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Cabinet

Social Services: Prescription Charges - Exemptions

Memorandum by the First Secretary of State

The Social Services Committee have reviewed the progress made by the Health Ministers towards arrangements for exempting from the prescription charge the old, the young, expectant and nursing mothers, and the chronic sick. This memorandum outlines the possible nature and timing of such arrangements.

2. Common to all four exemption categories is the problem of identification - who is to translate the decision that the category is to be exempted, into exemption from the charge of a particular individual for a particular prescription, and how? With the chronic sick there is the prior problem of definition - what are the criteria for inclusion in this category?

3. Discussions with representatives of the doctors have shown great reluctance on their part to agree that doctors should identify the old and the young by signing a special prescription form. They fear arguments with patients about their ages and the effect of this both on workload and on the doctor-patient relationship. They have proposed instead identification by the chemist and have suggested that this could be done without danger of fraud by the use of cards, similar to credit cards, embossed with the patient's name and address. Those entitled to exemption could obtain such cards from Executive Councils on making application on a form obtainable at, say, Post Offices. Those under 16 and over 65 could submit their medical cards with the application: expectant and nursing mothers and chronic sick, once defined (see below), could send in a suitable form signed by the doctor. The details from these cards would be stamped on prescriptions by special imprinting machines supplied to chemists, and each "free" prescription would thus be related to the exempt patient concerned.

4. A rough estimate of the initial extra cost of such a card scheme (if most of the work of producing cards and machines were done under contract) is towards £1 million and the cards and machines would take a considerable time to produce - perhaps 6-12 months. About 700-800 extra Executive Council staff would be temporarily required to prepare the information for the cards. Annual continuing costs in staff and money would be small. If the doctors were given an assurance that
such a scheme would be introduced within a reasonable time they could themselves probably be persuaded to identify those exempted by signing special prescriptions for this initial period. Preliminary soundings of the chemists indicate that they will bitterly oppose the suggested card scheme.

5. The Social Services Committee concluded that the aim should be to introduce a card scheme as soon as possible.

6. Definition of the chronic sick has also been discussed with the doctors. This cannot be done simply by the use of a list of diseases since this could not be comprehensive; and a list of drugs will not do because many drugs are used for both acute and chronic disease. It is possible, however, that the doctors will accept the task of identifying the chronic sick narrowly defined, e.g. those bedfast or housebound, those suffering from diseases on a very limited list, and perhaps those likely to require continuous medication for life or for the foreseeable future. It would be necessary to combine such an arrangement with a means of limiting the liability to pay of patients not within this definition. The latter might, for example, be able to purchase exemption cards for a specified sum—i.e. a sort of season ticket arrangement. A card costing £1 for three months or £3 for a year has been suggested. The payments, like the prescription charges, would be eligible for refund on grounds of financial hardship. The possibility would be considered of giving a card to those likely to be below the supplementary benefit level for a long period.

7. Legislation would be needed to enable charges to be levied for exemption cards; opportunity for this is available, e.g. in the Health Services and Public Health Bill now in Parliament.

8. The Social Services Committee concluded that purchase of exemption cards on this basis, coupled with a narrow definition of the chronic sick proper, offered the best solution to the problem of the chronic sick.

9. The position can be summed up as follows. If the chemists can be persuaded to operate a card scheme (and this may well be possible, if at all, only by offering additional remuneration), if a satisfactory definition of the chronic sick can be agreed on the above lines and if the General Medical Services Committee (the doctors' negotiating body) accept their representatives' recommendation that they should identify exempted patients by signing special prescriptions ad interim, we might hope to have an interim scheme working as early as the beginning of June and would be in a position to announce this, and the broad nature of the longer term card scheme, by Budget Day. The Committee were of the firm and unanimous view that, on this basis, prescription charges should not be reintroduced until the interim exemption scheme is ready for operation.

10. I invite the Cabinet to endorse the Committee's conclusions.

M.S.

70, Whitehall, S.W.1.

20th February, 1966
CABINET

ASIAN IMMIGRATION FROM EAST AFRICA

Memorandum by the Secretary of State for the Home Department

At their meeting on 15th February (CC(68) 39th Conclusions, Minute 4), the Cabinet invited me to arrange for officials to report on

(i) what reduction in Commonwealth immigration was likely to result from the restrictive measures which the Cabinet had approved;

(ii) the appropriate allocation of vouchers to citizens of the United Kingdom and Colonies, not belonging to the United Kingdom, on the assumption that they were not accorded the right of unrestricted entry to this country;

(iii) the extent to which the present allocation of vouchers to Commonwealth countries might be reduced to allow for this; and

(iv) the criteria to be adopted for the allocation of vouchers to non-belongers.

I have received a report from officials on these matters, which I deal with successively in the following paragraphs.

Effect on Commonwealth Immigration of Restrictive Measures

2. Clandestine Entry. There have been no more than three or four proven instances in 1967 and one so far in 1968. The Press has probably exaggerated the extent of the problem, but it is not possible to be certain. Nevertheless the reduction in the numbers entering as a result of legislation is likely to be small and the main effect will be presentational.

3. Dependent Children. The number of dependent children entering from the New Commonwealth was 24,000 in 1965, 26,000 in 1966 and 35,000 in 1967. The amendment of the law agreed by the Cabinet would remove the statutory right of children under 16 to enter to join a single parent resident here, unless the parent was the sole survivor. About one-third - perhaps 5,000 a year - of the Pakistani children currently
entering are known to be entering at about school-leaving age and are believed to be coming to join a single parent. The result of legislation may be partly that the numbers of older children coming will be reduced and partly that mothers will come as well. The net effect on total Commonwealth immigration is therefore difficult to estimate - but there will be a reduction.

4. Dependent Fathers. It is proposed by administrative measures to raise from 60 to 65 the minimum age for the entry of dependent fathers. The numbers entering were 1,400 in 1965, 1,300 in 1965 and 2,100 in 1967. The effect of raising the age to 65 cannot be accurately assessed, but it should result in some reduction in numbers, or at the very least in containing the increase.

5. Summary. These measures are of real presentational importance, in that they will manifest the Government's intention to make the existing control effective; in particular they should end the present widespread impression that clandestine immigration is taking place on a substantial scale. In this way they should help to damp down the present public and Parliamentary concern. It is not possible to say with certainty what effect they will have on the number of Commonwealth immigrants arriving here. It may be that their total effect will be to bring about a fairly substantial reduction; but at the most it is unlikely to exceed 5,000 and it may well be less.

Appropriate allocation of vouchers for citizens of the United Kingdom and Colonies who do not belong to the United Kingdom

6. The proposed allocation should be for non-belonging citizens of the United Kingdom and Colonies wherever they may be, although no doubt nearly all the vouchers will initially be taken up by immigrants from East Africa. The number of vouchers has to be settled in the light of the current level of immigration from the Commonwealth under the control, as well as of the arrivals from East Africa. The intake under the control increased sharply in 1967, as did arrivals from East Africa. In the light of this, I would think it reasonable to fix an allocation of vouchers for the non-belongers which, while being generous in proportion to population, might hold the numbers of arrivals from East Africa down to something like two-thirds of the annual rate of 6,000/7,000 in 1965 and 1966. Given that something like three dependants will accompany, or later join, each voucher holder, an issue of 1,000 vouchers would enable about 4,000 people a year to come here from East Africa. I suggest that we fix the special allocation at 1,000.

7. My colleagues will appreciate that, even if we remove the present unrestricted right of entry and announce a special allocation of employment vouchers of 1,000, there can be no certainty that the annual number of Asian entrants from East Africa will not exceed 4,000. These measures would, however, result in some early reduction in the present high rate of entry (probably some 5,000 in the first two months of this year) and should stabilise the level of entry in the longer term.
The extent to which the Special Allocation for Non-belongers might be found from the Present Allocation of Vouchers to Commonwealth countries

8. The Cabinet considered it important that the additional allocation of vouchers for the non-belongers should be found in part by the other member countries of the Commonwealth; that is, that the 1,000 allocation I have proposed should not be wholly in addition to the current total of 8,500 vouchers. It might perhaps be reasonable for us to increase the total to 9,000, which would call for a reduction of 500 vouchers for the remainder of the Commonwealth. Officials have pointed out that to find the whole of the reduction from the Asian Commonwealth countries would be discriminatory, and I think that it would be preferable, if a reduction were made, to make it across the board, in relation to the average number of vouchers received by each country over the past two years, not necessarily excluding the dependent territories and Malta. This may be more hardly on some countries and territories than on others.

9. My own view is that a reduction of, say, 500 in the total of 8,500 vouchers available for issue, especially since less than 5,000 of them are currently being taken up, would make no effective difference to the overall level of immigration and would not justify complicating the administration of the voucher scheme or antagonising other Commonwealth countries. I myself would be content to see the special allocation of 1,000 made wholly additional to the present total of 8,500.

What Criteria should be adopted for the Allocation of Vouchers to Non-belongers

10. The Official Committee on Commonwealth Immigration recommend, and I agree, that allocation would best be on the original basis of the voucher scheme; that is, priority vouchers for those who qualify in Category A (i.e., by having jobs open here) or in Category B (i.e., as having special qualifications) and the balance distributed as under the old Category C (i.e., regardless of qualifications or jobs available here, and filled on a "first come, first served" basis).

General Considerations

11. A number of other questions were raised in the previous Cabinet discussion which I wish also to deal with in this memorandum.

12. First, the latest advice from Kenya is that the Kenya Government will not re-admit the holders of United Kingdom passports whom we refuse to admit. This, it seems to me, is primarily a matter for diplomatic action. If this fails, we should inform the airlines that, from a given date, it is only holders of United Kingdom passports who have employment vouchers, or entry certificates (the equivalent of a visa for Commonwealth citizens) granted by our High Commissions, whom they can rely on being admitted to this country.
13. There is a more difficult problem with people who come here not direct from East Africa but from the Continent and whom we wish to refuse entry. If the continental countries should refuse to re-admit them it would be difficult to insist, since we cannot expect those countries to distinguish between some holders of United Kingdom passports and others. Nor could we return the people in question direct to East Africa if those governments would not re-admit them. This problem is unlikely to confront us in the early days of the extension of the control, and may never become significant. If it should, we would have to look to diplomatic action to secure the return of these people to their East African homes.

14. A question has been raised about the attitude of India and Pakistan towards the re-settlement of people from East Africa. My understanding is that India and Pakistan would raise no objections to entry, but are not prepared to say anything which would make it easier for the East African Governments to adopt discriminatory attitudes.

15. President Kenyatta has suggested that the way to cut down the inflow would be for us to make a statement saying that we shall never take away the right of entry from United Kingdom passport holders. I do not myself think that such a statement would necessarily reduce the inflow since it is in large measure due to the vigorous policy of Africanisation on which the Kenya Government have embarked. They have made it clear that they will not moderate their policy. Further, we must bear in mind that the problem is potentially much wider than East Africa. There are another 1½ million people not subject to our immigration control. At some future time we may be faced with an influx from Aden or Malaysia. Again the same arguments would be brought forward, and again the same tensions and prejudices stimulated. We shall remain subject to this risk unless we amend the law so that the public in this country are confident that immigration is effectively controlled. Only in such an atmosphere can good race relations be fostered.

Conclusions

16. We face problems either way. If we decide to legislate, the difficulties I have outlined will arise. But a decision not to legislate would equally raise serious problems - we should have to consider as a matter of urgency the strain put on our social services and what extra expenditure would be necessary to provide housing and to enable the schools and the health facilities, in particular, to cope. We should also have to consider whether it was practicable to try and persuade newcomers to avoid settling in the areas of great concentration where the social services are already overstrained.

17. My considered conclusion - and I do not suggest that the decision is an easy one - is that, on a balance of advantage and disadvantage, we should now extend our immigration control to include these people, presenting it in the form that their right of entry must be exercised on a moderate scale and in turn.
18. I recommend:

(a) the immediate introduction of legislation extending our immigration control so as to include citizens of the United Kingdom and Colonies who have no substantial connection with this country;

(b) that there should be a special annual allocation of 1,000 vouchers for these non-belongers, administered on the lines indicated in this paper;

(c) that the overall total of vouchers should be increased from 8,500 to 9,500.

L. J. C.

Home Office, S. W. 1.

21st February, 1968
CABINET

TECHNOLOGICAL COLLABORATION WITH EUROPE
AFTER THE VETO

Note by the Minister of Technology

I circulate for my colleagues' consideration the attached paper on Technological Collaboration with Europe after the Veto, which has been prepared by the Official Committee on the Approach to Europe.

A.W.B.

Ministry of Technology, S.W.1.

23rd February, 1968
CABINET

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23rd February, 1968
TECHNOLOGICAL COLLABORATION WITH EUROPE
AFTER THE VETO

Note by Officials

1. This memorandum examines the scope for technological collaboration (excluding defence) in Europe in the post-veto situation, taking account of the recent Benelux initiative and the German proposals. The purpose of this paper is to examine the extent to which it would be practicable and advantageous for the UK to press forward with the proposals which the Prime Minister put forward in his Guildhall speech of 13th November 1967, and in particular to introduce them into any discussions with the Five or the Six which may develop out of the Benelux proposals.

2. In considering the technological aspects of the Benelux proposals (and this applies even more to the Franco-German declaration of 16th February) the most critical uncertainty is the likely attitude of the Governments of France and Germany, the major industrial countries of Western Europe, and the only European countries which can approach the UK generally in their scale of industry. The attitude of the French Government is likely to be hostile to any proposals which might seem to advance the cause of the UK application for admission to the EEC, whilst the German attitude towards any proposals which are made, even if openly friendly, might in practice prove to be no more than lukewarm in face of French antipathy.

3. On the other hand, France has a considerable interest in the development of European technological and industrial integration. Even if there is an element of tactics in public statements on this subject by French Ministers, it will not be easy for France to stand out from European co-operation in this field if it is seen to be likely to lead to action. As Mr. Schuman said on 18th January "The very definition of a policy for scientific and technical co-operation is a policy of unrestricted openness and consequently can be applied to every country ...... I personally believe, and no doubt the French Government thinks, that it is not necessary to wait for the opening of negotiations for British membership of the Communities to pursue or set in motion all forms and all possible themes on technological co-operation." If it became clear that progress in the scientific and technological fields would not be possible on a basis restricted to the Six member countries, France's attitude to co-operation on a wider basis could well be positive. Even if France's attitude were to prove
reticent, that of Germany would not necessarily be the same particularly if the co-operation and common action to which we could pledge ourselves were seen to offer a worthwhile objective for Germany.

4. Ministers of the Six Community countries decided in Luxembourg on 31st October that a study should be made of the possibility of co-operation in certain specific scientific and technological fields (see paragraph 4 below) and envisaged the possibility of other European States participating in this co-operation. Since the French veto on our entry into the Community, the Italian, Dutch and Belgian Governments have for the moment refused to pursue work on the decision of the Ministers of the Six of 31st October. The Netherlands' Foreign Minister in particular is anxious to reserve work in this field for pursuit under the Benelux proposals. As long as there is a possibility of achieving this, and so of ensuring our participation on a basis of equality, it would be in our interest that this work should be transferred from the Community framework to that of the Benelux proposals. But in case it later emerges that this transfer is not possible, we should want to keep open the possibilities of co-operating with the Six on the work begun under the 31st October decision.

5. The Prime Minister's seven point programme for establishing a European Technological Community was put forward as an integral part of our application to join EEC with the prospect of membership deferred, a decision to press forward as far as practicable with arrangements for technological collaboration means departing from this prior condition and therefore removes a negotiating counter. On the other hand, it would enable some progress to be made in demonstrating not only the reality of the concept of the European Technological Community but also the inescapable limitations on its full realisation while we are outside the Community. Moreover, action now not only helps keep the concept alive, but confirms the UK conviction that there is an urgent need for action if Europe is to preserve that necessary degree of industrial independence and competitiveness in a world dominated by the giant US corporations.

6. There is a more immediate reason for pressing forward. We are inevitably closely linked to Europe by industry and trade and the European market will feature more largely in our future trade pattern. For this reason technological collaboration will be advantageous to us even while we are outside the Community, to the extent that it facilitates trade and industrial collaboration.
although the benefits would of course be greater if we were members. It is against this general background that the various steps towards increased European technological collaboration are examined, with particular regard to the economic benefits for the UK.

(a) Inter-Governmental Projects

7. The Governments of Western Europe are already associated in inter-governmental projects such as ELDO and CERN and the Dragon reactor programme. On the whole these projects have proved expensive, offering little promise of immediate economic return and national rather than European considerations have dominated the development of these projects, although to various degrees the Governments still attach considerable importance to these programmes. This is not an area in which it seems at all likely that we should wish to take new initiatives. Ministers have in fact, decided, but not announced, that the UK will not undertake any further financial commitment to ELDO or participate in the proposed European experiments in telecommunications satellites or join in the proposed very large new CERN accelerator. Because there is to be a Ministerial Conference on space policy in Bonn, in June of this year, which is to be preceded by meetings of the Alternates in March and April, it will hardly be possible to delay the announcement of our decisions on the space projects beyond April, at the latest. The question of tactics for disengagement from the proposed CERN project is still under consideration. As regards the Dragon reactor, which is the only European technological project in the UK, the Euratom countries have been unable to continue their contributions this year, and we are meeting the shortfall for one year only, after which this will lapse as a joint project unless the others are in a position to pay.

8. The decision of the Ministers of the Six on 31st October 1967 called for a report by 1st March 1968 on the possibility of co-operation in data processing and telecommunications; development of new means of transport; oceanography; metallurgy; water pollution and noise prevention; meteorology; and to examine the possibility of co-operation in other fields. Work was also to be continued on methods of creating a Community system of handling and exchanging technical information, and of ensuring co-ordination of training and exchange of scientists. These reports are to study ways in which other European states might participate in co-operation. But if the outcome of these studies or other like proposals were to be to embark on multinational projects, our
attitude should be that each should be considered on its merits, taking account of the size of the probable UK contribution and whether the resulting benefit to the UK would be commensurate with the effort.

(b) Bilateral Projects

9. There are a number of sectors of advanced technology in which it is difficult for the existing individual European countries to establish and maintain major competitive industries without licensing or other arrangements with the United States or co-operation with the United Kingdom. The main examples are nuclear energy, computers and aerospace. These are at the same time industries which are dependent either wholly or to a very large extent on Governments as both customers and providers of the finance required for research and development. They are therefore the obvious sectors of industry to examine for possible major collaborative projects whether on a Government to Government or a mixed Government/private industry basis. A number of such projects have of course already been started - notably with France - in the aircraft field. There is a need to avoid prestigious projects. The essential test here is that the project is well founded and that collaboration in research and production is linked with appropriate procurement policies in support of the industrial effort.

10. If the British Government were able to stimulate collaborative industrial projects of this kind which were of economic value to ourselves as well as to other countries in Western Europe, not forgetting the members of EFTA, it would certainly underline the need for the development of large-scale European companies.

(c) Private Industry

11. There are important sectors which are subject to direct Government influence but large parts of industry are not directly susceptible to such influence and the development of European collaboration is the outcome of managers' decisions in individual companies taken on the basis of an assessment of the commercial advantage. A number of these companies - ICI, Unilever, Courtaulds, Dunlop for example - are in a very real sense already within the Common Market as are many American companies. But while the establishment of United Kingdom subsidiaries within the Community - and Community subsidiaries in the United Kingdom - may be commercially necessary and profitable to the companies concerned, it does not lead us measurably nearer to a concentrated continental scale industry.
12. There may be considerable scope for integration and development on a European basis between British and continental companies, particularly in those sectors of industry where the costs of research, development, servicing and marketing are exceptionally heavy - for example electronics, motor vehicles, machine tools. But the development of new European corporations, and arrangements for joint marketing or other forms of collaboration between existing companies in Europe, must clearly be worked out by the companies concerned. The Government might, however, stimulate private industry in this country to give more attention to such possibilities; and in so far as other European Governments could be persuaded to follow suit, a basis for European-scale integration or collaboration might be established. This is, however, a process which will take time to develop and in the meantime exchange control imposes a limit on the extent to which UK firms can develop a dynamic policy, and they are not likely to do so fully until we are admitted to the Common Market and there is an evident concerted effort to achieve a full Economic Union. The proposed Technological Institute could do some valuable preparatory work here in creating a climate of industrial opinion and in defining some of the steps necessary to achieve industrial integration on a European scale.

(c) A European Technological Institute

13. One of the initiatives we could take would be to propose to other Governments the desirability and practicability of setting up a European Institute of Technology. There has already been some exploratory discussions by the CBI with some of their corresponding organisations in Europe and they report that the reception has been favourable. There has also been evidence of interest on the part of other European Governments. There are a number of ways in which this concept could be developed. The Minister of Technology will shortly be reporting to the Cabinet on the results of his exploratory talks with the CBI and the TUC. The main role of such a European Institute or Centre could in the early days be to review the current state of technological progress in some European industries which seemed likely to be of major importance to Europe's industrial future. It would proceed, probably through the establishment of expert groups to survey such industries, make forecasts of the future development, indicate appropriate action to remedy deficiencies and to accelerate progress. From such investigations, carried out with the full co-operation of industry and governments, there would emerge programmes of action, whether by governments or by industries, designed to assure the realisation
of Europe's technological potentialities. Such studies would be of value now and for the years ahead.

14. It is desirable to press forward with firm proposals to other European Governments, to gauge the degree of support for them and to discuss their ideas on the form and functions of such an Institute. The later stages will depend on the nature of the response, but in the exploratory discussions between Governments - which would be pursued by HMG in the context of the Benelux proposals - it would be necessary to keep in touch with the CBI who will be pursuing related discussions with European industrial organisations on the European Technological Institute.

(c) The Creation of a European Industrial Environment or Infrastructure

15. Up to now the European Community has made virtually no progress in developing a co-ordinated industrial policy and only recently has the EEC begun to move on the conditions necessary to bring into being a European economic union which will form a suitable framework within which a European industrial society could develop. Some of the elements of such a society would only be meaningful for the UK if we were part of the Community, e.g. harmonisation of taxation systems and social changes and regional policies, but other aspects would benefit us even while outside and could be pursued on a wider basis than the Six: e.g., standards, patents, company law. It is in the field of Standards that most progress is being made, with UK participation. This work should be pushed ahead as quickly as possible, in the general interest of our export effort in Europe. Its value persists whether or not we are members of the Community. It is therefore important that no damage should be done to existing arrangements on standards and we need to keep up the momentum. Work on Patents is important too in progress towards achievement of our economic aims, whether or not we are members of the Community. It is therefore important that no damage should be done to existing arrangements on standards and we need to keep up the momentum. Work on Patents is important too in progress towards achievement of our economic aims, whether or not we are members of the Community. If a common system can be devised which is applicable to non-members of EEC. There would be advantage too in establishing consultation on Company Law, as suggested in the Benelux proposals, in particular the possibilities of realising the legal concept of a European Company.

(f) The Role of the CBI and TUC

16. In any such forward programme it would be necessary to keep in close touch with the leaders of the CBI and of the TUC. They will be in touch with their corresponding organisations in Europe. They will be able to explore national thought at the industrial level on the conditions for and obstacles to the development of a European
industrial society of which UK could be a part even while outside the Community. Reference has already been made to the role of the CBI of pursuing proposals for a Technological Institute with their European counterparts.

Conclusion

17. The prospect of early membership of EEC would have given immediate purpose and drive to the achievement of the technological objectives set out by the Prime Minister. Nevertheless, the Benelux proposals offer a promising alternative way of pursuing those objectives which remain valid in present circumstances. It is therefore recommended that, having welcomed and accepted the Benelux initiative, we should generally press forward with proposals for technological collaboration with the countries of Europe, whether on a bilateral or multilateral basis, whether through governments or through firms, wherever it is judged in our economic interests to do so even while we are outside the EEC. In particular it is recommended:

(a) We should endeavour to see that the exploratory studies being undertaken by the Six in pursuance of the Decision of 31st October 1967 are now pursued in the context of the Benelux proposals; but if this is not possible, we should seek alternative ways of associating with them. (para. 4)

(b) Any proposals for multilateral projects should be scrutinised closely, the scale and timing of the benefits being related to the contribution required from the UK (para. 8)

(c) A similar close scrutiny should be adopted towards bilateral projects, involving substantial Government expenditure although mainly undertaken through private firms, but in some areas (e.g. computers, aerospace, nuclear power) this may be the only way to translate our research investment into a commercial return and to preserve an effective industrial capability in face of the pressure of US competition. It will normally be necessary to link joint research development and production efforts with procurement commitments (para. 9).

(d) Private industry should be encouraged to develop its links with European enterprises. There may be scope for integration, expansion and mergers and encourage a trend in the direction of companies organised on a European basis (para. 12).
(e) We should embark on exploratory discussions with other European Governments to attract support for the proposal for a European Technological Institute or Centre (para. 14).

(f) In accordance with the Benelux proposals we should push forward with the work on European standards and systems of quality specification and control, with work on patents, and we should be ready to explore the possibilities of realising the concept of a European Company (para. 15).

(g) The CBI and the TUC should be encouraged to keep in close contact with their corresponding organisation in Western Europe and stimulate discussion of the means by which European technological collaboration can be more fully, if necessarily imperfectly, realised even while we are still excluded from the Community (para. 16).
CABINET

EUROPEAN TECHNOLOGICAL INSTITUTE

Memorandum by the Minister of Technology

Introduction

In his speech at the Guildhall on 13th November, the Prime Minister put forward in furtherance of the objective of creating a European Technological Community a number of proposals, including the readiness of United Kingdom Government to join with other Governments in establishing a European Institute of Technology. This proposal had been developed in discussion between the Prime Minister and the Confederation of British Industry (CBI).

2. The proposal was elaborated by officials, and Sir Solly Zuckerman held informal consultations with a number of industrialists. This provided a useful basis for the discussions which, in accordance with the conclusion of the Cabinet on 25th January, 1968 (CC(68) 10th Conclusions, Minute 2), I have held with the representatives of the CBI and the Trades Union Congress (TUC).

3. The CBI have been discussing the idea of an Institute with their counterparts in Europe and have generally met with a favourable response, although the French have shown no enthusiasm for the idea. Subject to the expected confirmation of the agreement of the European Federations, including the French, the CBI's intention would be to arrange for the setting up of a Working Party under the auspices of the Business and Industrial Advisory Committee (BIAC) of the Organisation for Economic Co-operation and Development (OECD). The Working Party, which would have a British chairman, would be instructed to consider the scope and functions of a European Technological Institute and to make a report. The broad pattern emerging from the CBI discussions accords very closely with the idea which we have developed on the form and function of the Institute.

