in achieving increased productivity has varied greatly. In some cases parts of these industries are in the process of transition from an older, traditional craft basis to something more like a modern industry.

13. Pottery (employing 55,000 people) is a good exporting industry and imports are small. There has been progress in rationalisation recently and some mergers. Efforts are being made by some firms to mechanise their production more effectively. However, the rate of further progress may not be sufficient to enable them to hold their export markets in the face of increased competition. In the glass industry (employment 57,900 people excluding flat glass), the production of glass containers is largely mechanised and further progress is being made. We have been trying to encourage the production of machine-made domestic glass to replace traditional imports in the medium price range.
14. The toy industry (34,000 employees) has some vigorous and enterprising firms and has been expanding its exports usefully. In the case of footwear (115,000 employees) there have been considerable changes in recent years with advances in technology leading to fundamental changes in the industry's methods. There has been a steady and continuing decline in the total number of manufacturing units but there is scope for further considerable concentration of production.

D. P. T. J.

Board of Trade, S. W. 1.

9th July, 1966