4. The TUC have not yet given any detailed consideration to the proposal and have not discussed it with their corresponding organisations in Europe. They recognise that it could be of great significance for them and they would want to be kept closely informed and probably be associated with the organisation. I am committed to putting in a paper about the Institute for the meeting of the National Economic Development Council (NEDC) on 6th March and this may bring forward the more considered views of the TUC. I am arranging to see the General Secretary before that meeting so that I can give him an account of the broader context within which the proposal should be considered.
5. It is against this background that I put forward in the following paragraphs an outline of the proposal as I now see it and a programme of action to secure support for it.

The Function of the Institute

6. An Institute, drawing on experts from Government and from industry would be able to study the likely development of future demand, keep under review the whole scope of European industry, make forecasts of its future development and point to promising possibilities and emerging problems. It might be able to analyse the problems and prospects of achieving co-ordinated European purchasing policies in particular sectors. The Institute could undertake detailed surveys of markets and industries, analysing particular sectors, evaluating their potentialities, comparing their performance with competing efforts and assessing their adequacy to meet Europe's needs in the world context. The Institute could also undertake studies of the social and economic consequences of the industrial changes foreseen and make proposals for ameliorating the social consequences which would arise from the accelerated rate of technological change. To carry through such a programme will require the concerted efforts of the Government and industry. In the early stages the Institute would not be an executive agency but would put forward its reports, proposals and projects for consideration and action by Governments and by industries.

7. There is considerable scope for the rationalisation of the industrial structure of Europe with major regroupings of manufacturing enterprises, integration of research and development effort in major sectors, and arrangements for encouraging the mobility of scientific and engineering manpower. In addition the European capability to transfer technological skills needs to be strengthened. The structural problem is now seen by us to be of great importance but other new unforeseen problems and obstacles to the development of a European Economic Union will come to light and the Institute should be able to contribute to their consideration.

The Constitution of the Institute

8. Such an Institute could only come into being as a result of an initiative by governments and with the financial support of governments, but the objective should be to establish the Institute as an independent source of advice. The Institute can be envisaged as directed by a high level management board, supported by a council or assembly representing both European governments and industrial interests. Executive responsibilities would be vested in a director-general. There would be an appropriate administrative and technical staff drawn from governments and from industry and from research establishments. This would be supplemented by an ability to draw upon experts in particular fields employed on short term contracts to carry out particular studies. It is uncertain whether the Trades Unions would participate directly in the Institute, but they might join in some aspects of the work and would be concerned with the implications for employees of proposals or projects designed to bring about structural and other major technological changes in industries.
In the initial stages, the Institute would wholly depend on financial support from governments and reliance could not be placed on substantial contributions from industry. In time financial support from industrial organisations might be forthcoming. It could be, too, that the Institute would undertake surveys at the request of particular industries, making an appropriate charge for them, and the conferences and seminars organised by the Institute might in some cases become self-financing.

Location of the Institute

Adequate facilities in the way of buildings and equipment would be required for the Institute. These might be provided in the first instance by the Government in whose country the Institute was located. The CBI have confirmed their strongly held view, which I share, that the Institute should, if at all possible, be located in London. We should try to secure this. We are not, however, called upon to make a decision at this stage and we shall have to review this issue when we have the views of other Governments and know what they would be prepared to contribute.

The Name

While the name "European Technological Institute" has already gained some currency, I am advised that the term "Institute" has given rise to some confusion and that translated into French and German it has strong academic overtones. Moreover, there are other proposals being canvassed for a "European Institute" concerned with education and training. I therefore recommend that we should seek to gain acceptance of the title "European Centre for Technology" while making clear that we are still concerned with the same project.

Promoting the Proposal

The concept of a European Technological Institute or Centre has already aroused considerable interest on the part of European Governments and industrial organisations. It could form a useful positive contribution to giving substance to the Benelux proposals and it would be of continuing value even if our membership of the Community were long deferred. I therefore recommend that we should approach individual Governments, notably those who accept the Benelux proposals. If we can gather enough support, this could be an important initiative by the Benelux group. It would not be necessary to be restrictive as to membership and it is to be hoped that both the EEC and EFTA countries would be ready to give their support to the Centre. When we were assured that it enjoyed sufficient support from European Governments we could call a conference of representatives of governments and of both sides of industry formally to launch the proposal. There would necessarily be a considerable lapse of time between launching the proposal and its realisation.

In all this activity I should wish to keep in close touch with the CBI and the TUG. The CBI do not want to take full responsibility for the project, and therefore we shall have to maintain the initiative. I recommend that we should invite the CBI to continue their discussions with the European industrial associations but that they should do so under the umbrella of the Benelux proposals and not in...
the OECD context provided by BIAC. I would propose to follow the same course in my discussions with other Governments. It is important, however, that this proposal should not be too closely linked with and made conditional on any specific political initiative. Proposals for technological collaboration, including the project for the Centre, must be judged on the basis of where the national economic interests lie and they should not be considered mainly as instruments to further political objectives.

14. I invite my colleagues to endorse the following conclusions.

(a) We should take a lead in urging the establishment of an Institute or Centre on the lines outlined, in the context of the Benelux proposals (paragraphs 6-9 above).

(b) The location of the Institute will be for decision later so as to take account of the views of other Governments, but we should even now do what we can to get them to favour location in London (paragraph 10).

(c) There would be advantage in securing acceptance of the title "European Centre for Technology" rather than "Institute" (paragraph 11).

(d) The CBI should be encouraged to go forward with their exploratory talks with their opposite numbers in Europe, but should do so within the framework of the Benelux proposals and not in OECD (paragraph 13).

(e) The TUC should be prompted to give serious consideration to the proposal (paragraph 4).

(f) I shall continue my exchanges of views with European Ministers on an informal basis, rather than in OECD, keeping in close touch with the progress of the CBI discussions (paragraph 13).

A. W. B.

Ministry of Technology, S.W.1.

22nd February, 1968
CABINET

FOREIGN POLICY

Note by the Secretary of State for Foreign Affairs

My colleagues will remember that the original intention was that the review of foreign policy should really be a paper about Europe. The more I have thought about it, however, the more I have found it desirable to set our policy towards Europe into the framework of world events and of our interests world-wide. Accordingly, the attached paper begins, after a brief statement of the decisions which have led to our Europe-based policy, by looking to the world at large (Part One). Then it comes back to Europe (Part Two), and deals with the options open to us there.
PART ONE

I have been conducting a review of foreign policy. I lay the results before my colleagues as a basis for policy and for the further detailed studies which will be needed.

2. We start from a world in which the main currents of world events have assumed new dimensions from those that dominated the immediate post-war period. The United States is and will remain the strongest power but a certain balance based on the nuclear equilibrium has been established between the United States and the USSR and will be helped if they can reach an agreement on anti-ballistic missiles (ABMs). The Soviet Union believes that in the long run the balance will be overthrown to her advantage and this will remain the goal towards which she will work. Destabilising situations can still occur. We and our Western allies must be on the alert to prevent them. Both East and West must act responsibly. In the immediate future East-West differences will remain at the centre of events. In the longer run, the major problems are more likely to be in the area of North-South differences. The developing countries including those of the new Commonwealth will undergo a prolonged period of social and economic strain.

3. The problems of advanced societies are no less critical. The Western world is in a state of some instability, partly because the pressures of East-West differences have been relaxed, thus giving scope to Gaullism, and partly because of the social and industrial tensions produced by insistent demands for a rising standard of living and by the onset of major technological innovations. A number of Western Governments face peculiarly difficult problems of national unity, e.g. Canada and Belgium. These lurk below the surface even greater dangers of internal divisions in Italy and possibly even in Germany and France. These problems in the Western world make it difficult to achieve and maintain a common and stable foreign policy at the very time when this is so urgently needed to deal with the North-South problems and the continued East-West tensions. We ourselves have contributed to changes both in the developed and the developing worlds, not least by our major decision of July, 1967, to withdraw militarily from East of Suez. There are risks in this, but given our economic situation and the changing pattern of world events, to which I have referred, it is right that we should re-think our foreign policy.

4. The decisions we announced on 16th January have gone far to shape the options open to this country. We have decided that our defence effort must be overwhelmingly in and for Europe. The rundown of our military position East of Suez and our concentration on the defence of Europe in partnership with the United States parallel, in the defence field, the decisions we had already taken in the economic and political fields when we decided to try to negotiate our entry into the European Communities. These are fundamental decisions which did and do accord with British interests. We cannot abandon them without damaging our interests and incurring the charge of indecisiveness, it remains the case that any alternative to our European-based policy is a second best. The main point to consider, therefore, is how to circumvent or overcome the storms and perils which beset this course.
5. Before doing so I think it right to draw attention to the implications of our decision to disengage militarily from East of Suez (except for our remaining dependencies). In recent years the safety of many of our material interests East of Suez, e.g. in the Persian Gulf, has not depended primarily upon our military presence. Nevertheless, the withdrawal of our forces is bound in the short term to increase the risks to our own interests, if only because it may unleash local animosities, e.g. between Singapore and Malaysia, or tempt larger powers to absorb their neighbours, e.g. the conflicting ambitions of Iraq, Iran and Saudi Arabia. Iraq has not given up her ambitions to take Kuwait; Iran has a long-standing claim to Bahrain; Saudi Arabia claims most of Abu Dhabi and part of Muscat and Oman. In addition, there are another half dozen or so lesser territorial disputes in the Gulf, some of which have an important bearing on oil rights. If the Shah fails to satisfy his highly nationalistic critics at home that he has protected what they regard as Iran's just rights, his personal position will be at risk and so too will Iran's western orientation. Although the Russians have not yet extended their influence into the Gulf, they are increasing their efforts in the Middle East generally, and it remains their objective to replace Western influence by their own and to gain indirect control of the Middle Eastern oil supply to the West. In this object they can hope to find willing Arab partners, Egypt for example.

6. In the worst case, as much as £1,000 million of British investment in the Gulf could be up for grabs. No less than 40 per cent of Gulf oil is in British ownership and makes a significant contribution to our foreign exchange earnings. There is the possibility that the very large sterling balances held by some of the Gulf states will fall into unfriendly hands. But the more likely risks lie not in the seizure of our assets (though we cannot dismiss this possibility): they arise rather from the political instability which may follow our departure. If the conflicting territorial claims in the Gulf were to lead to local wars, or even only to terrorism and sabotage, it would become difficult to maintain the free flow of oil. At present 40 per cent of Britain's oil supplies (and over 50 per cent of Western Europe's) come from the Gulf. Once we have withdrawn militarily, we shall not be able to bring much, if any, power to bear to prevent or limit the consequences of local instability.

7. What is true in the Gulf is true generally outside the Atlantic area. In the 1970s we shall still have a general capability for use if required and of course must be able to carry out our responsibilities towards our dependent territories. Nevertheless we shall not be able to make any significant military contribution to maintain the balance of power beyond the Atlantic area. If, as is only too likely, conflicts break out in these vast territories inhabited by most of the world's population our trade and investments will be at risk. We have recently seen how local instabilities and animosities have affected our oil interests in Nigeria and our copper supplies from Zambia. We shall not physically be able to prevent major conflicts from arising, nor shall we be able to do anything of much account to prevent such turbulence from sucking in our countries and conceivably leading to a Great Power confrontation.
8. In short, as far as the developing world is concerned, we shall find ourselves in much the same position as other European countries, for example France or Italy. The United States alone of the Western Powers will have an effective intervention capability. If in acting to further her own self-interest she prejudices Western European interests there is nothing we can do about it. It will not be surprising, as they shoulder more of the burden elsewhere, if the United States decide to let the brunt of it in Europe fall upon the Europeans. Our move reinforces the tendency for the two Super Powers to increase the distance between themselves and the middling countries and in so doing to fall into the habit of arranging matters between themselves, perhaps to the exclusion of others.

9. I accept that given our present situation our policy should be European-based despite the risks to which I have drawn attention above. But while I must stress that in the worldwide context there are certain sorts of influence which we can no longer carry out, I believe that a military presence is not the only way to exercise influence. There is still a good deal we can do in the parts of the world from which we are withdrawing militarily. If we cannot totally replace the degree of protection for our interests which we lose when we withdraw our military presence we can at least mitigate the consequences by maintaining a British presence through non-military means. These do not imply large expenditures. In particular, the Commonwealth association still gives us considerable influence. A non-military presence should in my view contain such elements as trade, technical assistance and the projection of Britain, for example by the teaching of English and the promotion of various links, especially in the Commonwealth, between professional and student groups in this country and abroad.
We were right, both on 16th January and before, to make Europe the centre of our policy. There are, however, a variety of ways of conducting a policy centred on Europe. In the remainder of the paper I consider the main alternatives. Before doing so we need to be clear what our broad objectives are. We have now determined to put the economic strength of Britain on a secure basis. This is vital to an effective foreign policy and therefore for our national security. It is also indispensable to the welfare of our people and to the social programmes of our Party. These are our main objectives. In addition, so far as we can we should aim to make the United Nations more effective, to ameliorate conditions in the developing world and to forestall international disputes, especially those which may prove damaging to us. It is fallacious to think that we can turn ourselves into a country like Sweden. They have a tiny population, a very large country and a very small number of highly specialised industries. Britain, with a population of 55 million, anxious for a higher standard of living and highly dependent upon our ability to sell advanced technology, to trade worldwide and to maintain the free flow of raw materials, must not become relegated to an isolated position in which our voice counts for little. If we are to have some significant degree of control over the circumstances in which we live we need to be able to operate on a wider regional power basis than this country alone affords. Only Western Europe can provide such a basis.

2. Broadly speaking there are three options open to us within this Europe-based policy:

(a) We can operate essentially as a “loner” avoiding all entanglements so far as we can and making the best bargains we can with the Super Powers and with European countries as may seem most expedient on an ad hoc basis;

(b) We can aim to produce a Third Force Europe, balancing between the United States and the Soviet Union, siding sometimes with one and sometimes with the other;

(c) We can aim to produce a Western Europe which is stronger and more cohesive than at present and which, generally speaking, expects to act in harmony with the United States.

There are a variety of other courses but I have not considered them in detail because they are either variants of the three main possibilities or impracticable in present circumstances.
Course (a)

3. I recognise that circumstances may eventually leave us little option but to follow course (a). But I dismiss it as an aim of our policy since it would be inconsistent with at least two of the objectives set out above. It would put our national security at risk because it would tend to break up the international framework which has preserved the world from a major war since 1945. If we opted out it would on the one hand increase the growing American tendency only to help those who help themselves and the United States while on the other it would encourage the Soviet Union to persist in her policy of getting the Americans out of Europe, of fragmenting Western Europe, and of encouraging neutralism with a view to changing the balance of power fundamentally. Europe has shown that she can survive one Gaullist country but two would break apart both Europe and the Western Alliance. Moreover, our bargaining power would be small and declining. In such circumstances we could by no means depend upon retaining our permanent seat on the Security Council. The loss of this would entail the loss of our privileged position in certain other international organisations. Nor is there any reason to suppose that the "loner" situation would favour us financially or economically. Sterling would be more vulnerable and we should not have the benefits of large scale modern technological integration and collaboration.

Course (b)

4. There are attractions in a Third Force Europe but on examination they prove superficial. The prospects are particularly unattractive for a British Labour Government. In such a Europe our social democratic philosophy would be seriously challenged by Communism, particularly in France and Italy. It would be a costly and lengthy business to provide Europe with a genuinely independent position including its own nuclear defence. If despite the effort Europe failed to emerge as a Third Force we should be notably worse off than we are now. The attempt to form a Third Force Europe involves breaking existing links and closing options which could not easily be recovered. If, on the other hand, Third Force Europe really succeeded there would be a considerable risk that Germany would be the dominant power in it. All our existing arrangements and Western European Union in particular are designed to tie Germany closely into the West in an innocuous way and to keep the Germans from too close a connection with nuclear weapons. Such arrangements would be scrapped in the context of a Third Force Europe. What the consequences would be for relations with Eastern Europe and the Soviet Union may be guessed at. Equally the consequences for the United States attitude towards Europe would be serious. Nothing would be more likely to encourage Goldwaterism and even isolationism.

5. Furthermore, while it might be the object of a Third Force Europe to balance between the United States and the USSR there would in fact be a serious possibility that the two of them would prefer each other's company, possibly at the expense of Western Europe. In any event, it would give the Soviet Union the opportunity of playing off Europe against America and vice versa. This is a situation which would greatly favour them and would not favour us. In addition to this
political-security drawback there is a further drawback on the
economic side. Despite the current difficulties of the dollar the
United States economy is forging strongly ahead and widening the gap
between American and European standards. We shall have to make a
great effort in Europe to close this gap and it seems most unlikely that
it will be possible to do so at a time when course (b) would inevitably
involve us in greatly increased defence expenditure and in a consider-able
cooling of relations with the United States.

Course (c)

6. Course (c) involves building up Western Europe as a full
partner with the United States in promoting common Western
objectives. The chief of these are rising standards of living,
financial stability, expanding commercial opportunities, increasingly
close relations with Eastern Europe and the promotion of detente with
the Soviet Union. Both our security and our economic objectives
will be much more easily obtained if we proceed in harmony with
rather than antagonism to the United States. But at the same time we
have to recognise that while Western Europe remains fragmented
there will be little incentive for the United States to pay great heed to
European attitudes and interests. What is perhaps even more
important is that in commercial competition with the United States
industry and technology will achieve a position of dominance in Europe
as well as in the Western hemisphere. While we certainly draw
benefits from American investment of various kinds in Europe, it is
not in our interests that critical portions of our economy should
become satellites of American business. To organise an industry and
technology which can compete with the United States the countries of
Western Europe need to embark on large-scale programmes to
rationalise and improve their technology, production markets and
financial arrangement. Clearly the European Communities from the
basis for such an effort. If we can join them while we still have a
substantial lead in various aspects of modern life and industry we
should be able to play a major part in shaping the future of Europe and
of European relations with the United States. But we have to
acknowledge that time is not on our side. Our position in the world
league is steadily slipping. The EEC is enormously much more
powerful than we are and even the individual countries of the Six
e.g. Germany and France, are in some respects stronger than we are.
In some aspects of the race Japan has already passed us. We must
therefore bend every effort to join the European Communities at the
earliest possible moment. This will be hard to do but I conclude that
course (c) so much more nearly lends itself to our objectives than the
alternatives that it is clearly the course we should follow.

7. If this is agreed we need to consider in the light of the
situation taken as a whole what practical steps we can take to give
reality to course (c). Against the background of the Prime Minister's
visits to Moscow and Washington of our recent exchanges with the
EFTA and EEC countries and in particular of the results of
Dr. Kiesinger's talks with General de Gaulle, the following are the
main considerations on which we need to form a view.

-3-
NATO

8. Our national security depends upon maintaining a close link with the United States and the credibility of the American guarantee of Western Europe. The North Atlantic Treaty Organisation (NATO) is the way in which the United States commitment to Western Europe is made manifest. Despite gloomy prognostications and the withdrawal of the French, NATO is in fact in a reasonably healthy state at the present. We should do what we can to preserve and strengthen it but what is even more important in present circumstances is that we should do nothing to weaken it. A further withdrawal of British forces from the Continent might very well trigger off a chain reaction which led the Americans, Canadians, Belgians and Danes, to say nothing of the rest, into similar reductions. This would have the undesirable consequences of leaving Germany as the major military power in Western Europe. It might very well also mean the effective unravelling of NATO and hence of our security.

Negotiations with the Six, Five and Ten

9. We have to recognise that General de Gaulle is determined to keep us out of the European Communities. So long as he is effectively in control of France he will be able to do so. But we have many friends in Europe including many in France who will try to help us. Therefore our business must be to maintain our aim and keep our nerve. Moreover, it is only by exerting pressure that we shall get some tolerable arrangements short of entry in the European Economic Community (EEC). If we were to settle for some half-way house this would mean that all pressure was removed from the French and there would be a serious risk that we should never get any further. There is no reason why we should not discuss any ideas which the French, the Germans or others may have, provided they do not distract attention from our major object of entry into the Communities, together with those of our European Free Trade Area (EFTA) partners who wish to join us. But it is up to them to put forward concrete ideas. Anything put forward will clearly be subject to hard bargaining, to French attempts to reduce its substantive content and very possibly at the end of the day to a French veto. Accordingly, it would be unwise to restrict ourselves to talks in which the French can effectively exercise a veto. There is no reason why there should not be various sets of talks proceeding simultaneously. The Benelux proposals, or something like them, have three great advantages. In the first place they will help to prevent the EEC from developing in ways which would make it harder for us to join eventually and in the meantime from undertaking actions which might be damaging to our interests, e.g. in the monetary field. Secondly, if they give rise to some important degree of co-operation between us and as many other Western European countries as are willing on some major substantive question they will considerably reduce our isolation and improve our bargaining position. Thirdly, the more progress we make on Benelux-type proposals the more the French will be under pressure. Eventually they may come to think that the damage to them of keeping us out is greater than the risks involved in letting us in. Therefore, there is advantage to us in collaborating as closely as we can on any issue whether in the political, defence, economic or technological fields with as many Western European countries as are prepared to associate themselves with us for this purpose.
East-West Questions

10. To a large extent the French and ourselves are in competition for Germany. The Germans are tugged in many directions. They know their own security depends upon the United States and they must be careful not to unravel NATO as General de Gaulle would like or to take part too obviously in his schemes to reduce United States influence, e.g., his campaign against the dollar. On the other hand, their great achievement since the war has been Franco-German reconciliation and the establishment of the Common Market. They will do all they can to avoid putting these gains at risk. The other main strand in German policy is their deeply-felt need to change the situation in East Germany. Fortunately in the last two years or so the Germans have swung round to the sort of policy on East Germany and Eastern Europe generally which we have long advocated and which we can wholly support. We must try to make the most of this with the Germans. Moreover a policy of small steps towards Eastern Europe, leading eventually in the direction of some sort of confederal arrangements with the two parts of Germany, together with appropriate restrictions on the troops and weapons to be deployed by either side in Central Europe is very much in our interests. Apart from the financial aspects it certainly offers the best prospect of an eventual stable arrangement in Central Europe which both the Russians and the Europeans can accept.

Attitudes to the Developing World

11. If Europe either fragments or becomes a Third Force, systematically taking a different point of view from the United States, there may be serious consequences in the developing world. In the first place, the Americans will probably not be prepared indefinitely to bear the whole burden of defending Western interests everywhere. They may decide to opt out of certain situations, e.g., in Africa or the Persian Gulf, which could lead to local turbulence with highly damaging consequences to our material interests. Furthermore if Western Europe and the United States do not act in harmony there is little prospect that the developed world will produce an effort that is anything like commensurate with the scale of problems in the under-developed world, bearing in mind that the population of the world will double by the end of the century. If the developing world is to be helped, with all that this implies for stability and expanding trade, it is essential that Western Europe and the United States should act in harmony.

Conclusions

12. I draw the following conclusions to which I invite the agreement of my colleagues:-

(a) Within the framework of the European-orientated policy which we have already adopted, we should aim at Course (c), namely a Western Europe which is stronger and more cohesive than at present and which, generally speaking, expects to act in harmony with the United States.

(b) In pursuing this course we should do nothing to weaken NATO or the American commitment to Europe and on the contrary should strengthen NATO where we can.
(c) We should keep up our pressure to join the EEC together with those of our friends who want to. To this end we should agree to discuss any concrete ideas put forward by the Germans or the French or indeed others, so long as the clear objective is our entry into the Communities. But at the same time it will be of the utmost importance to give substance to Benelux-type proposals in partnership with as many Western European countries as are prepared to associate themselves with us for this purpose.

(d) We should aim to get the maximum co-operation from Germany. In line with this we should, together with the Germans, pursue an East-West policy of small steps aiming at détente, some form of confederation of Germany and some parallel measures to reduce and control troops and weapons stationed in Central Europe.

(e) We must expect that our ability to influence events outside the Atlantic area will be considerably less than it used to be. But the withdrawal of our military presence from East of Suez does not and should not mean a loss of interest in the world at large. We shall still maintain a general capability and must be able to carry out our responsibilities towards our dependent territories. We can build to our profit on our Commonwealth links, on support for the United Nations, on our world-wide commercial connections both visible and invisible, on the importance of our language and on our skills in technical assistance.

(f) By the decisions we have already taken we have made major changes in British policy. We now need to be on the alert to capitalise on these changes. We risk being left financially, commercially and politically on the margin of world events. The decisions we now take will lessen or increase this risk. They will be critical to the future of this country.
Cabinet

Europe: The Franco-German Declaration of 16th February and the Benelux Proposals

Note by the Secretary of State for Foreign Affairs

I circulate for my colleagues' consideration the attached paper, prepared by the Official Committee on the Approach to Europe.

C.B.

Foreign Office, S.W.1.

23rd February, 1968
Introduction

The Cabinet agreed on 20 December that in the light of the French veto, the aims of our European policy in the immediate future should be:

(i) to maintain the long-term objective of full membership of the Communities as a valid and credible policy in the eyes of public opinion here and in Europe;

(ii) to ensure as far as possible that the Communities are prevented from developing, particularly in ways which would make it more difficult for us to join later;

(iii) to preserve to the greatest extent compatible with (i) and (ii) our freedom of action in the economic field pending full membership.

2. On 19 January the three Benelux countries jointly presented proposals to the other Community countries and the four countries
which had applied for membership of the E.E.C. (Britain, Norway, Denmark and the Irish Republic) with a view to establishing continuing procedures for consultation about Community developments and joint action where this was possible. H.M.G. accepted the Benelux proposals on 25 January, and this acceptance was confirmed by the Foreign Secretary at the W.E.U. meeting in Brussels on 30 January. The W.E.U. meeting showed a wide consensus of view that a meeting should be held at Ministerial level, to be attended by those countries involved in the Benelux proposals which wished to attend, and that this meeting should be prepared by officials. The Cabinet accordingly decided on 1 February that preparatory work should be put in hand for a possible meeting with Community countries and other countries which have applied for membership.

3. Meanwhile, Chancellor Kiesinger has held discussions with General de Gaulle, and the German and French Governments have issued a joint declaration. A translation of this declaration is at Annex A to this paper.

4. This paper sets out what we know about the discussions which led up to the Franco-German declaration; and considers what our policy should be.

The Franco-German Declaration

5. This is a declaration in very general and imprecise terms. It is not a proposal (it has not been communicated to any Government formally), and what we have so far learnt from the French and from the Germans about the discussion which led up to it underlines the uncertainties which surround it: so far it is clear that it has no substantial definition or content and that it is not a proposal to Governments. A first attempt may be made at the E.E.C. Council on 29 February to give content to the declaration. But the process may well take a long time, if it can be done at all.
6. These uncertainties make a clear statement of advantages and disadvantages difficult. Among the factors which are relevant to what at this stage must be a tactical judgement rather than one on substance are the following:

(a) the Germans say that they have been encouraged by their discussions with the French, and clearly consider that they have won a real concession, particularly in that the French have said that they desire the enlargement of the Community. If we take a negative attitude to the joint declaration before its content or lack of it has been demonstrated, the Germans will be disappointed, or will affect disappointment, and may well take the line that they have done their best for us and sufficiently discharged their duty. It will be easier for the French and perhaps others to maintain that we are adopting an unreasonable attitude;

(b) the French have told us that the declaration represents no change in the French attitude towards the British application to join the Communities. General de Gaulle, whose anti-Americanism clearly worried the Germans, stated that Britain was still too wedded to the Atlantic idea to be truly European;

(c) the Germans have said that "a kind of" free trade area was envisaged in their discussions with the French. (They have emphasised "a kind of".) But we are without any details. The declaration itself does not refer to tariff arrangements at all. The Secretary-General of the Quai d'Orsay has said that the French have made no detailed studies of what would be involved; that there was no discussion of complete abolition of tariffs, and that no provision for this was contemplated at present.
State Secretary Lahr has told us that the French and German Governments were agreed that whatever arrangement emerged would have to conform to GATT and he spoke of negotiations for a free trade area. He claims that it would be open to us and the other candidate states to transform this into a Customs union merely by the device of applying the Community's common external tariff to ourselves. We have been told that the French Prime Minister expressed himself as favourable to agreements on tariff reductions, but spoke of exceptions and of a "sector approach". If something on these lines could be achieved, it could be of significant assistance to British industry. As regards agriculture, we do not know what the French or German have in mind. But it appears to be the purchase by Britain of quantities of agricultural produce from E.E.C. countries, and it is difficult to suppose that this would not be at Community prices. This would have serious implications for our balance of payments, and for either the Exchequer or the continuation of our present agricultural support system; and our trade relations with other overseas suppliers could be seriously affected;
(d) as regards E.F.T.A. participation, the only firm evidence we have is in the second and third paragraphs of the Franco-German declaration. (The second paragraph speaks of the enlargement of the Communities to "other European countries and notably to those who have already posed their candidature"; and paragraph 3 refers to arrangements to be concluded by the Community "with the candidate countries".) To the extent that our E.F.T.A. partners
were able to participate in the discussion of any arrangements which might result from the Franco-German declaration, this would be welcome to them.

(e) From State Secretary Duckwitz's first account of the discussions to H.M. Embassy in Paris, it emerged that the Germans' idea in putting forward a proposal for a kind of free trade area might be not so much to bring about such a free trade area as to get into a negotiation with France in the hope that at some stage (perhaps after de Gaulle's disappearance) it would be possible to convert this negotiation into one for our entry into the Community. But this idea has not been reflected in subsequent discussions with representatives of the German Government. The Secretary-General of the Quai d'Orsay spoke of a "long-term task" and of economic arrangements of the kind envisaged not being possible without Governments one day coming to the political goal of a united Europe. Whatever there may be in this argument, it suggests that we cannot take too seriously the suggestion that we might succeed in negotiating any kind of free trade area. And it also suggests that both the French and the Germans envisaged a very long negotiation before results would appear; Lahr has spoken of the need for great patience; Monnet, who knows the Communities well, has spoken of a two-year negotiation;

(f) it might be argued that "a kind of free trade area" could give us a close and legitimate interest in at least the commercial and agricultural policies of the Community. But we know that General de Gaulle expressed himself as opposed to the creation of any new institutions. We cannot yet tell whether the kind of partial and
electoral tariff reductions and agricultural arrangements which seem to be envisaged by the French would give us an adequate opportunity for expressing views about Community developments even in the tariff field. It would be unlikely to do so in the agricultural field.
nothing in the declaration or in what we know of the discussions which lead to it suggests that the French are any further committed, even in principle, to accepting Britain as a full member of the Community; paragraph 2 of the declaration could equally well mean that a relationship different from full membership would be appropriate for Britain. Still less is there any suggestion of a review of the possibility of full membership or automatic commitment to full membership after a period;

we cannot tell whether what emerged would be compatible with the G.A.T.T. The U.S., which has always objected to increased economic discrimination if the political unity of Europe were not enhanced at the same time, would certainly dislike these ideas. But the extent to which we could show that they constituted a genuine step on the road to political unity might mitigate U.S. objections;

unlike the Benelux proposals there is no provision for technological co-operation, nor for consultation with the Community on developments in Community policy. State Secretary Lehr has told the Italians that co-operation with Britain in technological questions was mentioned as a possibility when this involved "concrete projects". But we have heard nothing of this from the French side;

in the absence of adequate arrangements for consultation on developments in Community policy, such as are suggested in the Benelux proposals, we would be unable to achieve objective (ii) in the policy laid down by Cabinet (paragraph 1 above). This is the clear implication of the first paragraph of the
Franco/German declaration, and is in line with past Community experience. The French have already discussed with the Germans the possibility of making progress on company law without regard to our views.

The Benelux Proposals
7. The Franco/German declaration has not eliminated the Benelux proposals. The French made it clear to the Germans that they did not like the Benelux proposals, but they remain as one possible subject for discussion at the E.E.C. Council meeting on 29 February. What the French have succeeded in eliminating is any immediate discussion of them between Community and non-Community countries interested.

8. The Benelux proposals were for:

(i) the Commission to complete its study of the possibilities and problems raised by the Candidature of Britain, Denmark, Norway and the Irish Republic;

(ii) institutional arrangements to provide for an opportunity for consultation on Community developments and for possible joint action in fields (patents and company law) covered by the Community Treaties;

(iii) joint action in non-Community fields, which would be open for participation by countries other than those which had applied for full membership;

(iv) political consultation which would be open on the same basis as (iii).

9. The Benelux proposals might give us some prospect of influencing the development of the Communities, and of taking part in joint action with Community countries while waiting for the possibility of membership to revive, without increasing the limitations on our freedom of economic action. But to achieve
this result, it will be important that at least all Community
countries, except France, should be prepared to participate.
(We need not oppose French participation; and her inclusion
would be useful; but her participation is not essential to the
success of the exercise.) If Germany were to refuse to
participate, consultation on Community developments could still
be useful since for the foreseeable future it will be open to any
single Community country to block progress on major developments
in the Communities. But this would be much less attractive
than an arrangement in which Germany took part; and the decision
to proceed without Germany would be an awkward one which would have
to be taken in the light of the whole range of interests embodied
in our relations with Germany. Further, it must be recognised
that in practice there might be little enthusiasm among the
Benelux countries and Italy for pursuing the Benelux proposals
without Germany. And this could well lead to their collapse.
10. The question of E.F.T.A. participation also raises uncertain­
ties. Our interest is in making a success of consultation on
Community policies. If those in the Community prepared to
argue our case are to justify their doing so, they will base
their argument on the undesirability of doing anything which
will make British (and Norwegian, Danish and Irish) membership
more difficult. This argument cannot apply to countries which
have not applied to join the Communities. It will therefore be
in our interest that participation in consultative machinery
should be limited to countries which have sought full membership.
But, in the interests of our relations with E.F.T.A. countries, we
must avoid opposing the desire of other E.F.T.A. countries, should
they maintain it, to pursue in some manner and to some extent any
consultation arrangements under the Benelux proposals. Action
on joint projects and political consultation is another matter,
since the Benelux proposals make it clear that these items are
open to other European countries, and so are open to E.F.T.A.
countries which have not sought full membership.
11. Our aim in pursuing the Benelux proposals would be to make a reality of consultation with the Community countries participating, and to undertake what joint action we usefully and profitably could pending full membership, in accordance with the policy aims set out in paragraph 1 of this paper. To achieve effective consultation on Community developments we should have to be prepared for some duplication of consultation which is already taking place in other international organisations, for example the International Monetary Fund, U.N.C.T.A.D., and the D.A.C. as well as other O.E.C.D. bodies. Although this might lead to some duplication of effort, it will be a small price to pay if we can secure thereby the opportunity to express views effectively on Community developments before they are decided by the Six.

Conclusion

12. It is difficult to believe that there has been any significant change in France's policy regarding Britain's relations with the European Communities. The French have avoided any commitment in detail. Even if the Germans were able to win French agreement to a partial free trade area we should be faced with all the disadvantages in this course which we have long foreseen and which Ministers have developed publicly and in numerous conversations with European Ministers. Most recently the Prime Minister said in answer to a question in Parliament on 20 February (Hansard Col. 235): "We made clear our position about association with the Economic Community. If by that the hon. Gentleman means Article 238, we have made clear that we regard this as an unsatisfactory alternative to our main application. The proposals
from Paris so far at any rate seem a good deal vaguer than a straight Article 238 association." In an earlier written answer on 23 November (Hansard Col. 428) the Prime Minister stated the main objections to anything short of full membership.

13. If we express readiness to consider sympathetically the sort of idea that seems to have been discussed between the French and the Germans, we will risk provoking a proposal which we may have to turn down. The French would then have succeeded in what must have been their major objective last week - to drive the Germans from the favourable attitude which they had adopted to the Benelux proposals. The French were worried by the Benelux proposals and worried by signs that France was becoming increasingly isolated in the Community. For the moment, they have reversed this position without any concession of substance.

14. On the other hand if we now take a negative attitude to the Franco/German declaration, the Germans may well refuse to take part in the Benelux proposals, and may be won over to the French view that we are being unreasonable in adopting an "all or nothing" attitude to membership of the Communities.

15. It is therefore suggested that we should adopt the following position. We should take the line that we have been interested to see the text of the Franco/German declaration. We remain sceptical about the chance of Germany achieving anything on these lines with the French Government (as the Foreign Secretary explained to Herr Brandt on 19 January). If, however, the Germans do succeed in winning the French over to acceptance of a concrete and precise proposal of this kind, we should, of course, be ready to consider it. But for the moment there is no proposal to consider, and no detailed ideas, and we are not called upon to take up a position. Naturally we would not be prepared to consider proposals which had not first been accepted in Paris. (The long and unhappy history of our efforts to achieve a satisfactory relationship with the Community make French agreement...
in detail to any proposal an essential condition for us to give it our consideration. We would go on to say to the Germans that we would regard a proposal of the kind which they discussed in Paris as covering different ground from that covered by the Benelux proposals. We should need at least some features of the Benelux proposals (their provision for consultation, the possibility of action in the technological and defence fields and political consultation) whether or not the French agreed to some free trade area proposals. We therefore hope that, in return for the assurances which we would give the Germans of our readiness to consider any detailed ideas approved by the French, the Germans in turn will be ready to go forward with the substance of the Benelux proposals in parallel, as agreed by Herr Brandt at the W.E.U. meeting on 30 January.

16. The E.E.C. Council will meet on 29 February, and will have these questions on its agenda. It is recommended that Ministers should defer a final decision on the recommendations in this paper until the results of this meeting are known.
The two Governments affirm their determination to pursue the work undertaken by them and their partners since the creation of the European Economic Community. They intend to devote all their efforts to the completion and development of the Common Market; they re-affirm in particular their intention to achieve the fusion of the three existing Communities.

2. In this spirit they desire the enlargement of the Communities to other European countries and notably to those who have already posed their candidature, as soon as these countries are, according to their circumstances, in a state (en mesure) effectively to enter the Communities or to link themselves to them under a different form. This applies in particular to Great Britain and means that the evolution already begun by this country should continue.

3. While waiting for the enlargement to become possible, the two Governments are ready to envisage that arrangements should be concluded by the Community with the candidate countries of a kind to develop between them exchanges of industrial and agricultural products. Such arrangements which would entail for industrial products progressive lowering of obstacles to trade, would be of a kind to facilitate the evolution mentioned above and in any case to contribute to the development of the relations between European countries.

4. In setting out their position on the development and desired enlargement of the E.E.C. the two Governments have in mind an essential objective of their policy which is to make a strong and united Europe play the role which it should, that is to say to be an organised, independent and active factor for world equilibrium and in consequence for peace.
EUROPE: MEMORANDUM BY THE ITALIAN GOVERNMENT

Note by the Secretary of State for Foreign Affairs

I attach, for my colleagues' information, a rough translation of a memorandum which I have just received from the Italian Government. This memorandum is relevant to our discussion on the Approach to Europe.

G.B.

Foreign Office, S. W. 1.
26th February, 1968
I attach, for my colleagues' information, a rough translation of a memorandum which I have just received from the Italian Government. This memorandum is relevant to our discussion on the Approach to Europe.

G. B.

26th February, 1968
Memorandum by the Italian Government

On December 19, 1967, having considered the favourable view of the E.E.C. Commission, it was not possible to decide upon the opening of negotiations to secure the admission to the European Communities of Great Britain, Denmark, Ireland and Norway, notwithstanding the consent of five member countries. It was, however, unanimously agreed that the applications for membership of Great Britain and of the other three countries should be kept on the Agenda.

On the 19th of January last, the Benelux countries issued a "Memorandum" containing proposals aiming at fostering the creation of conditions leading to a favourable reconsideration of the aforementioned applications and, on the 16th instant, the Governments of France and the Federal Republic of Germany published a "statement" indicating what they proposed to do as to the life in the Community and the relations with the other European countries which have, or propose to have, particular ties with the European Community.

Bearing in mind the foregoing and in keeping with the spirit of their own memorandum of May 8th, the Italian Government propose the following:

1) That at the meeting of the European Community Council on the 29th instant when dealing with the part of the Agenda which states: "Requests of admission of the Governments of the United Kingdom, of Ireland, of Denmark and of Norway and letter from the Swedish Government", the documents issued by the Benelux countries and by the Governments of France and Federal Germany be taken into account;

2) That at the same meeting the following decision relevant to the objective indicated.
indicated hereunder be adopted.

I - Normal life and process of fusion of the Communities

The six Governments reaffirm their will to continue the process of economic integration undertaken in observance of both the letter and the spirit of the Treaty of Paris and of the Treaty of Rome.

In particular, they commit themselves:

- to carry out, at the established dates, the free circulation of industrial and agricultural products and of labour forces within the area of the Community;

- to continue the elaboration of the measures leading to economic union;

- to consolidate, during the current year, in the nuclear field, the bases of the common Centre, by specifying the activities which might be carried out there in the future, by ensuring that the studies concerning nuclear fusion be pursued and by ascertaining the limits and the engagements of a common policy for the supply of uranium;

- to examine, at the right time, the Report on the fusion of the Communities that the Commission has been asked to prepare.

II - Abstention from measures which might deepen the gap with the States who have put forward a request for admission to the Communities

The Six declare:

- that, in elaborating the measures required to advance on the road to economic union, they will...
they will keep in mind the situation existing in the candidate States and the possible changes in this situation, by means of appropriate consultations with the countries concerned through diplomatic channels or through the Commission of the European Communities;

- that, within the framework of the implementation of the economic union, they will, in taking any decision, particularly in the fields of a common policy concerning agriculture, commerce, taxation, regional matters, energy, industry and competition and aid, avoid adding new and grave difficulties to the future admission into the European Communities of the candidate States.

III - Adoption of measures to reduce the gap referred to above

The Council:

- requests the Commission of the Communities to continue the study already undertaken on the difficulties and advantages of the admission of candidate States; the Commission should also see that the most adequate ways and means to attain the common objective of the admission to the European Communities of other European States, be singled out, and should report on the matter as soon as possible (enclosure 1);

- entrusts the Commission, in accordance with Article 3 of the "Decision" on the coordination of economic trends in member States, with the task of suggesting the most suitable way of achieving with OEEC the coordination of economic trend policies.

- invites the Monetary Committee to propose, in accordance with Article 14 of the Committee's Statute, the organisation of
joint meetings with the Management Committee of the European Monetary Agreement.

The six Governments state that they agree to propose that, during the second part of the quarterly meetings of the Council of the Western European Union when the European economic situation is discussed, Ministers of Finance and Economy should also be invited to attend so as to achieve coordination in the economic and monetary policies.

IV - Harmonisation between the measures already taken and the external development of the European communities

To maintain a balance between the progress of the internal development of the Community, the process of the enlargement of the Community in Europe and the development of its external relations, the Council decides to adopt, as from the 1st July 1968, when the necessary measures to realize within the Community the free circulation of industrial and agricultural products and the free circulation of labour will be enforced, the Council's decisions on the negotiations already in progress for new associations or agreements and on the preparatory work for the renewal of the Yaoundé Convention, taking decisions immediately afterwards on the other requests already put forward for association or other agreements.

V - Development of a policy for European unity

The six Governments, signatories of the Treaties of Paris and Rome, in accordance with the principles contained in paragraphs I, II, III, IV, could formulate a "declaration" that could lead eventually to a European policy that could eventually be accepted.
eventually be signed—also by the countries that have applied, or will apply, for admission into the European Communities.

Once the study of the Benelux memorandum, of the Franco-German declaration and of the proposals contained in the above mentioned paragraphs has been concluded, the possibility of convening a meeting of the Foreign Ministers of the States members of the European Communities and of the candidate States, with the participation of the Commission of the European Community, should, in the opinion of the Italian Government be considered, to agree on procedures for achieving a closer co-operation between their Governments with the goal of the political and economic unification of Europe.
The Council entrusts the Commission with the task of continuing the study undertaken on the advantages and difficulties of the admission of the European candidate States and, according to Articles 152 of the E.E.C. Treaty, 122 of the EURATOM Treaty and 26 of the E.E.C. Treaty, requests the Commission to undertake, in consultation with the parties directly concerned, the study of the most appropriate ways and means to reach the common objective of admission to the European Communities of other European States, contemplated by Articles 237 of the E.E.C. Treaty, 205 of the EURATOM Treaty and 93 of the E.E.C. Treaty.

The result of this study, together with any specific suggestion, should be submitted to the Council as soon as possible, and should be taken into account in the formulation of proposals for the fusion of the three existing Communities.
CABINET

FUTURE PRODUCTIVITY, PRICES AND INCOMES POLICY

Memorandum by the Secretary of State for Economic Affairs

I have considered over recent weeks the various courses open to us, in consultation with a number of my colleagues most closely concerned. The proposals which follow have been formulated in the light of these consultations.

2. The proposals which follow relate to wages and salaries and to prices, charges and rents, and are intended to constitute a tougher prices and incomes policy. But the details of the policy - and its prospects of success - will be influenced by the Budget both as it could affect the treatment of unearned incomes, particularly dividends, and the course of the cost of living; and by the outcome of the Trades Union Congress (TUC) Conference of Executives, and our further consultations with the TUC and the Confederation of British Industry (CBI).

3. Prices and incomes policy was not evolved as an instrument of short-term management of the economy. We had a year of standstill and severe restraint in 1966-67 because we were then forced to put the greatest stress on prices and incomes policy over the short term. This was a considerable success because there was a remarkably good response by management, unions and the public generally and because of the economic climate at the time.

4. The economic context within which incomes policy will be operating during the next two years will not be as favourable to severe restraint. The pressure of demand will be increasing and unemployment falling. Company profits and liquidity are expected to increase substantially thereby increasing the willingness of employers to pay higher wages. The cost of living is expected to rise during 1968 by over 5 per cent, including the devaluation effect of 3 per cent.

5. The TUC are trying to develop an effective voluntary policy, but they have little or no influence over the two largest unions - the Transport and General Workers Union (TGWU) and the Amalgamated Engineering and Foundry Workers Union (AEFWU) which are strongly opposed to incomes policy. The CBI have told us that inflationary pay increases cannot be avoided unless there is some strengthening of the Government's statutory delaying powers.
6. Incomes policy in its present form carries too great a risk of a rise in wages and salaries which would erode the competitive advantage we have gained from devaluation. We have therefore come to the view that a tougher prices and incomes policy based on extended statutory powers is essential over the next two years. Without firm guidance and resolute action from the Government, the tendency will be for the average outcome of settlements to rise to unacceptable levels.

An Incomes Ceiling

7. The main feature of a tougher incomes policy should be a ceiling for income increases which would apply to all the main elements in remuneration, including fringe benefits, whether negotiated at national or local level, but excluding increases resulting from overtime, piece-work, etc. directly related to the amount of work done. Increases up to the ceiling figure would not be allowed automatically; they would continue to have to be justified against the existing criteria.

8. Any figure for the ceiling less than 3\(\frac{3}{4}\) per cent would be completely unacceptable to the TUC, and could not be enforced with firmness. On the other hand, it would be imprudent on economic grounds, to go for a higher figure, (although we may have to take account of the effects of any Budget proposals on the cost of living). Moreover, there is already some degree of commitment to the figure of 3\(\frac{3}{4}\) per cent.

9. If a ceiling of 3\(\frac{3}{4}\) per cent meant that no group of employees could get an increase in excess of that figure regardless of the length of time since they had a previous increase, this would bear hardly on the public services, where pay is in many cases determined at intervals of two years or more and on the basis of comparison with wage and salary movements in the private sector over the period since the last review. On the other hand, to allow such increases to be paid in full would mean rises in pay so substantial that the general acceptance of incomes policy would be jeopardised. The best course would be to apply the ceiling figure at an annual rate since the date of the last increase, but to insist that if such increases were large, they should be staged.

Exceptions to the Ceiling

10. To permit anything more than the most limited exceptions to the ceiling would undermine this tough policy. It is, nevertheless, important that there should be an exception to the ceiling for genuine productivity agreements which conform to the guidelines laid down by the National Board for Prices and Incomes (NBPI). The exception should, however, make possible increases in the case of major agreements involving the introduction of a completely new pay and grading structure in a whole industry with productivity benefits.

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11. Low paid workers could benefit up to the ceiling, and unions could negotiate above-ceiling increases for low-paid workers within a settlement which over all did not exceed the ceiling. However, subject only to the point in paragraph 12 below, there should not be an exception above the ceiling for low-paid workers. Increases which were supposed to be confined to them would spread to other workers because of the pressure to maintain differentials. Furthermore, there would be pressure, particularly from the public services, to allow exceptions above the ceiling for fair comparisons if there were an exception for low-paid workers as well as for productivity. There would thus be a greater risk that the ceiling would in fact become a norm.

12. This means that we shall need to give extra protection to the most vulnerable groups, especially the poorer families. Without this, we could neither justify nor sustain a tough incomes policy at a time of sharply rising prices. The First Secretary has been considering ways of dealing with this problem and will be circulating a paper on it.

Notification and Vetting

13. It would not be too difficult to identify national agreements in excess of the ceiling figure, although no doubt there would be cases in which the Government and the parties disagreed on the results of applying this figure to a particular pay structure. But to be successful the policy would have to take effect at the level of the individual firm.

14. This will require effective notification at the plant level. We are committed both on pay and prices to use our existing powers for statutory notification only if the voluntary system works unsatisfactorily. We may have to consider the use, though on a selective basis, of these powers. Before doing so, however, we should want to consider carefully the implications for the TUC's own pay vetting arrangements.

Administration

15. A more stringent policy backed by stiffer delaying powers, whether or not by compulsory early warning, would increase substantially the number of cases submitted to the Ministry of Labour for examination. If compulsory early warning were introduced even on a selective basis the number of notifications of intention to increase pay would rise very steeply. In addition the exercise of statutory delaying powers would increase considerably the volume of work. All cases are being argued with growing keenness by employers and unions, and each one would require
thorough treatment if the policy is to succeed. At the most optimistic estimate of voluntary compliance the present staff of forty middle and senior rank officers engaged in this work would be inadequate. A policy with selective compulsory early warning might well require up to 200 staff.

16. As an illustration of the work on the prices side, in the case of the Ministry of Agriculture, Fisheries and Food nineteen staff are employed whole-time on examining notifications, and a further thirteen whole-time on other aspects of food prices policy; and at least thirty are employed part-time on these matters.

17. Since the Ministry already examine notifications most rigorously, and statutory delaying powers have never needed to be used, a more stringent policy on the present basis, backed by stiffer delaying powers, would not of itself demand more staff, as long as the goodwill of the industry were retained. Compulsory early warning on the present selective basis should not in theory require more staff since it is not thought that there is any failure to give early warning voluntarily. But since at present firms work to the spirit of the policy, and on a compulsory basis must be expected to stand on their legal rights, in practice some increase in staff would be required to block loopholes.

18. If notifications were required for minor lines and from smaller manufacturers, many times the present staff would be required.

19. These staffing requirements, though disagreeable in the context of civil service numbers, must be seen in relation to the central purpose and importance of prices and incomes policy.

Policy for Prices and Charges

20. The essential features of prices policy should continue to be -

(i) encouraging industry and commerce to increase efficiency, avoid cost increases, and wherever possible to stabilise or reduce prices;

(ii) rigorous examination of proposals for price increases for products and services of economic significance, including those of importance and sensitivity in the cost of living, including examination by the NBPI and use of powers where necessary;

(iii) accepting that, in the post-devaluation situation, we must not seek to prevent the genuine (and tested) consequences of higher import costs from working through so as to help in the shift of resources to exports;

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demonstrating that we are keeping a closer watch on price trends at the retail end and trying to prevent unjustifiable increases in retail prices from offsetting restraint achieved at the manufacturing end, including further consideration of the possibility of arrangements for spot checks on the movement of prices of particular products;

(v) retention of the existing criteria for price increases and price reductions;

(vi) continuation and extension of the voluntary early warning arrangements for prices (as previously agreed);

(vii) statutory notification of price increases to be determined in the light of the use of statutory notification on the pay side.

21. There are serious practical difficulties about effective surveillance of the enormous and varied field of retail prices and even to establish a somewhat closer watch than we have at present, with arrangements for "spot checks" on a selective basis, would add considerably to administrative problems and staff requirements. We must be careful not to arouse undue public expectations which could not be satisfied in the face of the inevitable large rise in retail prices after devaluation, but we cannot ignore the presentational factors involved here.

STATUTORY POWERS - INCOMES AND PRICES

22. It is virtually impossible to frame legislation in such a way that it will always prove "cast iron" in its application across the whole field of prices and incomes, particularly on the pay side with its diversity of arrangements between employers and unions. The tougher the powers, the more likely it is that their use will be challenged in the courts.

23. The possibility of evasion of powers by employees must be recognised, given the wide scope for causing disruption of production, short of open strike action, to persuade employers to implement pay increases contrary to the policy (e.g. by go-slows, working to rule, working "without enthusiasm").

24. But the risk of evasion exists in almost any policy which requires sanctions and provided that the extent of evasion was not large this need not undermine general support for the policy - as the Standstill experience showed.
25. The following powers appear essential—

(i) It must be possible to direct that a settlement is not to be implemented without the Government’s consent.

(ii) If, however, a settlement has been implemented before such action is taken, it must be possible to direct that payments under it are to be suspended for up to twelve months.

26. Reliance on the deferment powers as they are in the 1967 Act has the drawback that action has to be related to the settlement and difficulties arise over the precise identification of the agreement which gives rise to an increase. Moreover, there is scope for determined employers and unions, where they are in collusion, to circumvent this form of power. The alternative is to take power to defer increases by directing in an individual case that an employer should not increase the pay of his employees without the Minister’s consent.

27. This was the basis of the temporary powers under Part IV of the 1966 Act and thus it will strike many people as a drastic form of power over pay. When the Government decided last year against continuing this form of power the policy was one of "Moderation" whereas now we have to call for very considerable restraint. We consider it necessary, therefore, to seek this form of power.

Power to prevent retrospective payment of increases which have been deferred under the policy

28. We have to consider also taking power to bar retrospective payments in order to prevent the imposition of a deferment on a bad settlement from achieving nothing more than a back-dating of the pay held up.

29. One must expect great difficulty in enforcing a bar to retrospective payments by demonstrating (and satisfying the Courts) that an increase in pay made by an employer after the deferment period had expired had been designed to cover up a retrospective payment. It would not be sufficient to put the employer only under a statutory obligation never to make such retrospective payments; it would be necessary also to make unions and employees liable to the sanctions of section 16(4) of the 1966 Act if they took action to persuade him to do so. But it would be equally difficult to demonstrate that employees bringing pressure on an employer were out to get a retrospective increase and not simply to get a new and substantial increase in pay.
30. The issue of a bar to retrospection was discussed with the CBI and TUC in 1967 when the CBI pressed strongly for it as part of a wider range of powers. The TUC, notwithstanding the evident frailty of such a power, were bitterly opposed to it. The same attitude seems likely to be taken today by the CBI and TUC.

31. Despite the doubts about enforcement, such a bar would give some encouragement to those employers who did not themselves wish to accept the idea of retrospective payments. It would also strike many people as another strengthening of the policy. On these grounds the legislation should include a bar to retrospection.

Position of Statutory Wage Regulation Bodies
32. It would be necessary to take power to defer implementation of the awards of these bodies (Wages Councils and Agricultural Wages Boards) where these were in conflict with the requirements of the policy. We had such powers in Part IV of the 1966 Act, including power to delay the operation of the orders which the Agricultural Wages Boards themselves make to give effect to their awards.

Powers over Prices
33. There must be power to defer proposed increases in prices and to require reversion of price increases held to be contrary to the policy – for up to twelve months as in the case of incomes.

34. The important extension of the present powers on prices is to take power to reduce existing prices where these are found to be inconsistent with the policy.

35. The question of retrospection does not arise directly over prices as it does over pay because, with perhaps a very few exceptions, a supplier cannot hope to obtain from his customers the increase which he was compelled to defer in respect of purchases made during the period of deferment.

Penalties for Offences
36. Subject to the views of the Law Officers, there seems to be no need to re-examine the question of penalties for offences over prices or incomes. Presentationally, the penalties issue on the incomes side has been eased by the Criminal Justice Act. The possibility of trade unionists and other employees going to prison for offences under the Prices and Incomes Act has been substantially diminished but not removed altogether.
Duration of Powers

37. The object must be to ensure that the new powers would be available for the next two years at least. The best course would be to take powers for one year with provision in the Bill for extension annually, subject to affirmative resolution.

38. Although the TUC will be bitterly opposed to new statutory powers over pay, they are likely to concentrate their sharpest fire on our taking power for more than one year ahead. The TUC fear that powers which are renewable without fresh legislation might fall into the hands of another Government. The CBI are now strongly in favour of extended powers but their recent statement has emphasised that new powers should not be extendable beyond one year without fresh legislation.

39. We must expect, therefore, the strongest opposition from the TUC and CBI to legislation which goes beyond one year.

Limitations on the Government’s Exercise of Statutory Powers

40. Under the present legislation our powers to defer pay and price increases can be exercised only in the context of making references to the NBPI, unlike the situation under Part XV of the 1966 Act when we were free to impose a standstill without a reference to the Board.

41. For the present phase of "moderation" this limitation has not had serious drawbacks, but we are envisaging now a much tougher policy with a ceiling on all settlements. A ceiling is bound to be challenged and, with the attempt to exercise more control over plant agreements, the challenges are likely to be numerous. Unless we are free to exercise the powers at our own hand, all such challenges would have to be dealt with by individual references to the NBPI and this would involve serious practical difficulties both for the Government and the Board, however cursory the latter’s examination of the cases referred to it and even if the size of the Board and its staff were enlarged.

42. We recognise that an unfettered discretion over the use of powers would strike many as too arbitrary a course even at a time when the policy is being more rigorously applied. In 1967, when a similar power was, as part of a tougher policy, under discussion with the CBI, they pressed strongly for some "independent tribunal" (not the NBPI) to scrutinise the Government’s use of powers. It may be that the CBI will not today attach as much importance to this "safeguard" in view of their anxiety that the Government should be armed with extended powers over pay.
I have considered whether some form of advisory panel could be devised to hear appeals against our use of these powers. But it would be very difficult to justify setting up another body for this purpose when the NBPI already exists and is the independent statutory body concerned with the application of prices and incomes policy to particular cases. Moreover, any new body would be just as likely to be swamped with cases for examination as the NBPI itself.

I have considered also the possibility of at least having some independent scrutiny of those cases which involve dispute between the Government and employers and unions about settlements which the Government consider in excess of the ceiling. In principle, such cases would involve no more than ascertaining of the "facts" but, in practice, there would be great difficulty in avoiding argument about the nature of the settlement and certainly the parties would try to argue out the merits of the settlements.

I have come to the conclusion, therefore, that the choice before us lies between continuing to make the exercise of powers subject to reference to the Board or to be free to use them at the Government's own hand. In view of the practical difficulty of continuing the tie to reference to the NBPI during a period when the policy will be a tougher one, I think we should take the latter of these two courses.

There is, however, the special case of the exercise of the power to reduce existing prices. The position is different on the pay side where we would be taking power only to prevent unjustified increases on existing levels of pay. When we contemplated in 1967 taking this power to reduce existing prices, it was felt that it should be exerciseable only on the basis of a specific recommendation to the Government by the NBPI and I consider that the view taken last year should be maintained.

If the prices and incomes policy is to secure general acceptance, rents must not, in my view, be left outside its scope. The phasing of increases in the regulated rents of private houses is in principle straightforward. There are, however, difficult problems in intervening in rent-fixing by local authorities, particularly if powers are such as to make it necessary for them to raise rates to keep down rents. This is a politically contentious issue. We must also avoid action which might discourage local authorities from carrying out their new house building programmes especially in areas of greatest need.
48. The annex prepared by the Housing Ministers suggests that consider­
ation would best be directed to the phasing of rent increases in both the
public and private sectors. There are, however, important points of
principle to be decided on the degree of intervention in the local
authority field, as indicated in the annex. When decisions have been
taken on these (and after discussions with the local authority
associations), the Housing Ministers will submit detailed proposals.

Consultations with the CBI and TUC
49. We are committed to further consultations with the CBI and TUC
about future prices and incomes policy. Although we would need to
maintain the essentials of the tougher policy as proposed in this
memorandum, we may have to reconsider some aspects in the light of these
consultations. If my colleagues broadly endorse the proposals in this
memorandum we should need to begin these consultations as soon as
possible.

Timing of Introduction of New Policy
50. Whenever the new policy is announced, it should take effect forthwith,
backed by the existing statutory powers, until new ones are available.
Unless this was done there would be a rush to make settlements before the
new policy took effect. If possible, the new policy should be announced
at the time of the Budget.

51. Summary of Conclusions and Recommendations
(a) A tougher prices and incomes policy based on extended statutory
powers is essential over the next two years. Its details
and prospects of success will be influenced by the effects
of the Budget on unearned incomes and the cost of living.
(b) The basis of this tougher policy should be a ceiling for
income increases which should apply to all the main elements
in remuneration (but excluding increases in earnings directly
related to the amount of work done).
(c) The ceiling should be 3½ per cent at an annual rate since the
last increase; any larger increases must be staged.
(d) All increases up to the ceiling should be justified against
the existing criteria.
(e) There should be an exception to the ceiling for genuine
productivity agreements.
(f) There should be no other exception, but further action should be
taken to help the vulnerable groups.
Statutory Powers

(g) Our powers in the prices and incomes field should be continued and extended so that the Government would be able:

(i) in cases when increases are contrary to the policy to direct that an employer should not increase the pay of his employees without the Minister's consent, or that he should stop paying an increase he has started to pay;

(ii) similarly defer the implementation of the awards of statutory wage-fixing bodies;

(iii) bar retrospective payments after the end of a period of deferment;

(iv) defer proposed price increases and require reversion of increases contrary to the policy;

(v) require price reductions if the NBPI so recommend;

(vi) the maximum period of delay under (i), (ii), (iv) and (v) should be twelve months.

(h) Powers should be renewable annually by affirmative resolution.

(i) With the exception of (v) above, the exercise of the powers should not be tied to references to the NBPI.

(j) It is essential that rents should not be outside the scope of prices and incomes policy and legislation.

52. If these recommendations are endorsed by my colleagues, we should now begin the necessary consultations with CBI and TUC. If at all possible, the new policy should be announced at the time of the Budget.

F.S.

Department of Economic Affairs, S.W.1.

26th February 1968
The White Papers on prices and incomes policy have recognised that the criteria for increases in prices and incomes are not apt in the case of rents. Since nearly all private rents are subject to statutory limitation, and local authority rents are related only to costs incurred and any deficit has to be met from the rates. Suspension of council rent increases would also mean that increased costs would fall wholly on the ratepayers and that larger rent increases would be required when the period of suspension ended.

(i) Local authority rents

2. The circumstances of local housing accounts vary widely. It would be impossible to lay down general criteria for rent increases which were not arbitrary in their operation. Intervention would not normally be warranted unless the authority were increasing rents by a substantially greater amount than was required to meet increased expenditure in any one year or to offset reduced receipts arising from the introduction or extension of a rent rebate scheme designed to give more help to the poorer tenants.

3. If it is thought desirable that Housing Ministers should be able to control rent increases, the following powers might be taken:

   (1) to require authorities to give early warning of any rent increase and to supply any additional information;

   (2) to direct authorities in particular cases to phase rent increases so as to limit the size of increases in any one year;

   (3) to direct in a particular case the date from which the increase shall take effect.

4. An essential point of principle to be decided is whether Ministers' intervention should extend to requiring an authority to incur a deficit on the housing revenue account or a greater deficit than they had intended to incur - i.e. to contribute more from the rates towards housing costs than they had intended. If there is not this power, then the Minister would be able to direct only that rent increases should be limited to what is required to balance the
account, subject to whatever rate fund contribution the authority is prepared to make. If intervention were thus limited, it is unlikely that any reduction could be secured, for example, in the G.L.C. rent increases. On the other hand intervention which had the effect of increasing the call on rates would involve a major departure from the principle of an authority's independence in determining the rate it will levy.

5. Direct intervention by Ministers in the fixing of local authority rents will of course involve the Government in the rent increases which are made - some of which will necessarily be substantial - and also in any increase in rates due to the reduction in rent increases resulting from directions to local authorities.

6. We must also avoid action which might discourage local authorities from carrying out their new building programmes especially in areas of greatest need.

7. There will need to be prior discussion with the local authority associations on any proposals for intervention (assuming that there are to be discussions with the T.U.C. and C.B.I.).

(11) Private Rents

8. Rents in the private sector are with unimportant exceptions subject either to rent control or rent regulation. In the former case rents are in effect frozen. Fair rents (which exclude scarcity value) may be determined for regulated tenancies by rent officers or rent assessment committees. These can sometimes result in sharp increases. If it is desired to limit the amount of an increase payable at any one time, Housing Ministers might be empowered to prescribe a system of phasing in appropriate cases over a period of not more than three years (the period after which fair rents may be reviewed).
(iii) Staff implications

Control of local authority rent increases will require additional staff to operate. There are some 1,600 local housing authorities in Great Britain, at least a third of whom are likely to increase their rents in any one year. All increases notified will require examination and about 20% may warrant some form of intervention. It will involve extensive correspondence both where Ministers decide to intervene and where they decide not to do so. The bulk of the cases will be in England, and the following additional staff will be needed in the Ministry of Housing to deal with 500 cases referred and 100 cases requiring intervention in a year - 1 Assistant Secretary, 2 S.E.O's, 4 H.E.O's, 4 E.O's, 4 C.O's and typing staff.
Cabinet

PRICES

Memorandum by the President of the Board of Trade

I am in broad agreement with the proposition in the paper on prices and incomes policy (C(68) 45) circulated by the Secretary of State for Economic Affairs that if we take fresh powers on the incomes side, some reasonably parallel action on the prices side will be needed for presentational reasons.

2. But action to scrutinise and, where necessary, restrain price changes involves complications even greater than on incomes. The effect of devaluation on costs means that almost all price claims are justified in part; sorting out with reasonable accuracy how much of a proposed increase is and how much is not within the criteria is skilled and time-consuming work. When the Early Warning Arrangements were introduced it was calculated by my officials that in the Board of Trade field alone there might in normal conditions be between 5,000 and 10,000 price changes a year. This is a field where we could easily use up a great deal of staff and time (of both businessmen and officials) to little useful purpose. So I think we need to look carefully at the cost of effectiveness of new measures.

3. I am concerned in all this that what we say about a tougher policy will be reasonably related to what we can perform and want to perform in practice. If on the incomes side, for example, we say that settlements within the 3½ per cent ceiling are to be tested against the criteria, we need means to make this stick. Do we intend, for example, that there should be some well-publicised rejections of settlements at 3½ per cent or 3 per cent?

4. Similarly on the prices side I do not want to promise more than we can perform. Given the extensions to the early warning arrangements, which we have agreed to try to arrange, I would say that we are already reasonably equipped to identify, and where necessary refer to the NBPI, unjustified price increases of economic importance. In practice prices have throughout been held more effectively than incomes and we have very little evidence of abuse or lack of co-operation by private manufacturing industry. We do not want to lose goodwill by appearing suspicious and elaborating our controls unduly; nor, I think, do we want to lead the public to think that more can be done than is in fact practicable. It would not be difficult in this way to attract a lot of odium for the price increases that devaluation will make inevitable.

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5. Above all, it seems to me, we ought to consider the staffing implications of these proposals, particularly in relation to our recent decision to impose a ceiling on Civil Service staffing. I must make it clear that the recently agreed extension of the existing voluntary arrangements will involve extra staff in my Department and a corresponding increase in the staff ceiling for the Department. Full implementation of all the measures proposed by the Secretary of State for Economic Affairs would mean still further additions. Apart from the difficulties created by increasing complements in this way, there is the point that it seems unlikely that we shall be able quickly to provide staff of the necessary calibre. If we cannot, the measures will not be properly administered. I suggest, moreover, that the concept of a Prices Inspectorate - which would presumably represent yet another additional staffing burden - requires a good deal more analysis, since there is a real risk of duplication here. Until more work has been done on this, I suggest that no reference should be made to it in any general statement.

6. In the light of these general points I make some specific suggestions.

(i) Statutory notification of price increases. I am quite content that this power should continue to be held in reserve, as it is at present, for use in case of abuse or non-co-operation. I should hope, however, that the parallelism between the incomes and prices sides would not be carried so far that if it had to be applied selectively on the incomes side, we should be pressed to find cases to which to apply it on the prices side, whether this was justified or not.

(ii) Secondly any general application of the power for statutory notification of prices would, I am sure, lose us the goodwill on which the present voluntary arrangements (and their proposed extension) depend. Moreover it would involve us in a flood of paper to little useful purpose and require staff far in excess of the numbers now used on this work.

(iii) Statutory powers to reduce prices and defer price increases for up to twelve months. I am very doubtful about the first proposal which has no parallel on the incomes side. I should be content with a power to enforce a recommendation of the NBPI that a price should be reduced. But if it is suggested that Departments should have power to enforce price reductions without reference and without appeal, I do not think the officials in the industry departments have the knowledge or resources to enable us to make decisions of this kind and defend them. Even power to delay price increases for as long as a year - which could have very serious consequences for the firms concerned - should not in my view be exercised solely on the responsibility of Departments. I would expect CBI and industry generally to take this view strongly.
As mentioned above, I am sure we should not refer publicly to any proposal for a prices inspectorate, particularly in connection with the vast field of retailing, without a much clearer idea of what would be involved by way of staff, powers and procedure.

Conclusion

I do not think the points I have made need stand in the way of an effective policy. This is certainly not my intention. But I feel we must make our statements consistent with what it is administratively practicable to carry out. In particular I do not think we should make widespread use of statutory notification on the prices side or take powers to reduce prices or defer increases for a year without reference to any outside body, unless and until we have had from officials a proper assessment of the administrative and staffing implications of these steps and have ourselves determined that the price in extra staff is one we should pay.

C.A.R.C.

Board of Trade, S.W.1.

26th February, 1968
27th February, 1968

CABINET

COMPENSATION FOR LOSSES FROM FOOT-AND-MOUTH DISEASE

Memorandum by the First Secretary of State

I ask the Cabinet to resolve a difference of view in the Agricultural Policy Committee on a proposal by the Minister of Agriculture relating to compensation for farmers from losses resulting from the foot-and-mouth epidemic.

2. Compensation for stock slaughtered to prevent the spread of the epidemic is at present calculated, under the relevant legislative provisions, on the basis of the market value of the stock at the time of slaughter. Any payments not on this basis would have to be made ex gratia. The Minister of Agriculture argues that farmers whose stock had to be slaughtered in the early weeks of the epidemic (i.e., in October and November of last year) have suffered disproportionately because market values for cattle have risen by 25 per cent since then. The rate of compensation received by these farmers has thus been substantially less than the rate received by farmers whose stock were slaughtered later, and the Minister argues that this is inequitable. These farmers have also been out of business pending re-stocking for several months instead of the usual six weeks. He therefore proposes, as a matter of common justice, that their compensation should be brought up to the level received by farmers whose stock had the disease later. He estimates that this would cost the Exchequer £800-£900,000, of which a proportion - possibly about £200,000 - would be recovered in tax.

3. I should mention a number of other relevant factors -

(i) Existing compensation is subject to income tax, and it is estimated that the Exchequer will recover a substantial sum in this way. The Minister of Agriculture is not challenging this, but points out that it is causing great resentment among the farming community and argues that this strengthens the case for his present proposal.

(ii) The position of farmers who have suffered losses has already been eased by two measures designed to take the pressure off immediate re-stocking; first, a ploughing grant of £10 an acre to encourage a switch to arable farming; and second, a grant for replacing slaughtered dairy cattle by "dry stock", i.e., cattle which will not produce milk for the farmer for a further period. These two measures will together cost about £½ million.
(iii) It is open to farmers to insure against loss of income (though not specifically against the incidence of foot-and-mouth disease). But the Minister of Agriculture informed the Committee that, because of the high premiums and the limited coverage, few farmers in fact take out such insurance.

4. Some members of the Committee were opposed to the proposal. They argued that –

(i) To depart from the existing statutory basis of compensation according to market value would set a dangerous precedent.

(ii) The rise in the market value of cattle had brought an uncovenanted bonus to farmers whose stock were not affected by the epidemic, and if there was any case in equity for higher compensation to those affected earliest, the cost of this should be met by a levy on other farmers rather than by the taxpayer.

(iii) Account should be taken of the fact that compensation was normally paid within three weeks of slaughter, and those affected earliest had had the benefit of a return on their compensation payment during the interval before re-stocking.

5. Other Ministers argued that –

(i) A departure from the market value formula was justified by the exceptional length and severity of the epidemic.

(ii) A levy on other farmers was not practicable and would in any case require fresh legislation.

(iii) The return on compensation payments in the interval before re-stocking was insignificant compared with the losses of income incurred.

6. There was some support in the Committee for a middle course – i.e. to accept the proposal by the Minister of Agriculture and invite him to discuss the details of a scheme with the Farmers' Unions, but to limit the total amount of payments to £500,000 (of which, of course, a proportion would return to the Exchequer in the form of tax). On balance, this is the course I would recommend to my colleagues.

M.S.

70 Whitehall, S.W.1.

26th February, 1968
CABINET

FARM PRICE REVIEW FOR 1968

Memorandum by the First Secretary of State

The Cabinet agreed at their meeting on 1st February that the Minister of Agriculture should aim to secure the agreement of the Farmers' Unions to a total award in the region of £50 million; that he could, however, if he thought it necessary and with my consent, go beyond that figure; but that the total award should in no circumstances exceed £52 ½ million. The Cabinet also invited the Minister to refer to the Committee on Agricultural Policy, in the light of the likely determination of the guaranteed prices of the commodities in question, his proposals for an assurance to the farmers that the guaranteed price of beef, as determined at this Review, would not be reduced at the next two Reviews; and that the standard quantity for wheat, which governs the volume of production in respect of which the guaranteed price is paid, should be abolished: the Cabinet authorised the Committee to settle these issues.

2. The Committee considered the position reached in the negotiations at their meeting on 26th February. The Minister of Agriculture reported that his negotiations had been difficult. He had with my consent discussed on an exploratory basis the possibility of reaching an agreed settlement between £50 million and £52 ½ million. While he hoped that the final award would fall within these limits, the chances of securing the farmers' agreement on this basis were in his view doubtful.

3. The Minister informed the Committee that he should be able to reach agreement on an increase in the guaranteed price for wheat of 1s. 6d per cwt, which was the negotiating limit approved by the Cabinet, provided that this was accompanied by abolition of the standard quantity; this would also improve the chances of an agreed settlement overall. The Committee agreed on balance that the standard quantity should be abolished and authorised the Minister to make use of this concession in his further negotiations.

4. The Minister reported that as a result of the negotiations he was now committed to an increase in the guaranteed price of beef of 12s. 6d per cwt, which was the negotiating limit approved by the Cabinet. He argued that an assurance should now be given that this price would not be reduced at the next two Reviews, in the interests both of ensuring
continued expansion of beef production and of securing the farmers' agreement to the total award. On balance, however, the Committee considered that to give a long term assurance based on a guaranteed price of 12s. 6d might well involve a heavy cost to the Exchequer in future years, and that it would be wrong to enter into such a commitment in advance of the further review of the resource and Exchequer costs of the objectives of the present expansion programme which Ministers had recently commissioned.

5. The Minister of Agriculture will be reporting orally the latest position on the negotiations generally.

M.S.

70 Whitehall, S.W.1.

26th February, 1968
28th February, 1968

CABINET

MEAT IMPORTS

Memorandum by the First Secretary of State

The Ministers directly concerned have been considering, under my chairmanship, future policy in relation to meat imports. This followed a recent proposal by the Minister of Agriculture that the present ban on imports from potentially dangerous sources should not be lifted until the Government were able to decide their long-term policy in the light of the report of the Northumberland Committee, which has been set up to review the policy for dealing with foot-and-mouth disease (though not, of course, the full economic and political implications of restricting imports).

2. The existing ban on imports of carcass meat and offal from countries other than those where foot-and-mouth disease is effectively unknown was agreed, as a temporary measure, by the Cabinet on 30th November and announced as such to the House of Commons on 4th December, 1967. The Minister of Agriculture then told the House:

"These arrangements are temporary. They will last until the present emergency has been brought under control and will, in any event, be reviewed in three months' time, if still in operation."

3. The case for now continuing the ban on imports from Latin America (but not from most of the other sources at present affected whose meat presents less risk) until the Northumberland Committee has reported may be summarised as follows:

   (1) Since the decision to impose the ban was announced the Chief Veterinary Officer of the Ministry of Agriculture has come to the conclusion that Argentine meat was probably responsible for the recent epidemic and the Government cannot avoid publishing this conclusion.
If shipments from Latin America continue the risk of further outbreaks of foot-and-mouth disease will be seriously increased and this is not a risk which British farmers should be expected to continue to face after the recent and devastating epidemic.

The Irish Republic has drawn attention to the serious risk involved for Irish agriculture – and therefore for the whole Irish economy and indirectly for our exports to Ireland – if the United Kingdom ban on imports is relaxed and consequently the risk of further outbreaks of foot-and-mouth disease here is increased.

Public interest and concern have been aroused by the scale of the recent epidemic and there have been strong protests from many quarters, both in the country and in Parliament, against lifting the ban. A further outbreak of foot-and-mouth disease is virtually certain to occur sooner or later in any event: if the Government now lifts the import ban it will be placed in a most difficult situation whether or not the next outbreak can be traced to imports.

4. The case for lifting the ban on imports now may be summarised as follows:

(i) The ban was declared to be a temporary one designed to reduce the risk of another outbreak while our veterinary services were stretched to the limit. Since that declaration the only new relevant fact affecting the situation is the conclusion of the Chief Veterinary Officer that Argentine lamb may have caused the epidemic. But we have for many years recognised that there is a risk to animal health from meat imports, and have accepted this risk because of the serious consequences which could be expected to follow a ban and which are referred to below. The probability that Argentine lamb caused that last epidemic is not a sound basis for banning imports of their beef indefinitely and so reversing our whole trade policy.

(ii) There would be serious consequences for United Kingdom trade and political relations, particularly with Argentina. The present Argentine Government has made good progress towards stabilising the economy and is now embarking on a major development programme. It is deliberately aiming to buy more from Europe – particularly from the United Kingdom – and less from the United States. The attached paper by officials estimates that we might lose £25-4-5 million a year in sales (including invisibles) to South America.
The consequences for our trade and political relations with Argentina would be the more serious because the Government had given an undertaking that the import ban would be temporary and would not outlast the epidemic.

There would be adverse consequences for the cost of living; the report by officials estimates that beef prices might increase by 10 per cent and that the cost of living index might rise by three-quarters of a point.

5. We have considered the case for and against the maintenance of the import ban at least until the Northumberland Committee has reported and the Ministers directly concerned are evenly divided on this. We have therefore considered whether there were acceptable alternatives –

(a) The possibility of raising the ban on boneless meat from Latin America commended itself to no one. It would make difficulties for the Argentine without sufficiently reducing the risk of infection here.

(b) The possibility of restricting sales of South American meat to London and possibly to some other urban centres did not commend itself either. There is considerable doubt whether it would be practicable even if it were acceptable, on the one hand, as a sufficient safeguard for animal health and, on the other, to restrict sales of possibly diseased meat to Londoners.

(c) The limitation of any continuing ban to Argentine mutton and lamb alone – on the grounds that this was probably the cause of the epidemic – did not go far enough to meet the views of those concerned to reduce the risks from imports to animal health.

6. We have therefore come to the conclusion that there is no satisfactory compromise short of either raising the ban on imports now or continuing it until, at least, the Northumberland Committee has reported. And, as I have said, the Ministers directly concerned are evenly divided on the merits of the two latter alternatives.

M.S.

70 Whitehall, S.W.1.

27th February 1968
The Future of the Ban on Meat Imports

Note by Working Party of Officials

Introduction

1. We were asked by Ministers (MISC.192(68)1st Meeting) to examine the implications both of keeping and of removing the present ban on meat imports and to take into account the likely consequences for British agriculture, for the balance of payments, for the cost of living, and for the level of Exchequer support.

2. In what follows we are speaking of carcase meat and offals of cattle and sheep; (pigmeat has been banned from S. America among other countries for a number of years and is not in question). Before the ban of December 4th imports were freely permitted from countries having a long history of freedom from the disease, and these have not been affected by the ban. Before the ban imports were already prohibited from countries – except the S. American countries – where foot and mouth disease was endemic. On December 4th this prohibition was extended to those countries from which imports had previously been licensed subject to certain safeguards, i.e. Argentina, Brazil, Chile, Paraguay, Uruguay, Sweden, Denmark, Netherlands, France, Austria, Belgium, Switzerland, Poland, Rumania, Bulgaria, Yugoslavia, Hungary, South West Africa, Botswana, Lesotho and Swaziland. Many countries in this last group experience foot and mouth disease only in sporadic, not in endemic form, and the MAFF would be willing to remove the prohibition on imports, either at once or after a relatively short interval, from all of them except Argentina, Brazil, Chile, Paraguay, Uruguay, Belgium and possibly South Africa. Countries (e.g. Germany) from which imports were prohibited before the ban would also, of course, continue to be excluded from the United Kingdom market.

3. We have therefore interpreted our remit as requiring us to assess, so far as possible in quantitative terms, the comparative costs and benefits of the following alternatives:

(a) The continuance of the ban for those countries named at the end of para. 2 above for so long as foot and mouth remains endemic there.

(b) The complete removal of the ban on 4th March, (except for countries from which imports were prohibited before December 4th) assuming that foot and mouth disease is then under control;

In theory it would also be possible to retain the ban for all the countries at present covered; but since the MAFF advise that there is no case for doing this on animal health grounds we have not considered it. However, as we point out below, a partial removal of the ban is likely to seem discriminatory to those suppliers still banned. We begin by analysing in detail the effect of 3(a) and then go on to consider much

(i) These countries were Australia, Canada, Channel Islands, Falkland Islands, Finland, Iceland, Isle of Man, New Zealand, Northern Ireland, Norway, Republic of Ireland, Union of South Africa, United States of America, Cuba which has recently been accepted as clear can now be added to this category; the Union of South Africa must be deleted.
4. Among the countries affected by the ban, the most important sources of carcass meat and offals have been Argentina and Uruguay. Other suppliers are much less significant but, in South America, Brazil and Chile are also interested; in Europe, Denmark, Yugoslavia, Poland, Rumuria and the Netherlands; elsewhere, South Africa, South West Africa and Botswana. The ban covers various categories of meat which are imported for different purposes, from different sources of supply and are not necessarily or widely acceptable as substitutes for each other whether in price or in quality. Chilled beef, of which Argentina is by far our largest supplier and for which we are her principal customer, is acceptable at retail particularly in the Midlands and South East as an alternative to fresh beef from which many buyers could not in fact distinguish it. It is usually cheaper, cut-for-cut, than home-killed of similar quality. With frozen meat substitution is not so easy; frozen lamb is little impaired by freezing and is widely retailed but most frozen beef is used by manufacturers, caterers and institutions, and is not acceptable at retail to any large extent.

The future of the ban

5. The removal of the ban from all countries except those mentioned at the end of para 2 would affect mainly the South Americans especially Argentina and Uruguay. Table I of the Annex shows the meat production and exports of these two countries. Table II shows United Kingdom production and consumption of the various types. Argentina is of significance both as our major supplier of meat and as an important customer for our exports, both present and future. Our total imports c.i.f. from Argentina in 1967 were £72.1m., of which the main item was £29.1m. for carcass meat and offals. This latter figure is low in relation to the normal, and usually runs at between £32m. and £35m. which represents about half of Argentina's exports to the United Kingdom, 30 per cent of Argentina's total exports of carcass meat and 5 per cent of her whole export trade to all countries of the world. The other principal items in Argentina's exports to the United Kingdom are manufactured meat products, cereals and wool. Our exports to Argentina in 1967 totalled £25m., f.o.b. mainly machinery, manufactures and chemicals; this was a decline from the 1960 figure of £50m., for reasons mentioned later.

Effects of meat imports of continued ban

6. The continuation of a partial ban as at 3(a) would lose the United Kingdom initially about 175,000 tons of meat (about 7% of total consumption); of this 140,000 tons would be beef and veal including 120,000 tons from Argentina, 20,000 tons would be lamb, all from Argentina and 15,000 tons would be offals including 10,000 from Argentina. Half of the remaining 20,000 tons of beef lost would be from Uruguay. At 1966/67 import prices (allowing for devaluation) the value of imports forgone would be approximately £40m. c.i.f.

7. The mutton and lamb and also the offals could probably be readily replaced with little effect on import prices, the mutton and lamb mainly from New Zealand and the offals from U.S.A., Denmark and elsewhere.

8. As has been pointed out above, the chilled beef is not readily substitutable by frozen beef. Higher prices in the United Kingdom could probably induce Australia and New Zealand to divert some 20,000 tons of frozen beef to the United
kingdom from other markets. But the chilled beef could be replaced only to a small extent, say 30,000 tons, by chilled beef from European sources e.g. Yugoslavia or Poland and this would take perhaps three years to build up. Allowing for this we should be left with a deficiency of about 90,000 tons of chilled beef which represents about 4 per cent of our meat consumption. The higher prices which we should be paying for existing supplies and for replacements from non-banned sources might mean additional expenditure of the order of £35 million initially, but with the gradual build-up of additional supplies, substitution of other types of meat and declining prices, this might fall to £25 million. Thus the balance of payments saving on meat imports allowing for this might range from £5 million at the outset to £15 million later.

The Scope for Increased Home Production

9. It takes from three to four years to increase beef production, two years for pigmeat and a year for poultry. By pushing the expansion of home beef supplies to the limit of technical possibility accepted in the recent report of the Sub-Committee on Agricultural Objectives it should be possible to increase supplies between now and 1970/71 by about 23,000 tons above what would be required to meet the expected demand at that time. There would also be some small scope for increased mutton and lamb production. In order to meet a demand for more pork pigmeat production could readily be increased by more than the 120,000 tons which the Sub-Committee on Agricultural Objectives thought was the limit acceptable without incurring international difficulties on bacon. Poultry output would readily expand in response to a higher demand resulting from a switch from beef consumption.

10. Assuming that 30,000 tons of beef and lamb could be secured by 1970/71, the remaining gap in home consumption of 60,000 tons could thus be supplied by pork and poultry and the extra imports of feeding stuffs required for these two latter might total £8 million a year. The build-up of pork and poultry supplies resulting from this would help to bring prices down as suggested at the end of paragraph 8, thus increasing the estimated saving on the meat import bill in the way there indicated.

The Effect on Exchequer Subsidies

11. In the short term the effect of the shortages and higher prices resulting from the ban would be to reduce Exchequer subsidies below what they would otherwise be. A shortfall of supplies in the immediate future of between 90,000 and 120,000 tons of beef would result in higher prices for fat cattle and also for sheep and pigmeat; deficiency payments would be lower and the saving might be somewhere between £30 million and £40 million for 1968/69. There would be continuing savings in later years but these would diminish as additional supplies come forward and prices declined. To achieve increased supplies of carcase meat it would be necessary to increase guaranteed prices to maintain these at a high level and in consequence to pay on a higher volume of production. It is not practicable to estimate the additional Exchequer expenditure which would be required to produce the desired increase in supply by 1970/71. In effect the choice would be between accepting a deficiency in supplies of up to 90,000 tons and allowing market prices to rise so as to reduce consumer demand for the kinds of meat hitherto eaten or, on the other hand, taking the opportunity in future farm price reviews to increase incentives to fat-stock production in order to fill part of this gap.
The effect on prices

12. The retail price of home-killed beef has increased by 15 per cent during the last three months; this results from seasonal factors and devaluation as well as from the epidemic and the ban. There has also been a significant increase in the price of mutton and lamb and a small increase in the price of pork. In the medium term we estimate that a shortage of meat of the order we have calculated might cause beef prices to settle down at about 10 per cent and meat prices generally at about 6 per cent above what they would otherwise have been; (This would be about 0.6 per cent on the Cost of Living index or 48 of a point). In the longer term, as customers adjust their purchases and alternative supplies come on to the market, the effect should be for the price increase to be reduced to perhaps 2 per cent above the level which would otherwise have ruled.

The political effects of a continued ban

13. It seems more satisfactory to discuss the political considerations before the economic considerations since the importance of the latter will depend to some extent on the severity of the political reaction to be expected. The political repercussions in South America must be assessed in the light of repeated undertakings about the temporary nature of the ban. As recently as 30th January the Minister of Agriculture said in the House of Commons that the Government could not break their pledge to remove the ban as soon as the outbreak was under control. Supplying countries will certainly argue that the evidence ascribing the current outbreak to Argentine lamb is admitted to be only circumstantial and is not conclusive. In these circumstances, they would accuse us of continuing the ban beyond the present epidemic partly as a political move to appease United Kingdom farmers and partly as a manoeuvre to secure protection under the cover of animal health restrictions. Argentina particularly would react very sharply to what she would think a slur on the reputation of her beef industry; it would be argued that there was no case for banning beef since the evidence of disease related to lamb. The economic effects of losing about half of her total exports to the United Kingdom would be severe especially as this would occur in an industry where the financial economic and marketing structure has been built up over many years for the United Kingdom market; it would be difficult for her to replace the United Kingdom by other markets. Argentina would also envisage a risk to her existing meat exports to other countries as a result of our ban, (though in some of them foot and mouth is endemic.) A similar reaction should be expected from Uruguay, where the ban would also have a serious adverse effect. Though the Uruguyan reaction could be expected to be more moderate than the Argentine, it might for that very reason secure more support from other South American countries.

14. A severe reaction is therefore to be expected. Apart from the fact that exports, banking, insurance and investment interests would all be at risk of retaliation in a way which is discussed below, we should also have to expect serious political consequences. These would have a bearing on e.g. the present negotiations on the Falkland Islands which are now at a critical stage, would greatly strengthen the nationalist elements in Argentina, would adversely affect the Latin American vote in the United Nations and would generally embitter Anglo-Argentine relations. This reaction would be
greatly exacerbated if, as we have assumed the ban was continued, in effect, against Latin America only.

15. Such action against a group of developing countries would be extremely unfortunate at a time when UNCTAD is meeting in New Delhi. The ban has already been brought up by Uruguay at the Conference which provides an excellent forum for those affected by it to rally support.

16. The interest of the Irish Republic is strongly opposed to that of the Latin American countries. The Irish Government have recently represented to us the serious consequences for the Republic of the present outbreak and of the severe measures which it forced upon them. They have stressed that if another outbreak occurred here, especially in the tourist season, similar control measures would be virtually impossible of full enforcement and extremely damaging to their whole economy. If these measures failed and foot and mouth disease were conveyed from the United Kingdom to Ireland, the effect on the Irish economy would be catastrophic and would be reflected in supplies of meat and cattle to the United Kingdom.

17. If the Irish Government thought that we were taking an unjustifiable risk of reinfection which might be conveyed to them, this could lead to a serious deterioration in Anglo-Irish relations and might force them to reconsider the balance of advantage to them in the Anglo-Irish Agreement which is already under attack in Ireland. Moreover an epidemic in Ireland would so impoverish the Irish as to put at risk our exports to the Republic which in 1967 amounted to something under £200 million.

The Effect on Exports of a Continued Ban

18. United Kingdom exports would be affected in several ways by the continuation of a partial ban; increased expenditure on meat from non-banned suppliers would increase those countries' earnings and hence their ability to import from all sources including United Kingdom; the reduction in the earnings of the banned countries would reduce their ability to import; in addition our exports to them could be further reduced by deliberate retaliation on their part.

19. It is estimated above that higher prices plus additional supplies from alternative suppliers might cost us about £35 million, initially, declining to £25 million; since these suppliers will include countries such as Australia, New Zealand and the Irish Republic, where the United Kingdom has a relatively large share of the market, and also Poland, where bilateral trade arrangements are important, the United Kingdom might expect to earn an additional £5-10 million a year, all told, from increased exports to them.

20. As regards the risk to United Kingdom exports to the banned Latin American suppliers, the country principally concerned would be Argentina. Argentina's earnings from the United Kingdom will be reduced by the ban to the extent of £30-35 million a year and it seems unlikely that other markets can readily be found for the type and quantity of meat we have been importing. Thus Argentina's ability to import would be directly reduced and in addition we must reckon with the probability of retaliation against our exports. United Kingdom exports to Argentina were £25 million in 1967, having declined from about £50 million in 1960 owing partly to a lower import demand generally in Argentina and partly to a decline in the United Kingdom's share of the market from 9 per cent to about 6 per cent.
21. But the prospects for increasing our exports to Argentina now seem good. In addition to the competitive advantage resulting from devaluation the Argentine economy has improved considerably under the present regime and there are a number of major contracts in view for the next few years. Only some £35 million worth have reached the stage where completion with United Kingdom firms is being frustrated by the present difficulties but there are a number of others for which British firms have tendered or are likely to tender. For example the Argentine Government envisages a naval programme of £145 million over the next five years and enquiries for £45 million worth of this are already with British shipyards with the additional prospect of participating in locally built vessels to a further value of perhaps £60 million. There are also further major contracts totalling about £150 million to be placed over the next few years including a nuclear power station (£30-45 million), the El Chocon hydro-electric station (£75 million), two conventional power stations, two steelworks and possibly a major petrochemical plant. (Within the last 24 hours the nuclear power station contract is reported to have gone to West Germany and one of the steel works to have been withdrawn). There are likely to be difficulties in finding other markets for some of these exports; shipbuilding and steel works plant are industries where capacity is already under-employed. The Ambassador in Buenos Aires has also pointed out that the Argentine authorities are now embarking on a Development Programme (which is expected to amount to £325 million for next year and may include some of the contracts mentioned above). They will presently begin placing orders and they have shown a pre-disposition to place such orders here. Thus, in addition to contracts which have already been negotiated, there are important opportunities for United Kingdom exports; a continuation of the ban on Argentine meat would certainly put us out of the running for these. Argentina is now moving into a strong financial position and is the principal market in Latin America where there is new scope for expansion of exports and where we have an established position from which to advance. A continuation of the ban would endanger not only the existing trade but also our hope of expanding it to the figure reached in the early sixties, i.e. double our present exports. There is no means of estimating accurately the extent to which retaliation by Argentina might cut our exports, but in the judgment of the Departments concerned, and given the degree of resentment which would be provoked by a continued ban, it seems by no means unlikely that for several years virtually the whole of our export trade to Argentina might disappear. We would expect this effect to be gradually reduced and exports to recover somewhat though probably not to the previous level; they would certainly remain much below what might otherwise have been achieved by way of expansion. If this judgment is right, we might lose upwards of £20 million a year for several years and the possibility of sharing in a major increase in the existing level of Argentine imports.

22. It would of course be possible for us to threaten counter-retaliation against Argentine exports to an equivalent or even greater amount. But the Ambassador's advice is that such a threat would not change Argentine's attitude, and if we had to implement our threat the resulting dislocation of trade would be likely to damage our own interests and we could certainly not assume that it would not harm our balance of payments.

Invisibles

24. The effect on invisible trade with Argentina seems unlikely to be significant except for shipping, and to a lesser extent insurance.
a) Shipping

Meat from South America to the United Kingdom is carried largely by three United Kingdom shipping lines which have invested in eleven refrigerated ships specially built for the purpose. A permanent ban on imports of meat from South America would result in the loss of these ships' earnings and of the capital invested in them as they have very limited alternative uses. The ships carry passengers and engage in the cross-trades but the services depend upon the carriage of meat and their cancellation might result in an annual loss to United Kingdom shipping earnings of £4-5 million gross. (The shipping lines have already pressed H.M.G. for financial assistance to tide them over the period of the ban and might look for compensation for capital losses.)

b) Insurance

Insurance and reinsurance premiums accruing to the London market probably amount to not more than about £2 million. Providing competitive terms were offered this business might be diverted by the Argentine State Reinsurance Organisation to American, Swiss or German reinsurers. Business with Uruguay might be similarly affected.

c) British Investments

The book value of British investments in the Argentine amounts to about £75 million with a market value of £120 million, spread over more than 130 firms in industry, trade and agriculture, including I.C.I., B.A.T., Bank of London and Vesteys. Earnings on these investments amount to at least £5 million annually of which the major part is remitted to United Kingdom. Holdings in ranches amount to about £4 million and in meat processing and freezing plants to about £10 million at book value.

d) Export Credits Guarantee Department

The amount of debt currently outstanding is in the neighbourhood of £32 million.

Shipping is clearly at serious risk, and some loss on insurance seems probable. There would also be some risk to our investments in Argentina, but we do not think it likely that they would be seriously interfered with. Argentina is most unlikely to carry retaliation to the length of defaulting on their debts.

Other considerations

25. There is a further point to be taken into account - the 0.6 per cent increase in the cost of living resulting from increased meat prices, could be expected to reflect itself eventually in higher wages. We have not attempted to assess this factor but any effect which it had would be adverse.

26. In addition to the direct effects on export earnings which we have attempted to assess above, there will be other repercussions on the economy which are not quantifiable. The loss of trade with an established market will cause a degree of dislocation to businesses which are geared to it, in manufacturing, in shipping, and in distribution. There will, for example, be the loss of the work which has gone into building up agencies and connections in Argentina, the need to re-orientate production, and to begin building up connections elsewhere. The cost of all this to our economy, though impossible to estimate, would be widespread and perhaps sizeable.

CONFIDENTIAL
Summary of Effects of Partial Removal of Ban (Course 3(a))

27. (a) Cost of Living

In the medium-term beef prices might settle down at some 10% and meat prices generally at 6% above what they would otherwise have been; this would be 0.6% on the cost of Living Index (¾ of a point). In the longer-term the price effect should decline to perhaps 2% above the level which would otherwise have ruled (para. 12).

(b) Exchequer Support

Higher market prices might reduce deficiency payments by £30-40 million below present estimates in 1968/9; there would be diminishing savings in later years as supplies increased and prices declined. But to achieve these increased supplies of carcase meat it would be necessary to increase guaranteed prices, to maintain these at a high level and consequently to pay on a higher volume of production. It is not practicable to estimate the additional Exchequer expenditure which would be required to produce a desired increase in supply by 1970/71. (para. 11).

(c) British Agriculture

The effect here would be that entailed by increasing the output of pigmeat by means of the subsidy and of poultry as a result of higher prices. Any increase in beef supplies would be within that already postulated in the Report of the Sub-Committee on Agricultural Objectives.

(d) The Balance of Payments

The end-result here will be the outcome of many different factors, some of which are of quite a different nature from the others and most of which cannot be estimated save within a very wide range. We have not thought it useful therefore to try to strike an arithmetical balance of the plusses and minuses discussed above. But we have reached the following broad assessment. On the import side the advantage to the balance of payments of forgoing Argentine meat imports might range from £5 million in the short-term when replacement prices will be high, to £15 million in the longer-term if prices declined; but this longer-term figure would need to be reduced by the import cost of additional feeding-stuffs to expand supplies, which we have estimated at £8 million.

On the side of exports, we think that we must reckon with the loss of virtually the whole of our export trade to Argentina for a year or so and perhaps longer, and some loss in other South American countries. We put the cost of this at £25 million a year in the immediate future but, as there are good prospects in the next few years of restoring our export trade to Argentina to something like its 1960 level of £50 million, the cost would grow. Thus, though there might be some resumption of exports, the potential loss in the longer run might be of the order of £40 million a year. There would also be a loss on invisible trade - mainly shipping and insurance - which might be of the order of £5 million.
Against this must be set the increase that we should expect in exports to countries from which our meat imports would increase - perhaps £5-£10 million - though this would take time to secure. On the basis of all these estimates together - and it must be emphasised that they are very speculative and subject to a wide margin of error - it seems probable that the immediate impact on our balance of payments of maintaining the ban would be adverse, that it would result in lasting damage to our exports to Argentina which could not be fully recouped elsewhere, and that the net adverse effect in the first year or two might be of the order of £15-£25 million, but this might be too low or too high.

Removal of the ban

28. We were also asked to consider the consequences of a complete removal of the ban. For lack of time and information it has not been possible to do this in anything like the same detail as the study in the preceding paragraphs of the partial removal of the ban. In any case, a number of the factors involved will come within the scope of the Duke of Northumberland's Committee. The Ministry of Agriculture have however provided estimates of the cost of the present epidemic. Other Departments have not had an opportunity of examining the calculations and are not therefore committed to all the figures.

29. The Ministry of Agriculture point out that it is not possible to calculate the true internal cost of the epidemic. It is reckoned that the direct Exchequer cost including the cost of compensation, of disinfecting premises, burying or destroying slaughtered herds, and staff costs will amount to £35 million, of which £27 million is for compensation. In addition it is estimated that the Milk Marketing Board has lost about £4 million on various services and that farm workers may have lost up to £150,000 in wages. There have also been consequential losses to farmers but these would be difficult to quantify.

30. There are many other items which cannot be quantified although the cost of them must have been considerable. For 10 weeks the whole of Great Britain was a controlled area in which animals could move only under licence and store markets were prohibited. At the height of the epidemic 18 counties covering an area of 11,500 square miles of densely stocked country were subject to infected area controls and these restrictions brought considerable losses to farmers throughout the country who were not directly affected by the disease, as well as to the meat trade and have added to costs generally. It seems no more practicable to quantify the effects of dislocation of this kind than those of the dislocation of business referred to in para. 26 above which might follow the maintenance of the ban.

31. The current epidemic has been one of exceptional severity. As compared with the resulting cost of compensation on this occasion of about £27 million, the total cost over the 16 years from 1951-66 was about £10.4 million and in only 2 years did it rise above £2 million. These figures of course relate only to compensation and do not take account of further costs. Nevertheless, they provide some guide to the incidence of the disease over the last 16 or 17 years. The Ministry of Agriculture accept that on past experience the present outbreak is exceptional and that if the compensation figures were to be averaged over the period since 1951 the annual compensation cost would not much exceed £2 million. But, apart from
the fact that compensation costs do not reflect the whole of the loss to the economy, they consider that since there is no pattern to the disease the past cannot be a guide to the future and that this year's cost is a measure of the risk we are constantly exposed to.

32. There is of course no ground for assuming that a continuation of the ban on S. American meat will give us complete freedom from the disease. The question is how much it would reduce the frequency of epidemics such as we have had this year. This is not a matter on which we have been able to form any opinion on the information available, but the M.A.F.F. consider that on the evidence of experience in other countries which do not admit meat from infected sources the risk of further epidemics would at least be greatly reduced.
### TABLE I

1966 ('000 tons)

<table>
<thead>
<tr>
<th></th>
<th>Argentina</th>
<th>Uruguay</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef and veal</td>
<td>2,611</td>
<td>285</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>311</td>
<td>57</td>
</tr>
<tr>
<td><strong>Exports in carcase form:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef and veal</td>
<td>369</td>
<td>56</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>44</td>
<td>9</td>
</tr>
<tr>
<td>Of which to U.K.:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef and veal</td>
<td>120</td>
<td>9</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>21</td>
<td>-</td>
</tr>
</tbody>
</table>

(The export figures exclude canned products, which are not affected by the ban.)

### TABLE II

U.K. Supplies of Carcase Meat and Offal in 1967 ('000 tons)

<table>
<thead>
<tr>
<th></th>
<th>Home-killed</th>
<th>Imports</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beef and Veal</strong></td>
<td>906</td>
<td>269</td>
<td>1,175</td>
</tr>
<tr>
<td><strong>Mutton and Lamb</strong></td>
<td>257</td>
<td>340</td>
<td>597</td>
</tr>
<tr>
<td><strong>Pork</strong></td>
<td>552</td>
<td>11</td>
<td>563</td>
</tr>
<tr>
<td><strong>Offal</strong></td>
<td>160</td>
<td>103</td>
<td>263</td>
</tr>
<tr>
<td><strong>All Carcase Meat and Offal</strong></td>
<td>1,875</td>
<td>724</td>
<td>2,599</td>
</tr>
</tbody>
</table>

**Note** In addition supplies of poultry meat in 1967 totalled some 438,000 tons.
ORIGIN OF THE 1967-68 FOOT-AND-MOUTH DISEASE EPIDEMIC

The Original Outbreak

1. The first case in the present epidemic was reported on 25th October, 1967, on the premises of E. N. Ellis, Bryn Farm, Newmowr, Oswestry, Shropshire. This was the initial case in the epidemic. No subsequent case was confirmed in which animals had evidence of earlier disease.

2. A very full inquiry has been made into the origin of the infection. I have considered all the possible means by which foot-and-mouth disease virus could have been brought to this original case, including movements of animals and persons, mechanical carriage by birds and wind, materials used on the farm, infection remaining from sources in the U.K., and imported meat.

3. Movements of Animals and Persons. There was no possibility that the disease was brought on to the farm in animals because the only movement on to the farm was a boar which subsequent investigation showed could not have brought the disease. No-one in the household had been abroad and there had been no foreign visitors on the farm, so that the possibility of the disease being introduced by human agency can be disregarded.

4. Technical Carriage by birds and wind. Infection in the past has reached the Eastern and Southern parts of this country from Europe, possibly carried by birds, when there have been epidemics in the countries across the English Channel, but the foot-and-mouth disease situation on the Continent has improved greatly in 1967. Denmark and Holland have been clear since April; France has had only 17 cases, the last occurring in early September in the Departements of Corrèze in the southern part of central France where it was eradicated by a vigorous slaughter policy. It is true that Western Germany has experienced serious epidemics in 1965 and 1966, and had over 3,000 cases in 1967, but I consider the distance is too great for the disease to have been brought from
Germany to Shropshire by birds, or by the wind. In any case, the prevailing winds over the three weeks before the outbreak were such as to rule out wind-borne infection.

5. Materials Used on the Farm. The importation of hay and straw is prohibited from dangerous sources; and no imported hay and straw had been used on the farm.

6. Infection from Sources in the U.K. The last previous outbreak was in Warwickshire. Infection was confined to 4 farms and the area was cleared on 29th September. It is impossible for infection to have remained quiescent in the intervening period and in any case there were no movements of animals between Warwickshire and Bryn Farm.

7. In the early days of October 1967 there was an escape of virus in an isolation compound at the Animal Virus Research Institute, Pirbright. Due to a breakdown in the air filtration system, infection escaped from one unit to another, a distance of approximately thirty/forty yards. This occurred in cool humid weather with strong south-westerly winds, so that infection could not have been spread to the North by this means. None of the workers from Pirbright went to the Oswestry district at the material time, nor were any vehicles sent there. This incident cannot be considered as the origin of the outbreak on Bryn Farm.

8. Imported Meat. My enquiries showed that the only supplies of imported meat of any consequence distributed in the district at the relevant time were frozen lamb from Australia, New Zealand and South America. The first two are free from foot-and-mouth disease and can be discounted. Inquiry has shown that the butcher who supplies the Bryn Farm household purchased his supplies of imported meat from the F.M.C. at Wrexham. He had received, as well as New Zealand lamb, 113 carcases of frozen Argentine lamb.

9. Throughout October, both frozen lamb and lamb bones for the dogs were supplied to Bryn Farm by this butcher. It has not been possible to establish whether these supplies were of New Zealand or Argentine origin.
10. Disease on Bryn Farm was confirmed in pigs, two of which showed older lesions than the others. These were two gilts which had been in the yard and in a field adjacent to the stockyard a week before disease was reported. Cattle were not affected at the time of diagnosis nor when the stock was slaughtered, so that the disease must have originated in the pigs.

11. The owner did not feed swill to his pigs, but bones were fed to his dogs and could have been carried into the yard or neighbouring fields where the gilts had been. In fact the veterinary officers responsible for slaughter and burial of the animals saw bones in the yard at the farm. The owner stated that bones were boiled and fed to the dogs but did not claim that this was always done effectively.

12. It was not possible to establish conclusively that imported frozen lamb carried foot-and-mouth disease virus to the farm, but as all other generally recognised sources of infection had been eliminated, it remained the most probable vector.

Other Cases in the Epidemic

13. Undoubtedly a majority of the subsequent cases in the epidemic were the result of local spread by various means including perhaps birds and the wind. However, a particularly worrying feature in the first four weeks of the epidemic was the large number of cases which were reported almost simultaneously over a wide area. There had been no movement of animals, and stockowners were generally reporting their suspicions very soon after clinical signs became apparent. This strongly suggested the possibility that several primary cases occurred at about the same time. Here again there is a possible link with the imported frozen lamb carcases.

14. The carcases of Argentine lamb received by the butcher who supplied Bryn Farm were part of a consignment of 770 frozen lamb carcases which had been despatched from Establishment 1408 in the Argentine and arrived at Wrexham on 25th August. The remainder of these 770 carcases were distributed over a wide area around Wrexham, including deliveries to Ellesmere, Shrewsbury, Prees, Market Drayton, Nantwich and Chester. This is the area of the greatest concentration of infection in the first four weeks of the epidemic. Because
these carcases had been distributed it was not possible to take any samples for examination. Samples were taken from other lamb carcases from the Argentine and the results were negative.

15. Other consignments of lamb carcases from Establishment 1408 have been traced. The great weight of distribution was in Nottingham, the West Midlands and London (which also supplied lamb to the West Midlands); smaller quantities were, however, supplied to the Southampton-Portsmouth district, Bristol and South Wales, and Newcastle.

16. At a subsequent stage in the epidemic new unexplained foci of disease cropped up as far east as Lincoln and as far south as Brandon, near Coventry, all during a period of a complete standstill on animal movements. On some of these farms a connection has been established with frozen lamb from Establishment 1408, but in no case is there strong evidence that this lamb was responsible for the outbreak. Some examples are given in the Appendix.

17. Inquiries as to the possible origin of infection are continuing in two outbreaks, and the distribution of the meat is being examined in areas where it was sold, apparently without causing foot-and-mouth disease infection.

18. The only type of virus isolated in this epidemic was 0.1. It is known that this type of virus is present in South America, but it has not been possible to ascertain the situation regarding foot-and-mouth disease in sheep and the prevalent types of virus in the area which supplies Establishment 1408. It is known from returns made by the Argentine authorities that foot-and-mouth disease occurs in the exporting area concerned but the returns do not distinguish between cattle and sheep.

Conclusion

19. My conclusions on the origin of the epidemic are:

(i) I have been unable to discover any possible source of the infection except Argentine lamb.
(ii) Although there is not conclusive evidence that Argentine lamb was the source, I am of the opinion that there is sufficient circumstantial evidence for concluding that this lamb was the cause of the initial case on Bryn Farm and some of the subsequent cases.

John Reid
Chief Veterinary Officer

7th February, 1968
In the six cases referred to below there were no infected premises within the usually accepted distance for local spread.

**APPENDIX**

**D.F.474**: A.J. Bridewell & Sons, Courtenhull, Northampton  
21.11.67. (Nearest outbreak 50 miles)

This farm did not receive imported meat. It is situated a quarter of a mile from the village of Quinton. It is known that the villagers were receiving meat for their households and bones for their dogs from butchers whose wholesale suppliers had received frozen lamb from Establishment 1408. Cattle in a field to which the villagers' dogs had access were affected.

**D.F.9744**: Clarke, Carnforth, Lence.  
30.10.67 (Nearest outbreak over 80 miles)

This was regarded as a primary outbreak. Argentine lamb probably from Establishment 1408 was received in cardboard cartons by a school canteen at Carnforth in mid-October. The cartons were disposed of at the local refuse tip. The tip is heavily scavenged by birds. The Infected Place is approximately three miles from the tip.

**D.F.1696**: Buxton, Penkridge, Staffordshire.  
18.12.67 (Nearest outbreak 9 miles)

This isolated outbreak was confirmed on 18th December. The cowman on this farm has five dogs which have been fed on raw meat. The cowman obtained his household supplies and meat for his dogs from sources which had received frozen lamb from Establishment 1408. The dogs have access to pasture land on the farm.

**D.F.1740**: Redfern, Little Eaton, Derby.  
20.12.67 (Nearest outbreak 7 miles)

Meat supplies to the farmer's household did not include imported material but at a neighbouring bungalow adjacent to the field in which the infected animals were grazing and in which the owner had four Alsatians, meat and bones were received from a supplier.
In the six cases referred to below there were no infected premises within the usually accepted distance for local spread.

D.F.474: A.J. Bridgwell & Sons, Courteway, Northampton 21.11.67. (Nearest outbreak 50 miles)

This farm did not receive imported meat. It is situated a quarter of a mile from the village of Quinton. It is known that the villagers were receiving meat for their households and bones for their dogs from butchers whose wholesale suppliers had received frozen lamb from Establishment 1408. Cattle in a field to which the villagers' dogs had access were affected.

D.F.9744: Clarke, Carnforth, Lancs. 30.10.67 (Nearest outbreak over 80 miles)

This was regarded as a primary outbreak. Argentine lamb probably from Establishment 1408 was received in cardboard cartons by a school canteen at Carnforth in mid-October. The cartons were disposed of at the local refuse tip. The tip is heavily scavenged by birds. The Infected Place is approximately three miles from the tip.

D.F.1696: Buxton, Penkridge, Staffordshire. 18.12.67 (Nearest outbreak 9 miles)

This isolated outbreak was confirmed on 18th December. The cowman on this farm has five dogs which have been fed on raw meat. The cowman obtained his household supplies and meat for his dogs from sources which had received frozen lamb from Establishment 1408. The dogs have access to pasture land on the farm.

D.F.1740: Radfurn, Little Eaton, Derby. 20.12.67 (Nearest outbreak 7 miles)

Meat supplies to the farmer's household did not include imported material but at a neighbouring bungalow adjacent to the field in which the infected animals were grazing and in which the owner had four Alsatians, meat and bones were received from a supplier.
a supplier who received frozen lamb from Establishment 1408. A bone was found in the "infected" field, to which the dogs had access.

D.F. 1797: Wardrop, Hopwell, Derby.  
23. 12. 67 (Nearest outbreak 16 miles)

Meat is purchased from a firm which received lamb from Establishment 1408. Household refuse is disposed of on the premises and rats and dogs would have access to it.

1. 1. 68 (Nearest outbreak 16 miles)

The meat supply to the house is not involved, but two miles from the farm there is a bone transhipment depot accessible to birds, dogs and foxes. These bones are collected from butchers' shops which are known to have had imported meat, including frozen lamb from Establishment 1408.
28th February, 1968

CABINET

INCOMES POLICY: ASSISTANCE TO LOW PAID WORKERS

Memorandum by the First Secretary of State

As requested, I have discussed with the Ministers particularly concerned and subsequently in the Social Services Committee the possibilities open to us to assist by social means low paid workers with family responsibilities in the context both of incomes policy and of our pledge to protect the most vulnerable from hardship resulting from devaluation. My colleagues and I have examined what might be done this way by an increase in family allowances (FAM) or by a housing allowance.

Housing allowance

2. The possibility of a housing allowance as an alternative to an increase in FAM was considered by the Cabinet last summer (CC(67) 49th Conclusions) and it was then concluded this was a complex matter requiring further study as part of a more general review of the problem of rent and rates. Such a study has been put in hand by the Minister of Housing and Local Government as part of a longer term review of housing subsidies and housing finance generally, in which he is exploring the possibility of combining a system of personal housing allowances to both Council and private tenants with a recasted system of subsidies for local authority housing. A wholesale revision of the subsidy and rent fixing arrangements must however involve very careful preparation and negotiation and the Minister of Housing and Local Government could not be ready with the necessary legislation before 1969-70 at the very earliest.

3. We considered whether it would be possible as an interim measure to require the introduction of rent rebate schemes by all local authorities on a uniform pattern following the model suggested to local authorities by the Minister last summer and to secure that such schemes applied also to private tenants (as Birmingham have already proposed). But any compulsory scheme would not be easy to impose upon local authorities in the time available, more particularly in the light of the restraint on manpower and expenditure recently enjoined upon them, and the variety of local circumstances and rents would make uniformity difficult to secure. Moreover it seems probable that such a scheme, even with the help of more Exchequer finance, would lead to more general rent increases for local authority tenants, with consequent criticism from those not qualifying for a rebate, and to pressures to transfer private property from control to regulation with a view to
increasing rents there too. It would thus prove self-defeating for incomes policy purposes, while serving further to complicate the longer term review of housing subsidies now being taken. Most of the large housing authorities already have rent rebate schemes: since the Minister's circular, rent rebate schemes are spreading, and more than 62 per cent of the authorities notifying rent increases in England have or are instituting rent rebate schemes. It might not be easy, therefore, to claim that we were providing additional assistance through such means for the low wage earner generally.

4. For these reasons we concluded that local authority rent rebates would not offer a practicable way of providing further assistance in support of incomes policy this year for the low wage earner with family responsibilities. It would not be impossible for a separate scheme of allowances centrally administered by the Ministry of Social Security to be introduced in the autumn of 1968, provided that it was administered by means of postal claims sent to a central office (i.e. with only minimal reference to local offices), although there would be difficulties. But such a scheme would require additional staff at the Ministry of Social Security; it might affect the further development of local authority rent rebate schemes and the Minister of Housing and Local Government's wider review of housing finance; and in any case we thought that a means-tested benefit for the low wage earners would not provide an acceptable reinforcement to an incomes policy in Trade Union eyes. The same difficulty would not however arise with an increase in FAM on a "Give and Take" basis.

Family Allowances

We therefore considered the possibility of a 5/- increase in FAM on a "Give and Take" basis in July or October of this year. We were however advised that this would involve most serious difficulties for the Inland Revenue. Since FAM represents a source of income not derivable from the employer, any increase in FAM involves re-coding for pay-as-you-earn (PAYE) purposes; so too does the process of "Take" through adjustment of child allowances. The necessary re-coding for
the April increase in FAM has been completed but that consequent upon the introduction of "Give and Take" in relation to that increase, must be done after the Budget. To superimpose upon this the re-coding necessary for a further increase in FAM on the same "Give and Take" footing (if this were to be announced at Budget time) would complicate and delay this process. Alternatively to announce at a later date an increase in FAM to be made in the autumn would involve a separate re-coding, both for the increase itself and for any tax adjustments, if account were to be taken of it in the current tax year; this would also involve breaking the continuity of the cumulative PAYE system, with the very serious inconvenience which this would involve for both the employers and the employees affected as well as the Inland Revenue. We were advised that the Inland Revenue might be able to cope with an increase in FAM alone in October, probably by deferring collection of the tax until next year, but that for the reasons given a further "Give and Take" operation in the current tax year would be more than the tax machinery could stand. Staffing considerations would make a July date impossible.

6. It seemed essential for both purposes which we had in mind that an increase in FAM should be payable this year; and an autumn date would have the real advantage that a FAM increase would coincide with the increase in supplementary benefits which we have already announced and which would be available to the elderly poor. We therefore concluded that a 5/- increase in FAM this year would have to be made across the board. We recognised that this would be liable to be criticised as inconsistent with the introduction of the selective "Give and Take" system for the increases in FAM to be made this April; but we could make clear our intention to include this further increase in FAM in the larger "Give and Take" operation which is in mind for 1969-70 and this operation could perhaps take into account the fact that the increased FAM had been payable across the board in the latter half of 1968-69.
7. The cost in this financial year of a 5/- increase in FAM effective from October next would be some £32 million net of social security offsets and of tax at present rates (£45 million gross). This sum has to be set against the much larger figures which are at stake for the economy as a whole in the incomes policy context. Towards it the Minister of Social Security would be able to make available savings from two sources. Firstly the introduction of three absolute waiting days before the payment of sickness or unemployment benefit would save about £15 million in the first full year and more later. At present three waiting days must be served before short-term benefits become payable, but if absence from work lasts more than a fortnight payment is made in respect of these three days. The proposal is that benefit should now be payable for these three days. Such a measure would not be welcome to trade union opinion but there is a good case for encouraging the employer to accept responsibility for the first few days of sickness (many already do so) and poor families are unlikely to be affected in practice anyway, since they are likely already to have to depend on supplementary benefit from the start when out of work. Secondly savings of the order of £4 million in a full year would result from the adoption of the majority report of the National Insurance Advisory Committee recommending restrictions on the payment of unemployment benefit to occupational pensioners. Lord Collison has dissented from this recommendation on the grounds that this would be tantamount to introducing a means-test in the national insurance system, but there are other rules in unemployment benefit which take account of income from a gainful occupation and the Social Services Committee have agreed in principal that the Committee's recommendation ought to be accepted. The Minister of Social Security would hope to bring both changes (the first of which would require legislation) into operation as soon as possible, with a view perhaps to achieving £10-12 million of saving in the current financial year. A larger continuing saving would follow in subsequent years.

8. The Chief Secretary to the Treasury has reserved the Chancellor's position regarding the amount and timing of any increase in FAM but we were all agreed that the method advocated above presents less difficulty than the other courses of action which we have discussed to help the low paid worker with family responsibilities. My colleagues and I, with the Chief Secretary's reservation mentioned above, accordingly recommend that an increase of 5/- should be made in FAM from next October, that this should be taken into account in the further extension of "Give and Take" planned for 1969 and that towards the cost of this increase the savings which the Minister of Social Security has in mind should be put into effect as soon as possible.

M.S.

70, Whitehall, S.W.1.
27th February 1968.
4th March, 1968

CABINET

ASSISTANCE FOR THE LOWER-PAID FAMILY ALLOWANCES

Memorandum by the Minister of Social Security

At the present stage in discussion of incomes policy I must bring to the attention of my colleagues an important point bearing both on the criteria to be adopted for lower-paid workers and on family allowances.

2. It is clear from C(38) 45 and C(68) 50 that the Secretary of State for Economic Affairs believes that to allow wage increases for the lower-paid substantial enough to protect them against the rise in the cost of living would inevitably be reflected in a dangerous weakening of the whole of our incomes policy. If the ceiling for wage settlements is held at 3½ per cent then a good many low wage earners are unlikely to get more than that. Even if they get more, as a result of a preferential wage increase in a settlement which remains globally within the ceiling, I imagine that their increase may not be much more than 5 per cent. I gather that devaluation is now thought likely to have a rather larger impact on consumer prices than was previously estimated and that prices may rise by 7½ per cent between November, 1967 and April, 1969.

3. The fall in the standard of living for the lower-paid workers during the next year will therefore be 4 per cent for some, and between 2½ and 4 per cent for others. This will without question produce even greater hardship for those families already living below the minimum level set by supplementary benefit standards, and will bring many more families below that level when, in recognition of the impact of price rises upon the old and the sick, we increase supplementary benefit in the autumn. The supplementary benefit level is itself, by definition, an arbitrary one. There are in addition many families with incomes above it but well below average earnings for whom the gap between wage increases and price increases will be most serious.

4. Nor are price increases the only case factor involved for these families. Other measures will bear more hardly on them than on those with average or above-average incomes: higher health and insurance contributions, any increases there may be in indirect taxation, and, except for the group of poorest families, prescription charges and higher prices for school meals. All these will enlarge the gap perceptibly.
5. The First Secretary's paper (C/68 50) makes it clear that after thorough examination it is found that the only practicable method of reducing the hardship gap is to make the proposed increase in family allowances. I recognise that this is a proposal which some of my colleagues do not like at all, because there is widespread criticism of universal family allowances. But whether this is a majority view in the country is questionable. There are 8 million parents in families receiving family allowances. Would a substantial majority of these really think that a further increase in family allowances was a bad way of spending public money, especially in a period when prices are rising so much faster and further than usual?

6. My own experience at a number of public and party meetings during the last six weeks is that the knowledge of our intentions about "give-and-take" satisfies the critics. I believe it will not be difficult to explain that a further autumn increase will be only temporarily non-selective. The strongest public and party feeling now centres around misuse and abuse in the supplementary benefit and unemployment benefit field, about which I hope to take effective steps soon.

7. In any case, it is entirely relevant to point out that we have repeatedly insisted as a matter of principle that we are determined to do what is right without regard to popularity; and we have firmly acted on this principle in several fields already. If I am wrong, and my colleagues are right, about the present feeling about family allowances, what logical grounds are there for reversing our approach on this particular question?

8. It is clear to me that there are three possible approaches to the hardship gap:

(a) to write into incomes policy more generous criteria for the lower-paid, and accept the risk of weakening the policy;

(b) to increase family allowances as proposed in the First Secretary's paper;

(c) to do neither, and thus do nothing at all to reduce the gap between wage and cost-of-living increases for the lower-paid.

I believe the only real choice lies between (a) and (b), either of which would be effective. To choose to do nothing would mean that as a conscious act of policy we permitted an increase in poverty and real hardship in our society.

J.H.


2nd March, 1968
At the meeting on 29th February (CC(68) 16th Conclusions, Minute 4), the Cabinet invited me, on behalf of the agricultural Ministers, to limit the total award in the farm price settlement of this year to a total of £52 ½ million.

2. I subsequently put proposals for such an award to the Farmers' Unions. I regret to say that the Unions have felt unable to agree the award but I still hope that the reactions of the farmers' leaders should enable the industry to respond to the need for expansion without the acrimony and ferment of a bitterly disagreed Review.

3. I attach a copy of the Annual Review White Paper which will be published on Wednesday, 6th March. I shall be making a statement as usual about the Review after Questions on that day.

F. P.

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

5th March, 1968.
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ANNUAL REVIEW AND DETERMINATION OF GUARANTEES 1968

I. Introduction

1. The Government have made clear the continuing importance which they attach to the import saving role of agriculture under the selective expansion programme. The programme provided that the Annual Review machinery should be used not only for surveying progress made towards the expansion objectives but also for assessing the physical and financial resources required. In announcing the programme, however, the Government made it clear that at each Annual Review the cost in resources and to the Exchequer would have to be carefully weighed together with the other relevant factors. This factor is of particular importance in the present economic situation.

2. At the 1967 Annual Review, although progress on a number of commodities, particularly cereals, had been satisfactory in relation to the objectives of the programme, this was not so on the livestock side. Overall net output and net income were showing no improvement and the rate of increase in productivity was not being maintained. The Government therefore felt justified in making an exceptional award to give the industry the additional capital resources it needed to move forward again. Not only was there full recoupment of costs together with an additional £10 million, but the industry was left the benefit of the whole of its increasing productivity. The Government made clear that, had it not been for the exceptional circumstances, they would have expected part of the cost increase to be met out of increasing productivity, in line with the assurance on productivity given at the 1966 Annual Review.

3. The effects of the 1967 award are now becoming evident. Net income has risen once again after the interruption in 1965/66. Net output has also risen and there have been encouraging developments on individual commodities. The dairy herd, after remaining unchanged for two years, has been increasing; the pig herd, by contrast with 1966/67, is now expanding strongly; and there has been a considerable recovery in the acreage of autumn-sown wheat.

4. There has also been a recovery in the rate at which productivity is increasing, a factor to which the Government attach great importance as a basic element of the selective expansion programme. As foreshadowed in the 1967 Annual Review White Paper (Cmd. 3229), exploratory discussions are taking place between the Government and the Farmers’ Unions to consider whether, within the ambit of present support for agriculture, there are means of further encouraging productivity.
5. The progress of the industry in 1967/68 has been achieved in face of considerable difficulties. Since October, it has endured the worst epidemic of foot-and-mouth disease this century. This has not only meant direct and tragic loss to many farmers, particularly in dairying, but has also disturbed normal marketing arrangements. Measures outside the scope of the Annual Review are now being taken by the Government to help farmers whose livestock has had to be slaughtered.

6. In addition, although production has resumed its earlier upward trend, costs have been increasing sharply. Some of these higher costs are directly due to devaluation; yet, unlike other industries, agriculture is not able to increase its prices to take account of cost increases, even if justified by the criteria under the prices policy. Nor is agriculture able to benefit directly from higher prices for its products following devaluation.

7. The cost increases falling on the industry are estimated for a full year at £68½ million on Review commodities, not that by any means all this sum has had to be borne in the current year. With such cost increases, the minimum statutory award permitted as a result of this year's Annual Review would amount to about £27 million.

8. An increase in costs of this size means that less resources are available in the industry for further investment in increased production and improved productivity, and the Government accept that the industry must have the necessary resources to this end. Nevertheless, the present economic situation requires tight control on public expenditure; and agriculture, like other industries, must absorb a reasonable part of its rising costs in accordance with the prices and incomes policy.

9. In the light of these various considerations the Government have decided to make an award of £52½ million. This will mean that the agricultural industry will this year be expected to bear about one-quarter of the total cost increases. It will also mean that, after cost increases have been met, about half of the value of the industry's rising productivity—assessed at £30 million a year taking one year with another—will be available as a contribution to new investment. In addition, the Government recognise that the standard quantity arrangements are seen as having a restrictive effect, particularly on commodities where the scope for early expansion is greatest, and have decided on this occasion that a significant further relaxation of the arrangements is desirable. They have therefore raised the top of the middle band of the flexible guarantee for pigs sufficiently to cover all forecasts of production thought likely during the coming year. The standard quantity for barley has been raised very considerably and the standard quantity for wheat has been abolished. Moreover, in order that the award may have the maximum immediate impact, it has been concentrated on the guaranteed prices themselves, with less emphasis on production grants.

10. The Government believe that this award, following that at the 1967 Annual Review, will enable the industry to sustain the encouraging forward
momentum that is now under way. They consider the award to be fully consistent with the needs of the economy as a whole.

II. Economic Condition of the Agricultural Industry

The Course of Production

11. As a result of the recovery in agricultural production in the current farm year, the volume of net output is expected to be about 6 per cent higher than in the two preceding years. The index of net output for 1967/68 is forecast at 144, compared with 136 in 1965/66 and 1966/67 (average of 1954/55 to 1956/57 = 100. Appendix I, Table K). The revised index figure for 1966/67 is one point higher than the forecast index figure given in the 1967 Annual Review White Paper.

12. During 1967/68 the dairy herd has expanded and milk yields have been good; the beef herd has also increased, although less than in the preceding year. The increases would have been greater but for the foot-and-mouth epidemic. Pig production has fallen slightly, but the breeding herd is now expanding strongly. The sheep breeding flock has fallen, but by less than in the previous year. Poultry meat production continues to rise, while egg production has risen by more than is required to meet the increase in demand. On the cropping side, total cereals production has continued to rise. There has been a fall in the barley acreage more than offset by increases in the wheat and oats acreages and by the effects of good yields. The potato acreage has risen.

Income

13. Actual farming net income in the farm year June 1967–May 1968 is forecast to be £510 million, an increase of £18¼ million over the figure of £491½ million now estimated for 1966/67. This in turn was an increase of £28 million over the figure for 1965/66. Adjusted to normal weather conditions, the forecast for 1967/68 becomes £497½ million, or £13½ million more than the adjusted figure for 1966/67. As the number of full-time farm businesses continues to decline, the average net income per farm will have improved by more than is suggested by the figures of net income for the whole of agriculture.

14. The latest figures available on incomes for different types of farming are based upon a sample of some 3,600 actual farm accounts for the year ended about mid-February 1967. They therefore reflect most of the additional feed costs arising from the late spring of 1966 and little of the benefit of better conditions early in 1967. These figures show that in England and Wales net incomes on dairy, livestock and mixed farms fell in 1966/67, but on cropping farms and horticultural holdings net incomes improved. Experience was similar in Scotland and also in Northern Ireland where average farm incomes declined relative to those in England and Wales because of heavier dependence on livestock and the higher costs of certain inputs, particularly feedingstuffs in Northern Ireland. In all countries incomes fell on livestock farms, particularly on hill sheep farms, in part because of depressed store prices in the autumn of
1966. There was however an improvement in net incomes on arable farms and on those substantially dependent upon pigs and poultry.

15. Specimen figures illustrating the changes in net income between 1965/66 and 1966/67 are given in Appendix IV page 37. A detailed analysis of the information for England and Wales is presented in this year’s annual report on the Farm Management Survey* which is published simultaneously with this White Paper. Similar information for Scotland and Northern Ireland will be published in the spring.

16. The farm accounts for 1967/68 are expected to reflect higher prices and livestock output following the 1967 Annual Review. An improvement is expected in net incomes on the cattle and sheep farms and, perhaps to a lesser extent, on dairy farms also. Net incomes on arable farms are expected to benefit from a good cereal harvest although farms with a substantial acreage of potatoes will do less well than in 1967 when market prices were high. Some improvement in net incomes from pigs is expected but producers of eggs and table poultry will probably have done less well.

Costs and Efficiency

17. There has been a large increase in the prices of goods and services used in agricultural production, partly as a result of devaluation. It is calculated that at current levels of use, price changes would add in a full year a net total of £68½ million for the United Kingdom as a whole to the cost of producing Review commodities, excluding some £13 million additional feedingstuffs costs for pig and egg production which will result in automatic adjustments to the guaranteed prices in accordance with the feed formulae. The main increases are for labour, feedingstuffs, fertilisers and machinery (Appendix III, page 36). These increases in costs have been taken into account along with the annual gain in productivity, which is assessed, taking one year with another, at £30 million for Review commodities.

18. The net outflow of regular workers is expected to be about 15,000 in 1967/68, which is considerably less than in the two preceding years. The increase in labour productivity, which averaged about 6 per cent a year between 1960 and 1964, subsequently declined; but the average gain in the last two years has, as a result of the improvement in net output, recovered to nearly 6 per cent a year.

Cost of Agricultural Support

19. Exchequer cost in 1967/68 is expected to be about £270 million, some £40 million higher than expenditure in 1966/67 and just about the same as the original estimate. Within the total of the cost for 1967/68, as compared with the estimates, there is a lower payment for barley which is partly offset by higher payments on fat cattle and wool. The estimate figure for 1968/69 (which does not take into account the determinations made at this Review) shows an increase

* “Farm Incomes in England and Wales 1966”, H.M.S.O., 14s. Od.
to £286 million to allow for expected larger payments on pigs, wheat, eggs, potatoes and the calf subsidy, which are only partly offset by reduced estimates for cattle and sheep.

20. Table A, Appendix V, page 38 showing the estimated cost of Exchequer support to agriculture has been revised so as to show more clearly the expenditure covered by the Annual Review and the other items that go to make up the total cost of Exchequer support to agriculture. As well as some regrouping of items already included, the Table now includes certain small items previously covered in footnotes, such as grants for agricultural marketing development, agricultural co-operation and agricultural credit, as well as certain grants to Scottish crofters.

III. Commodities and Production Grants

**Beef and Milk**

21. The selective expansion programme emphasised the need for greater production of beef and veal. It recognised that an expansion of beef production would require an increase in the dairy herd, and that the additional milk production resulting from this would meet the growth in consumption of liquid milk and cream and a substantial part of the additional demand for milk products.

22. The Government have given certain assurances to producers of beef and milk. An assurance was given at the 1966 Review, and reaffirmed at the 1967 Review, that provided there was no significant change in circumstances the Government would not within the period of the selective expansion programme reduce the guaranteed price for beef cattle or the rate of the beef cow subsidy as determined at that Review. A further assurance given at the 1966 Review was that in determining the guaranteed price for milk during the period covered by the selective expansion programme the Government would take account of any dilution of the pool price to producers arising from increased milk production due to the expansion of the dairy herd to meet the need for increased beef production. The increase in the average size of the dairy herd between 1964 and 1967 has resulted in a dilution of the pool price of 0.35d. per gallon equivalent in terms of the guaranteed price to 0.4d. per gallon. Of the dilution in the pool price, however, 0.13d. occurred between 1964 and 1965 before the assurance was given and was an element in the milk determination at the 1966 Review. The Government have given full weight, along with other factors, to the dilution factor in determining the milk guarantee at this Review.

23. The beef and milk herds have been hit severely by the foot-and-mouth epidemic which began in October 1967, and over 200,000 animals have been slaughtered. (Compensation for the slaughter of diseased animals under the Diseases of Animals Act 1950 is not classified as Exchequer support to agriculture and is therefore not included in Table A, Appendix V. Payments to farmers arising out of the foot-and-mouth epidemic are currently estimated at £27 million.) Nevertheless, between June 1964 and June 1967 the beef breeding
herd expanded by about 160,000 or 16 per cent, and the dairy herd by 70,000 or 2½ per cent. The rate of expansion of the beef herd has been slowing down but the rate of expansion of the dairy herd has increased, and much of the total increase in the dairy herd has taken place in the past year. The total breeding herd is expected to increase further between June 1967 and June 1968, even allowing for the loss of over 100,000 breeding cows in the foot-and-mouth epidemic. Favourable weather has boosted milk yields and total sales off farms in 1967/68 are expected to be about 83 million gallons higher than in 1966/67.

24. Home-fed supplies of beef and veal in 1967/68 are estimated to be about 6 per cent higher than in 1966/67. The increase would have been greater but for the foot-and-mouth epidemic. Imports are forecast to be about one-third lower than last year’s (Appendix I, Table D and Figure II, pages 22 and 23) owing to smaller supplies of frozen beef from Australia and New Zealand and the temporary suspension of imports from certain countries.

25. The Government wish to ensure that the industry has the resources necessary to continue the expansion of home beef production from both the pure beef and dairy herds. Costs of production have risen substantially, and in the case of pure beef production there is less scope for a rapid increase in efficiency than with most other sectors of agriculture. In order to give direct help to rearers the hill cow subsidy will be raised by £2 to £16 5s. a head, and the beef cow subsidy will be raised by £1 10s. to £9 a head. The Government have also decided to increase the guaranteed price for fat cattle by 11s. 0d. per cwt., to a total of 200s. 0d., to help all farmers who take animals for fattening from either the beef or the dairy herd. The scale of abatements and supplements under the graduated deficiency payments scheme for cattle will be adjusted in the light of expected market conditions.

26. As regards the dairy herd, where the pace of technical change accompanied by the trend towards larger herds involves a high level of new capital expenditure, the Government consider that an increase in the guaranteed price is necessary if the expansion now evident is to be sustained. After taking into account also the dilution effect of the beef programme (see paragraph 22) they have decided to make an increase in the guaranteed price of 1·2d. per gallon. An increase is made automatically in the standard quantity in respect of any increase in liquid consumption. The amount this year is 4·9 million gallons equivalent to an increase of 0·05d. per gallon in the guaranteed price. The total increase being made in the value of the milk guarantee is therefore 1·25d. per gallon.

27. The arrangements for assisting the Milk Boards’ schemes for improving compositional quality will continue unchanged in 1968/69.

28. Details of changes in the guarantee arrangements are given in Appendix VI, Part II, pages 45 and 46.
Sheep and Wool

29. The aim announced under the selective expansion programme was that sheep production should meet part of the gradual rise in demand which was then foreseen. It is now thought that future demand for mutton and lamb may be weaker in relation to other meats than was first envisaged.

30. The breeding flock has been falling since 1964/65 and at December 1966 was 3 per cent smaller than a year before. The fall continued in 1967, but at a slower rate. Flocks in the hills and uplands are expanding, and this is now offsetting to a greater extent the decline in lowland flocks.

31. At the 1967 Review, the Government recognised that the expansion envisaged by the selective expansion programme in cereals and in the dairy herd would leave less scope for sheep production in the lowlands, and that a larger proportion of our fat sheep would need to come from farms in and around the hills, with a more intensive use of grassland in those areas. Bearing in mind the need for this development, the Government gave special encouragement to hill sheep farming at the 1967 Review by increasing the rate and extending the scope of the hill sheep subsidy. Payments on the extended basis of the hill sheep subsidy are now being made for the first time, and time must elapse before they show their full effect on the size of the hill flock.

32. In the meantime, home production must be expected to follow flock numbers downward. Home-fed supplies of mutton and lamb in 1967/68 are expected to be about 6 per cent lower than in 1966/67, although approximately at the level of the two years before that. Imports are expected to be about 3 per cent lower than in 1966/67. Total supplies in 1967/68 may therefore be about 4\frac{1}{2} per cent below the previous year.

33. The Government wish to ensure that adequate flocks are maintained, and in view of the rise in costs consider that some increase in returns to sheep farmers is justifiable. They do not think that any further change is needed at this stage in the hill sheep subsidy which has been so recently increased and extended, but they have decided to increase the guaranteed price for fat sheep by 2\frac{1}{4}d. per lb. This will be of direct benefit to fatteners in all areas. It will also benefit farmers rearing store sheep on the hills by maintaining an adequate outlet for those animals which they could not reasonably hope to fatten themselves.

34. Market prices for wool fell in 1967 and consequently there will be an increase in the payment due from the Exchequer to the Wool Board. However, in view of the fact that the discussions on the criteria for determining the wool guarantee, announced in paragraph 30 of the 1967 Annual Review White Paper, have not yet been concluded, the Government have decided to leave the guaranteed price for wool unchanged.

Pigs

35. The selective expansion programme recognised that pigmeat can make a substantial contribution to our increasing requirements consistently with our commitments to our overseas suppliers. It envisaged that home production
would meet the whole of the growth in demand for pork as well as the United Kingdom allocation of bacon under the bacon market sharing understanding.

36. Pig production fell steeply from about 13.8 million pigs certified for guarantee in the fatstock year April 1965–March 1966, to about 12.2 million in 1966/67; and certifications may be marginally lower in 1967/68 at about 12.1 million. Measures were taken at the 1967 Review to reverse the decline in the breeding herd, and they have been effective in getting recovery under way. At December 1967 the breeding herd was nearly 7 per cent higher than a year earlier, including an increase of nearly 12 per cent in gilts in pig.

37. The Government wish to see the recovery continue so that the objectives of the selective expansion programme are achieved. The Government are anxious to give the committed pig producer the confidence to continue to expand while, at the same time, doing nothing to encourage those producers who might be tempted to come into pigs temporarily for a quick profit. From this standpoint the Government believe that the most important thing over the coming year is to provide an assurance of stability, so that pig producers need not fear that in planning for expansion they may be inducing a drop in the effective price through the operation of the flexible guarantee. At present, forecast certifications are in the 12.5 to 12.8 million band, immediately below the middle band, and it is expected that forecast certifications will bring the figure into the present middle band during the summer, which would cause an automatic reduction of 9d. in the effective price. To avoid this, the Government propose to drop the bottom of the middle band immediately by 300,000 pigs while at the same time preventing a consequential drop in the effective price by raising the basic guaranteed price. In addition, the Government propose to raise the top of the middle band by 300,000 pigs, so as to make clear that they wish expansion to continue, and also to ensure so far as possible that forecast certifications do not rise above the top of the middle band during the coming year.

38. The Government recognise that costs for the pig producer, as for others, have increased, but the bulk of those costs are feedingstuffs for which he is automatically recouped under the feed formula. In the light of this and of the middle band arrangements described above, the Government propose to increase the guaranteed price by 1s. 0d. per score which should increase profitability over the coming year. In view of the width of the new middle band the Government would also propose at the next Annual Review to raise the lower limit of the middle band so that the future interests of pig producers and herd expansion are protected.

39. In the light of the discussions referred to in paragraph 36 of the 1967 Annual Review White Paper, stabilisation arrangements designed to bring greater long-term stability to bacon curing were introduced at the beginning of April 1967.

**Eggs**

40. The selective expansion programme pointed out that the United Kingdom is virtually self-sufficient in eggs and that the objective should be to continue to meet demand, which is increasing only slowly.
41. Production in 1967/68 is expected to exceed the record level of 1964/65 and the British Egg Marketing Board’s average selling price is likely to be only 2s. 9d. per dozen compared with 2s. 11d. in 1966/67 and 3s. 13d. in 1965/66. The laying flock is expected to be slightly smaller in 1968/69 but nevertheless as a result of a further rise in yields production should be about the same as in 1967/68. Because of the reduction in the Board’s average selling price, the cost to the Exchequer will be higher in 1967/68 than in 1966/67, and there will be a further increase in 1968/69 due to the automatic recoupment of increased costs of feedingstuffs through the operation of the feed formula.

42. Since increases in feed costs are automatically recouped through the operation of the feed formula and since the underlying trend towards greater production continues, the Government must take into account the need for greater stability in the market and the increasing cost to the Exchequer. The guaranteed price is being reduced by 3d. per dozen. The reductions due to be made under the guarantee arrangements introduced in 1963 in the Exchequer share of any deficiency between the market and indicator prices were suspended in 1966/67 and 1967/68. They will be resumed in 1968/69 when the Exchequer share of any deficiency between the market and indicator prices will be reduced from 40 per cent to 30 per cent. The effect on producers’ returns in 1968/69 will be equivalent to a further reduction in the guaranteed price of between 3d. and 4d. per dozen.

43. In agreement with representatives of the industry, the Government announced in July 1967 the setting up of a Reorganisation Commission under the Agricultural Marketing Act 1958, “to consider the present arrangements for the marketing and distribution of shell eggs and egg products, including the working of the British Egg Marketing Scheme 1956, and any other matters relevant thereto, and to make recommendations for the future.” The Commission’s report is expected to be completed during the spring.

44. The guaranteed price for duck eggs is being reduced by 1·14d. per dozen in accordance with the policy announced in paragraph 39 of the 1967 Annual Review White Paper that the guaranteed price for duck eggs should now be brought towards a level at which guarantee payments are not normally necessary.

Cereals

45. The selective expansion programme recognised that the expansion of livestock production would 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.

46. In 1967 the expansion of the cereals acreage continued but at a slower rate. The total increase was 85,000 acres. There was a fall of about 100,000 acres in the barley acreage, but the wheat acreage increased by about 70,000 while oats and mixed corn increased by about 120,000 acres. Yields were good and total production in 1967/68 is estimated at 14½ million tons, some 1½ million
tons higher than in 1966/67, and a record. Imports are estimated at about 8 million tons. It is expected that the total cereals acreage will increase in 1968.

47. The Government believe that further expansion of production, particularly of wheat, is necessary to meet the growth in demand. The Minister of Agriculture, Fisheries and Food announced in December that the guaranteed price of wheat would be increased at this Annual Review, that the differential between wheat and barley would be increased in favour of wheat, and that the standard quantity arrangements would be reviewed. As a result of the review of the standard quantity arrangements and to increase the differential in favour of wheat, the Government have decided to abolish the standard quantity for wheat and to increase the guaranteed price of wheat by 1s. 6d. per cwt.

48. In line with the policy of encouraging the expansion of the acreage under wheat, rather than barley, the standard quantity arrangements for barley are being retained but the standard quantity for 1968/69 will be increased by 750,000 tons. The guaranteed prices of both barley and oats are being increased by 5d. per cwt. The differential between the guaranteed prices of wheat and barley will thereby be raised from 1s. 2d. to 2s. 3d. per cwt.

49. In the interest of orderly marketing, and as a safeguard for the Exchequer in the event of a relatively weak price, the target indicator prices for both wheat and barley are being retained; and in consideration of the abolition of the standard quantity for wheat and the increase in the standard quantity of barley, the arrangements under which, in certain circumstances, the deficiency payment on wheat or barley would be increased if the average market price exceeds the target indicator price will be ended. The crop adjustment formula described in paragraph 19 of the 1964 Annual Review White Paper (Cmd. 2315) under which, in certain circumstances, adjustments may be made in the standard quantities as between wheat and barley will also be abolished.

50. The level of the minimum import prices, to which the target indicator prices for wheat and barley are related, is at present under consideration, and the target indicator prices for the 1968 crops will be determined, after consultation with the Farmers' Unions, at a later stage in the light of the decisions to be taken on the future level of the minimum import prices. Other details of the revised guarantee arrangements are in Appendix VI, Part II, page 47.

Potatoes

51. The objective for main crop potatoes under the selective expansion programme is that, except in years of unusually low yields, home production should be able fully to meet home demand.

52. Following high market prices throughout the 1966/67 season the total area planted to potatoes rose from 669,000 acres in 1966 to 708,000 acres in
1967. The yield from the 1967 crop appears likely to be much the same as the 1965 record of 10.1 tons per acre, resulting in a crop surplus.

53. As proposed in paragraph 49 of the 1967 Annual Review White Paper the Government have studied with the Farmers' Unions and the Potato Marketing Board recent trends in yields and the implications for the acreage needed to fulfil the objective defined in paragraph 51 above. The broad conclusion, which is borne out by experience with the 1967 crop, is that the yield of over 10 tons per acre in 1965, which seemed unusually high at the time, is likely to be at least a "normal" yield for the next few years and that, given satisfactory weather conditions, yields of 10½ tons and even 11 tons per acre may be experienced. In this event, a steady decline in the national acreage would be consistent with the production objective of self-sufficiency. These trends will be kept under review.

54. The acreage fell sharply between 1964 and 1966, following two years in which returns to growers were at or about the level of the guaranteed price. The marginal shortage which resulted in 1966/67 led to high prices and was followed by a recovery in acreage to the present level which, if yields of 10 tons per acre or more continue, is rather more than adequate. But costs have risen; and if the 1968 crop were to give rise to a surplus and low prices, there might be an unduly heavy fall in acreage resulting in a shortage in 1969. So the Government have decided that some increase in the guaranteed price for the 1968 crop is needed.

55. If, however, there were a surplus from the 1968 crop, coming on top of the surplus from the 1967 crop, it would be difficult for the Potato Marketing Board to meet its share of the cost of the buying operations needed to keep market prices in the 1968/69 crop year up to the level of the guarantee. It is preferable to try to do this rather than allow prices to fall and make a deficiency payment. Discussions on possible new long-term arrangements for potato marketing with representatives of the Potato Marketing Board and the National Farmers' Unions have recently begun. Meanwhile, it is important to ensure that the Board will be able to play its part if support buying should be necessary in the coming season.

56. Accordingly the award for potatoes in this review is in two parts. In the first place, the guaranteed price for the 1968 crop will be increased by 7s. 6d. per ton. But if that crop gives rise to a surplus, and support buying is necessary in Great Britain, the Government will also, in addition to meeting its own share of the cost, meet the Board's share up to a limit of £1 million. There will be an equivalent adjustment in the market support arrangements for Northern Ireland. Taken together these special arrangements are broadly equivalent to an additional 4s. 6d. per ton on the guaranteed price.

Sugar Beet

57. The objective under the selective expansion programme is that home production of sugar should meet a part of increasing demand without raising
international problems or the need to increase factory capacity. Although
the total contract acreage is still being fully taken up, some factories have
difficulty in obtaining locally their requirements of sugar beet. There have
been considerable increases in costs. The Government have therefore decided
to increase the guaranteed price by 3s. 6d. per ton. The contract acreage will
remain unchanged.

Production Grants

announced their intention to introduce a grant of £5 per acre for field beans
for a period of three years beginning in 1968/69. Legislative authority is being
sought in the Agriculture (Miscellaneous Provisions) Bill now before Parliament
and it is intended to submit a statutory scheme to Parliament for approval in
due course. There has been a significant recovery in the acreage of field beans
in recent years, and with the additional incentive of an acreage grant it is hoped
that there will be a substantial further development in the growing of field beans
as a break crop for cereals. Field beans are a valuable source of protein for
animal feeding and the manufacturers of compound feedingstuffs have welcomed
the encouragement being given to the growing of the crop.

59. Fertiliser and Lime Subsidies. The estimated cost of the fertiliser
subsidy in 1967/68 is about £32 million, an increase of about £2 million over
1966/67. It has been the policy of the Government to reduce the rates of subsidy
in order to contain the subsidy cost. The effect of increases in fertiliser prices
in 1967/68 is to increase farmers' costs by nearly £15 million in a full year.
Although account has been taken of this in determining the increases in
guaranteed prices mentioned in previous paragraphs, and although fertiliser
usage has continued to increase, the Government have decided to make no
reduction in the rates of subsidy at this Review. There will be no change in
the level of the lime subsidy.

60. Market Development Scheme. Subject to Parliamentary approval this
scheme will be extended for another three years from 1st April 1968 to assist
marketing developments other than those of a co-operative nature, which have
been taken over by the Central Council for Agricultural and Horticultural
Co-operation. The grant ceiling will be raised by £1½ million to £2 million.

61. Small Farm (Business Management) Scheme. This scheme was introduced
in 1965 as an extension of the Small Farmer Schemes of 1959 and 1962, and is
due to expire on 31st August 1968. Applications have been falling but applica-
tions have still been coming forward in the second half of 1967 at the rate
of about 1,250 a year. The scheme continues to provide a useful means of
assisting those with small farm businesses to raise management standards. It is
proposed to extend the scheme for a further year to 31st August 1969. It will be
looked at again at the 1969 Review.
62. **Field Drainage and Farm Water Supply Grants.** Standard costs for farm water supplies in Great Britain and for ditching in England and Wales will be introduced in March 1968. At the same time England and Wales will adopt minimum cost limits of £50 for tile drainage, £25 for other forms of drainage and ditching, £25 for water supply and £50 for any combination of these. In Scotland the Agricultural Drainage Scheme was extended in February 1968 to cover "once for all" cleansing of field drains and ditches. Standard costs for new tile, plastic pipe and hill drainage and minimum cost limits of £50 for all drainage were introduced at the same time.
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 1967/68 are as at mid-January 1968.

**Table A**

**Crop Acreages and Livestock Numbers at June in the United Kingdom (i)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>2,062</td>
<td>2,217</td>
<td>2,102</td>
<td>1,827</td>
<td>2,256</td>
<td>1,928</td>
<td>2,206</td>
<td>2,535</td>
<td>2,238</td>
<td>2,305</td>
</tr>
<tr>
<td>Rye</td>
<td>55</td>
<td>68</td>
<td>19</td>
<td>19</td>
<td>18</td>
<td>21</td>
<td>21</td>
<td>18</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Barley</td>
<td>2,211</td>
<td>2,226</td>
<td>3,372</td>
<td>3,828</td>
<td>3,987</td>
<td>4,713</td>
<td>5,032</td>
<td>5,395</td>
<td>6,130</td>
<td>6,027</td>
</tr>
<tr>
<td>Oats</td>
<td>3,567</td>
<td>2,840</td>
<td>1,974</td>
<td>1,733</td>
<td>1,519</td>
<td>1,295</td>
<td>1,125</td>
<td>1,014</td>
<td>907</td>
<td>1,012</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>458</td>
<td>804</td>
<td>203</td>
<td>147</td>
<td>125</td>
<td>99</td>
<td>80</td>
<td>73</td>
<td>73</td>
<td>88</td>
</tr>
<tr>
<td>Potatoes</td>
<td>1,423</td>
<td>985</td>
<td>829</td>
<td>703</td>
<td>737</td>
<td>768</td>
<td>778</td>
<td>741</td>
<td>609</td>
<td>708</td>
</tr>
<tr>
<td>Sugar Beet</td>
<td>436</td>
<td>415</td>
<td>436</td>
<td>427</td>
<td>424</td>
<td>423</td>
<td>443</td>
<td>455</td>
<td>446</td>
<td>457</td>
</tr>
<tr>
<td>Total tillage</td>
<td>13,300</td>
<td>12,304</td>
<td>11,182</td>
<td>10,871</td>
<td>11,077</td>
<td>11,199</td>
<td>11,496</td>
<td>11,950</td>
<td>12,204</td>
<td>12,354</td>
</tr>
<tr>
<td>Temporary grass (ii)</td>
<td>5,679</td>
<td>5,803</td>
<td>6,869</td>
<td>7,084</td>
<td>7,022</td>
<td>7,012</td>
<td>6,886</td>
<td>6,573</td>
<td>6,280</td>
<td>5,971</td>
</tr>
<tr>
<td>Total arable (ii)</td>
<td>18,980</td>
<td>18,107</td>
<td>18,051</td>
<td>17,955</td>
<td>18,099</td>
<td>18,212</td>
<td>18,382</td>
<td>18,523</td>
<td>18,484</td>
<td>18,325</td>
</tr>
</tbody>
</table>

Livestock Numbers ('000 head)

| Dairy cows | 3,538 | 3,682 |
| Beef cows | 885 | 828 | 823 | 827 | 820 | 742 | 798 | 760 | 741 |
| Heifers in calf | 3,165 | 3,245 | 3,290 | 3,247 | 3,144 | 3,186 | 3,162 | 3,214 |

| Total cattle and calves | 9,629 | 10,444 | 11,771 | 11,936 | 11,859 | 11,716 | 11,627 | 11,943 | 12,206 | 12,342 |
| Sows for breeding | 221 | 699 | 725 | 773 | 857 | 876 | 903 | 945 | 822 | 824 |
| Total pigs | 1,955 | 5,165 | 5,724 | 6,042 | 6,722 | 6,859 | 7,379 | 7,979 | 7,333 | 7,107 |
| Ewes | 8,204 | 8,717 | 11,232 | 11,505 | 11,829 | 11,832 | 11,918 | 11,946 | 12,019 | 11,760 |
| Shearlings | 2,132 | 2,153 | 2,560 | 2,472 | 2,534 | 2,490 | 2,461 | 2,596 | 2,566 | 2,463 |
| Total sheep and lambs | 20,358 | 22,455 | 27,871 | 28,967 | 29,498 | 29,344 | 29,657 | 29,911 | 29,957 | 28,885 |
| Total poultry | 67,117 | 92,119 | 113,689 | 114,289 | 116,030 | 117,125 | 118,377 | 118,141 | 118,940 | 125,624 |

(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 these items are not directly comparable with those of the preceding years. Temporary grass includes lucerne.
**TABLE B**

*Output and Disposal of Milk in the United Kingdom*

<table>
<thead>
<tr>
<th>June/May years</th>
<th>million gallons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid consumption (i)</td>
<td>...</td>
</tr>
<tr>
<td>Used for butter (ii)</td>
<td>...</td>
</tr>
<tr>
<td>Used for cheese (ii)</td>
<td>...</td>
</tr>
<tr>
<td>Used for cream—fresh (ii)</td>
<td>...</td>
</tr>
<tr>
<td>Used for cream—sterilised</td>
<td>...</td>
</tr>
<tr>
<td>Used for other products</td>
<td>...</td>
</tr>
<tr>
<td>Total output for human consumption (iii)</td>
<td>...</td>
</tr>
<tr>
<td>Liquid consumption (i)</td>
<td>...</td>
</tr>
<tr>
<td>Used for butter (ii)</td>
<td>...</td>
</tr>
<tr>
<td>Used for cheese (ii)</td>
<td>...</td>
</tr>
<tr>
<td>Used for cream—fresh (ii)</td>
<td>...</td>
</tr>
<tr>
<td>Used for cream—sterilised</td>
<td>...</td>
</tr>
<tr>
<td>Used for other products</td>
<td>...</td>
</tr>
<tr>
<td>Total output for human consumption (iii)</td>
<td>...</td>
</tr>
</tbody>
</table>

(i) Including farmhouse consumption.
(ii) Including farmhouse manufacture.
(iii) Due to rounding, totals may not agree with the sum of individual items.

**FIGURE I**

*Output and Disposal of Milk in the United Kingdom*

Average wholesale producers' price as percentage of guaranteed price
### Table C

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

<table>
<thead>
<tr>
<th></th>
<th>1946/47</th>
<th>1953/54</th>
<th>1961/62</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
</tr>
<tr>
<td>Butter</td>
<td>18</td>
<td>205</td>
<td>29</td>
</tr>
<tr>
<td>Cheese</td>
<td>20</td>
<td>191</td>
<td>90</td>
</tr>
<tr>
<td>Cream—fresh</td>
<td>97</td>
<td>161</td>
<td>212</td>
</tr>
<tr>
<td>sterilised</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other products (ii)</td>
<td>97</td>
<td>161</td>
<td>212</td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td>557</td>
<td>343</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1962/63</th>
<th>1963/64</th>
<th>1964/65</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
</tr>
<tr>
<td>Butter</td>
<td>57</td>
<td>388</td>
<td>36</td>
</tr>
<tr>
<td>Cheese</td>
<td>106</td>
<td>139</td>
<td>103</td>
</tr>
<tr>
<td>Cream—fresh (iii)</td>
<td>26</td>
<td>2</td>
<td>30</td>
</tr>
<tr>
<td>sterilised</td>
<td>9</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Other products (ii)</td>
<td>385</td>
<td>67</td>
<td>373</td>
</tr>
<tr>
<td>Total</td>
<td>583</td>
<td>606</td>
<td>554</td>
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<table>
<thead>
<tr>
<th></th>
<th>1965/66</th>
<th>1966/67</th>
<th>1967/68 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
</tr>
<tr>
<td>Butter</td>
<td>39</td>
<td>447</td>
<td>32</td>
</tr>
<tr>
<td>Cheese</td>
<td>109</td>
<td>140</td>
<td>110</td>
</tr>
<tr>
<td>Cream—fresh (iii)</td>
<td>39</td>
<td>2</td>
<td>44</td>
</tr>
<tr>
<td>sterilised</td>
<td>14</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Other products (ii)</td>
<td>393</td>
<td>81</td>
<td>400</td>
</tr>
<tr>
<td>Total</td>
<td>594</td>
<td>680</td>
<td>598</td>
</tr>
</tbody>
</table>

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

(ii) Excluding the home manufacture of butter-milk and whey powder.

(iii) Prior to 1963/64 imports of fresh cream were shown separately in the Overseas Trade Accounts. Since then the item has included imported skimmed milk. The share between "fresh cream" and "other products" since 1963/64 is estimated in the above Table.
### TABLE D

**United Kingdom Meat Supplies**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home-fed</td>
<td>Im-</td>
<td>Home-fed</td>
<td>Im-</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>758</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>135</td>
<td>427</td>
<td>172</td>
<td>314</td>
<td>237</td>
</tr>
<tr>
<td>Pork</td>
<td>15</td>
<td>29</td>
<td>280</td>
<td>37</td>
<td>434</td>
</tr>
<tr>
<td>Bacon and ham</td>
<td>87</td>
<td>156</td>
<td>223</td>
<td>296</td>
<td>189</td>
</tr>
<tr>
<td>Poultry meat</td>
<td>70</td>
<td>27</td>
<td>101</td>
<td>17</td>
<td>307</td>
</tr>
<tr>
<td>Total</td>
<td>857</td>
<td>1,037</td>
<td>1,421</td>
<td>1,000</td>
<td>1,925</td>
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</table>

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home-fed</td>
<td>Im-</td>
<td>Home-fed</td>
<td>Im-</td>
<td>Home-fed</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>903</td>
<td>329</td>
<td>793</td>
<td>345</td>
<td>803</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>252</td>
<td>337</td>
<td>248</td>
<td>371</td>
<td>249</td>
</tr>
<tr>
<td>Pork</td>
<td>536</td>
<td>12</td>
<td>382</td>
<td>13</td>
<td>628</td>
</tr>
<tr>
<td>Bacon and ham</td>
<td>216</td>
<td>377</td>
<td>225</td>
<td>400</td>
<td>229</td>
</tr>
<tr>
<td>Poultry meat</td>
<td>356</td>
<td>5</td>
<td>373</td>
<td>13</td>
<td>401</td>
</tr>
<tr>
<td>Total</td>
<td>2,263</td>
<td>1,060</td>
<td>2,221</td>
<td>1,142</td>
<td>2,310</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 raw from the Irish Republic, 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 1965/66 of 43,000 tons of beef, 3,000 tons of mutton and lamb and 1,000 tons of pork. The corresponding figures for 1966/67 are 20,000 tons of beef, 500 tons of mutton and lamb and less than 200 tons of pork, and for 1967/68 are forecast at 10,000 tons of beef, 400 tons of mutton and lamb and less than 100 tons of pork.
FIGURE II
United Kingdom Meat Supplies

Total Supplies

Thousands of Tons

1946/47 53/54 60/61 61/62 62/63 63/64 64/65 65/66 66/67 67/68

Forecast

Imported
Home-fed

Beef and Veal

Thousands of Tons

1946/47 53/54 60/61 61/62 62/63 63/64 64/65 65/66 66/67 67/68

Forecast
FIGURE II (continued)
United Kingdom Meat Supplies

Mutton and Lamb

Pork and Bacon

Thousands of Tons

Forecast

1946/47  53/54  60/61  61/62  62/63  63/64  64/65  65/66  66/67  67/68

200  400  600  800

Imported
Home-fed

Forecast

1946/47  53/54  60/61  61/62  62/63  63/64  64/65  65/66  66/67  67/68

200  400  600  800  1000  1200  1400

Imported (Predominantly Bacon)
Home-fed: Bacon
Home-fed: Pork

United Kingdom Meat Supplies

MUTTON AND LAMB

Imported
Home-fed

PORK AND BACON

Forecast

1946/47  53/54  60/61  61/62  62/63  63/64  64/65  65/66  66/67  67/68

200  400  600  800  1000  1200  1400

Imported (Predominantly Bacon)
Home-fed: Bacon
Home-fed: Pork
### 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>Home Supplies (ii)</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>601</td>
<td>621</td>
<td>609</td>
<td>615</td>
<td>666</td>
<td>627</td>
<td>610</td>
</tr>
<tr>
<td>Processed</td>
<td></td>
<td>17</td>
<td>25</td>
<td>42</td>
<td>50</td>
<td>78</td>
<td>97</td>
<td>57</td>
<td>88</td>
</tr>
<tr>
<td>Other home supplies</td>
<td>318</td>
<td>314</td>
<td>417</td>
<td>430</td>
<td>433</td>
<td>453</td>
<td>456</td>
<td>481</td>
<td>505</td>
</tr>
<tr>
<td>Total home supplies</td>
<td>451</td>
<td>764</td>
<td>1,043</td>
<td>1,093</td>
<td>1,092</td>
<td>1,146</td>
<td>1,219</td>
<td>1,165</td>
<td>1,203</td>
</tr>
<tr>
<td>Imports</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>46</td>
<td>28</td>
<td>34</td>
<td>22</td>
<td>20</td>
<td>21</td>
<td>25</td>
</tr>
<tr>
<td>Egg Products (iv)</td>
<td>341</td>
<td>62</td>
<td>39</td>
<td>41</td>
<td>34</td>
<td>24</td>
<td>27</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td>Total imports</td>
<td>436</td>
<td>188</td>
<td>85</td>
<td>69</td>
<td>68</td>
<td>46</td>
<td>47</td>
<td>44</td>
<td>55</td>
</tr>
<tr>
<td>Total supplies</td>
<td>887</td>
<td>952</td>
<td>1,128</td>
<td>1,162</td>
<td>1,160</td>
<td>1,192</td>
<td>1,266</td>
<td>1,209</td>
<td>1,258</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. Up to and including 1962/63 no allowance made for farm and distribution waste.
(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 from 1946/47 to 1967/68 (forecast)]
<table>
<thead>
<tr>
<th></th>
<th>1966/67</th>
<th>1967/68 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat (ii)</td>
<td>2,998</td>
<td>3,420</td>
</tr>
<tr>
<td>Rye</td>
<td>4,534</td>
<td>4,110</td>
</tr>
<tr>
<td>Barley</td>
<td>3,733</td>
<td>8,587</td>
</tr>
<tr>
<td>Oats</td>
<td>4,120</td>
<td>12,588</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>4,591</td>
<td>13,492</td>
</tr>
<tr>
<td>Maize</td>
<td>3,420</td>
<td>13,212</td>
</tr>
<tr>
<td>Sorghum</td>
<td>4,110</td>
<td>14,568</td>
</tr>
<tr>
<td>Total</td>
<td>11,175</td>
<td>14,568</td>
</tr>
<tr>
<td>Potatoes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earlies (iv)</td>
<td>723</td>
<td>710</td>
</tr>
<tr>
<td>Main crop (v)</td>
<td>343</td>
<td>612</td>
</tr>
<tr>
<td>Total</td>
<td>1,066</td>
<td>892</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 yields was 2,992,000 tons.
(iv) Imports of potatoes include shipments from Channel Islands.
(v) Imports of maincrop potatoes include seed potatoes.
(vi) Raw equivalent basis.
FIGURE IV
Home Production and Imports of Grain in the United Kingdom
Wheat and Rye

PRODUCTION OF COARSE GRAINS

Imports of Coarse Grains
FIGURE V
Estimated Crop, Milk and Egg Yields in the United Kingdom

Note.—The graph for sugar shows sugar-in-beet per crop acre. The graph for milk shows the yield of milk per dairy type cow per annum; figures in this series are not available before 1954/55. The graph for eggs 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.
### TABLE G

*Estimated Purchases and Consumption of Concentrated Feedingstuffs on Farms in the United Kingdom (i)*

<table>
<thead>
<tr>
<th>June/May years</th>
<th>1963/64</th>
<th>1964/65</th>
<th>1965/66</th>
<th>1966/67</th>
<th>1967/68 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Farmers' purchases ... ...</td>
<td>11.3</td>
<td>12.2</td>
<td>13.0</td>
<td>11.9</td>
<td>12.6</td>
</tr>
<tr>
<td>2. Home-grown concentrated feeds retained on farm of origin ... ...</td>
<td>3.5</td>
<td>3.7</td>
<td>3.5</td>
<td>3.7</td>
<td>3.9</td>
</tr>
<tr>
<td>3. Total consumption on farms</td>
<td>14.8</td>
<td>15.9</td>
<td>16.5</td>
<td>15.6</td>
<td>16.5</td>
</tr>
<tr>
<td>4. Current home crop production for feed (ii) ... ...</td>
<td>8.6</td>
<td>9.7</td>
<td>10.1</td>
<td>9.7</td>
<td>10.9</td>
</tr>
<tr>
<td>5. Balance of farmers' purchases to be met mainly from imported supplies (iii) ... ...</td>
<td>6.2</td>
<td>6.2</td>
<td>6.4</td>
<td>5.9</td>
<td>5.6</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.

### TABLE H

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Imports of concentrated feedingstuffs (i) ... ...</td>
<td>5.9</td>
<td>5.7</td>
<td>5.8</td>
<td>5.5</td>
<td>5.2</td>
</tr>
<tr>
<td>2. By-products from imported grains and seeds ... ...</td>
<td>1.8</td>
<td>1.7</td>
<td>1.8</td>
<td>1.6</td>
<td>1.6</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>Males</th>
<th>Females</th>
<th>Males</th>
<th>Females</th>
<th>Full-time (i)</th>
<th>Part-time (ii)</th>
<th>Total '000 workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>599</td>
<td>96</td>
<td>197</td>
<td>84</td>
<td>796</td>
<td>976</td>
<td>1,772</td>
</tr>
<tr>
<td>1947</td>
<td>611</td>
<td>91</td>
<td>201</td>
<td>77</td>
<td>812</td>
<td>980</td>
<td>1,792</td>
</tr>
<tr>
<td>1948</td>
<td>625</td>
<td>90</td>
<td>139</td>
<td>78</td>
<td>864</td>
<td>932</td>
<td>1,796</td>
</tr>
<tr>
<td>1949</td>
<td>645</td>
<td>85</td>
<td>135</td>
<td>69</td>
<td>880</td>
<td>934</td>
<td>1,814</td>
</tr>
<tr>
<td>1950</td>
<td>639</td>
<td>79</td>
<td>136</td>
<td>64</td>
<td>875</td>
<td>918</td>
<td>1,793</td>
</tr>
<tr>
<td>1951</td>
<td>621</td>
<td>70</td>
<td>129</td>
<td>62</td>
<td>850</td>
<td>882</td>
<td>1,732</td>
</tr>
<tr>
<td>1952</td>
<td>594</td>
<td>70</td>
<td>132</td>
<td>73</td>
<td>827</td>
<td>869</td>
<td>1,696</td>
</tr>
<tr>
<td>1953</td>
<td>578</td>
<td>68</td>
<td>128</td>
<td>68</td>
<td>806</td>
<td>842</td>
<td>1,648</td>
</tr>
<tr>
<td>1954</td>
<td>563</td>
<td>64</td>
<td>121</td>
<td>67</td>
<td>824</td>
<td>815</td>
<td>1,639</td>
</tr>
<tr>
<td>1955</td>
<td>535</td>
<td>60</td>
<td>119</td>
<td>74</td>
<td>854</td>
<td>788</td>
<td>1,642</td>
</tr>
<tr>
<td>1956</td>
<td>510</td>
<td>56</td>
<td>113</td>
<td>75</td>
<td>825</td>
<td>754</td>
<td>1,579</td>
</tr>
<tr>
<td>1957</td>
<td>502</td>
<td>55</td>
<td>116</td>
<td>77</td>
<td>818</td>
<td>750</td>
<td>1,568</td>
</tr>
<tr>
<td>1958</td>
<td>488</td>
<td>50</td>
<td>114</td>
<td>78</td>
<td>802</td>
<td>730</td>
<td>1,532</td>
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<tr>
<td>1959</td>
<td>480</td>
<td>47</td>
<td>112</td>
<td>80</td>
<td>892</td>
<td>719</td>
<td>1,611</td>
</tr>
<tr>
<td>1960</td>
<td>462</td>
<td>43</td>
<td>111</td>
<td>77</td>
<td>873</td>
<td>693</td>
<td>1,566</td>
</tr>
<tr>
<td>1961</td>
<td>439</td>
<td>41</td>
<td>107</td>
<td>75</td>
<td>846</td>
<td>662</td>
<td>1,508</td>
</tr>
<tr>
<td>1962</td>
<td>420</td>
<td>39</td>
<td>103</td>
<td>71</td>
<td>823</td>
<td>633</td>
<td>1,456</td>
</tr>
<tr>
<td>1963</td>
<td>407</td>
<td>37</td>
<td>98</td>
<td>69</td>
<td>805</td>
<td>611</td>
<td>1,416</td>
</tr>
<tr>
<td>1964</td>
<td>381</td>
<td>34</td>
<td>97</td>
<td>72</td>
<td>778</td>
<td>584</td>
<td>1,362</td>
</tr>
<tr>
<td>1965</td>
<td>355</td>
<td>33</td>
<td>94</td>
<td>69</td>
<td>749</td>
<td>551</td>
<td>1,300</td>
</tr>
<tr>
<td>1966</td>
<td>332</td>
<td>31</td>
<td>91</td>
<td>68</td>
<td>723</td>
<td>522</td>
<td>1,245</td>
</tr>
<tr>
<td>1967</td>
<td>315</td>
<td>30</td>
<td>77</td>
<td>63</td>
<td>692</td>
<td>485</td>
<td>1,177</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 casual 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**: Full-time (including Prisoners of War and members of the Women's Land Army in earlier years)

![Graph showing the numbers of agricultural workers from 1946 to 1967](image-url)
TABLE K

Index of Agricultural Net Output in the United Kingdom
Average 1954/55-1956/57 = 100

Years beginning 1st June

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</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>115</td>
</tr>
<tr>
<td>1962/63</td>
<td>124</td>
</tr>
<tr>
<td>1963/64</td>
<td>127</td>
</tr>
<tr>
<td>1964/65</td>
<td>137</td>
</tr>
<tr>
<td>1965/66</td>
<td>136</td>
</tr>
<tr>
<td>1966/67 (provisional)</td>
<td>136</td>
</tr>
<tr>
<td>1967/68 (forecast)</td>
<td>144</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 1966/67 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 1966/67 and some earlier years. Forecasts for 1967/68 are as at mid-January 1968.

<table>
<thead>
<tr>
<th>Year</th>
<th>&quot;Departmental&quot; Calculation</th>
<th>Three Year Moving Average of Actual</th>
<th>&quot;Raised Sample&quot; Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946/47</td>
<td>...</td>
<td>196½</td>
<td>167</td>
</tr>
<tr>
<td>1947/48</td>
<td>...</td>
<td>231½</td>
<td>161</td>
</tr>
<tr>
<td>1948/49</td>
<td>...</td>
<td>301</td>
<td>237</td>
</tr>
<tr>
<td>1949/50</td>
<td>...</td>
<td>316½</td>
<td>225</td>
</tr>
<tr>
<td>1950/51</td>
<td>...</td>
<td>280½</td>
<td>204</td>
</tr>
<tr>
<td>1951/52</td>
<td>...</td>
<td>338½</td>
<td>233½</td>
</tr>
<tr>
<td>1952/53</td>
<td>...</td>
<td>349½</td>
<td>270</td>
</tr>
<tr>
<td>1953/54</td>
<td>...</td>
<td>347</td>
<td>309</td>
</tr>
<tr>
<td>1954/55</td>
<td>...</td>
<td>314½</td>
<td>258½</td>
</tr>
<tr>
<td>1955/56</td>
<td>...</td>
<td>350</td>
<td>285½</td>
</tr>
<tr>
<td>1956/57</td>
<td>...</td>
<td>340½</td>
<td>305</td>
</tr>
<tr>
<td>1957/58</td>
<td>...</td>
<td>376</td>
<td>360</td>
</tr>
<tr>
<td>1958/59</td>
<td>...</td>
<td>333</td>
<td>348</td>
</tr>
<tr>
<td>1959/60</td>
<td>...</td>
<td>362½</td>
<td>314½</td>
</tr>
<tr>
<td>1960/61</td>
<td>...</td>
<td>393</td>
<td>350</td>
</tr>
<tr>
<td>1961/62</td>
<td>...</td>
<td>425½</td>
<td>394</td>
</tr>
<tr>
<td>1962/63</td>
<td>...</td>
<td>446</td>
<td>406</td>
</tr>
<tr>
<td>1963/64</td>
<td>...</td>
<td>406½</td>
<td>370</td>
</tr>
<tr>
<td>1964/65</td>
<td>...</td>
<td>476</td>
<td>438</td>
</tr>
<tr>
<td>1965/66</td>
<td>...</td>
<td>463½</td>
<td>400</td>
</tr>
<tr>
<td>1966/67</td>
<td>...</td>
<td>491½ (484)</td>
<td>371</td>
</tr>
<tr>
<td>1967/68 (forecast)</td>
<td>...</td>
<td>510 (497½)</td>
<td>—</td>
</tr>
</tbody>
</table>

Note (i). The "Departmental" calculation is for years beginning 1st June.

Note (ii). The figures in brackets for 1966/67 and 1967/68 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 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.

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 3,600 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. The revised series for the "raised sample" calculation is based on a new raising method and is provisional.

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>1957/58</td>
<td>11 1/2</td>
</tr>
<tr>
<td>1947/48</td>
<td>23 1/2</td>
<td>1958/59</td>
<td>21</td>
</tr>
<tr>
<td>1948/49</td>
<td>17</td>
<td>1959/60</td>
<td>20 1/2</td>
</tr>
<tr>
<td>1949/50</td>
<td>29 1/2</td>
<td>1960/61</td>
<td>27 1/2</td>
</tr>
<tr>
<td>1950/51</td>
<td>41 1/2</td>
<td>1961/62</td>
<td>25 1/2</td>
</tr>
<tr>
<td>1951/52</td>
<td>40</td>
<td>1962/63</td>
<td>28</td>
</tr>
<tr>
<td>1952/53</td>
<td>21 1/2</td>
<td>1963/64</td>
<td>28</td>
</tr>
<tr>
<td>1953/54</td>
<td>14</td>
<td>1964/65</td>
<td>31</td>
</tr>
<tr>
<td>1954/55</td>
<td>18 1/2</td>
<td>1965/66</td>
<td>44 1/2</td>
</tr>
<tr>
<td>1955/56</td>
<td>27</td>
<td>1966/67</td>
<td>30</td>
</tr>
<tr>
<td>1956/57</td>
<td>30</td>
<td>1967/68</td>
<td>49 (forecast)</td>
</tr>
</tbody>
</table>

FIGURE I
Aggregate Farming Net Income in the United Kingdom: "Departmental" Calculation
### Details of the "Departmental" Calculation of Net Income for 1966/67 (revised) and for 1967/68 (forecast) (i)

#### Farm Sales (ii)

<table>
<thead>
<tr>
<th>Crop Type</th>
<th>1966/67 (revised)</th>
<th>1967/68 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>76</td>
<td>91</td>
</tr>
<tr>
<td>Barley</td>
<td>137(\frac{1}{2})</td>
<td>139(\frac{1}{2})</td>
</tr>
<tr>
<td>Other grain</td>
<td>7</td>
<td>9(\frac{1}{2})</td>
</tr>
<tr>
<td>Total grain</td>
<td>220(\frac{1}{2})</td>
<td>239(\frac{1}{2})</td>
</tr>
<tr>
<td>Potatoes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugar beet</td>
<td>39(\frac{1}{2})</td>
<td>43</td>
</tr>
<tr>
<td>Other crops</td>
<td>15(\frac{1}{2})</td>
<td>15(\frac{1}{2})</td>
</tr>
<tr>
<td><strong>Total farm crops</strong></td>
<td>376(\frac{1}{2})</td>
<td>384</td>
</tr>
<tr>
<td>Fat cattle and calves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fat sheep and lambs</td>
<td>88</td>
<td>85(\frac{1}{2})</td>
</tr>
<tr>
<td>Fat pigs</td>
<td>203(\frac{1}{2})</td>
<td>208</td>
</tr>
<tr>
<td>Poultry and other livestock</td>
<td>92(\frac{1}{2})</td>
<td>98(\frac{1}{2})</td>
</tr>
<tr>
<td><strong>Total livestock</strong></td>
<td>658</td>
<td>700(\frac{1}{2})</td>
</tr>
<tr>
<td>Eggs: for food and for hatching</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk and milk products</td>
<td>420(\frac{1}{2})</td>
<td>438</td>
</tr>
<tr>
<td>Wool (clip)</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total livestock products</strong></td>
<td>610(\frac{1}{2})</td>
<td>626(\frac{1}{2})</td>
</tr>
<tr>
<td>Vegetables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fruit</td>
<td>43(\frac{1}{2})</td>
<td>45</td>
</tr>
<tr>
<td>Flowers and nursery stock</td>
<td>41(\frac{1}{2})</td>
<td>42</td>
</tr>
<tr>
<td><strong>Total horticulture</strong></td>
<td>189(\frac{1}{2})</td>
<td>194</td>
</tr>
<tr>
<td>Sundry output</td>
<td>24</td>
<td>27(\frac{1}{2})</td>
</tr>
<tr>
<td><strong>Total value of output</strong></td>
<td>1,858(\frac{1}{2})</td>
<td>1,933</td>
</tr>
</tbody>
</table>

#### Farm grants, subsidies and sundry receipts (iii)

<table>
<thead>
<tr>
<th>Item</th>
<th>1966/67 (revised)</th>
<th>1967/68 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total receipts</strong></td>
<td>1,966</td>
<td>2,061(\frac{1}{2})</td>
</tr>
</tbody>
</table>

#### Farm Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>1966/67 (revised)</th>
<th>1967/68 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>311</td>
<td>318</td>
</tr>
<tr>
<td>Rent (iv)</td>
<td>129</td>
<td>138</td>
</tr>
<tr>
<td>Interest (v)</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>Machinery:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>95(\frac{1}{2})</td>
<td>98</td>
</tr>
<tr>
<td>Repairs</td>
<td>77(\frac{1}{2})</td>
<td>78(\frac{1}{2})</td>
</tr>
<tr>
<td>Fuel and oil</td>
<td>49</td>
<td>51(\frac{1}{2})</td>
</tr>
<tr>
<td>Other</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Feedingstuffs</td>
<td>442(\frac{1}{2})</td>
<td>477(\frac{1}{2})</td>
</tr>
<tr>
<td>Seeds (vi)</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>Fertilisers (vii)</td>
<td>132</td>
<td>145</td>
</tr>
<tr>
<td>Livestock (vi)</td>
<td>79</td>
<td>87(\frac{1}{2})</td>
</tr>
<tr>
<td>Other Expenses (viii)</td>
<td>115(\frac{1}{2})</td>
<td>118(\frac{1}{2})</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,515</td>
<td>1,603</td>
</tr>
</tbody>
</table>

#### Change in the value of growing crops, livestock and farm stocks

<table>
<thead>
<tr>
<th>Item</th>
<th>1966/67 (revised)</th>
<th>1967/68 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>+ 40(\frac{1}{2})</td>
<td>+ 51(\frac{1}{2})</td>
</tr>
</tbody>
</table>

#### Net income

<table>
<thead>
<tr>
<th>Item</th>
<th>1966/67 (revised)</th>
<th>1967/68 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>491(\frac{1}{2})</td>
<td>510</td>
</tr>
</tbody>
</table>

(i) Because of individual roundings, the figures will not necessarily add to the totals shown.
(ii) The value of farm sales includes deficiency payments.
(iii) Farming grants and subsidies exclude grants for landlord type functions.
(iv) Including imputed rent for owner occupied farms.
(v) Interest on credit for current farming purposes.
(vi) Seeds and Livestock comprise the full cost of imports plus merchants' margins on purchases of home-produced seeds and livestock.
(vii) Total cost excluding subsidy, which is credited above under "Farming grants, subsidies and sundry receipts".
(viii) "Other Expenses" comprise maintenance charges and miscellaneous expenses.
Figure II

Farm Sales and Expenses for 1967/68 in the United Kingdom
(Based on the "Departmental" forecast for 1967/68 shown in Table B opposite)

Sales £1,933 million

Expenses £1,603 million
### APPENDIX III

#### Aggregate Cost Increases Taken into Account at the Annual Review

<table>
<thead>
<tr>
<th></th>
<th>All Products</th>
<th>Review Products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td>Labour</td>
<td>+21.78</td>
<td>+17.18</td>
</tr>
<tr>
<td>Rent and Interest</td>
<td>+11.23</td>
<td>+8.86</td>
</tr>
<tr>
<td>Machinery expenses</td>
<td>+10.22</td>
<td>+8.08</td>
</tr>
<tr>
<td>Feedingstuffs</td>
<td>+18.85</td>
<td>+14.08</td>
</tr>
<tr>
<td>Seeds</td>
<td>+0.80</td>
<td>+0.63</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>+14.73</td>
<td>+11.62</td>
</tr>
<tr>
<td>Haulage and Marketing</td>
<td>+3.31</td>
<td>+2.61</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>+6.36</td>
<td>+5.48</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 17 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 £12.82 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 basic feed 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

<table>
<thead>
<tr>
<th>England and Wales</th>
<th>Average net income per farm (for an identical sample in the two years)</th>
<th>Average net income per farm 1966/67</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1965/66</td>
<td>1966/67</td>
</tr>
<tr>
<td>Dairy</td>
<td>117</td>
<td>1,653</td>
</tr>
<tr>
<td>Livestock</td>
<td>164</td>
<td>1,312</td>
</tr>
<tr>
<td>Cropping</td>
<td>253</td>
<td>3,056</td>
</tr>
<tr>
<td>Mixed</td>
<td>201</td>
<td>2,137</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scotland</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Upland rearing</td>
<td>153</td>
</tr>
<tr>
<td>Rearing with arable</td>
<td>168</td>
</tr>
<tr>
<td>Cropping</td>
<td>257</td>
</tr>
<tr>
<td>Dairy</td>
<td>157</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Northern Ireland</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairying</td>
<td>61</td>
</tr>
<tr>
<td>Dairying with pigs</td>
<td>53</td>
</tr>
<tr>
<td>and poultry</td>
<td></td>
</tr>
<tr>
<td>Mixed</td>
<td>70</td>
</tr>
</tbody>
</table>

**Note (i).** These figures are a selection of those examined at the Annual Review and are weighted averages based on the census distribution of agricultural holdings by Type of Farming and Size of Business. 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. It includes an allowance for changes in the quantity and value of stocks and work in progress.

**Note (ii).** More detailed figures for England and Wales are published in "Farm Incomes in England and Wales" (Her Majesty's Stationery Office, price 14s. 0d.). Corresponding information for Scotland will appear in "Scottish Agricultural Economics" and for Northern Ireland in the "Structural Review of Farming in Northern Ireland".
## APPENDIX V
### TABLE A

Estimated Cost of Exchequer Support to Agriculture

Financial years beginning 1st April

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Implementation of price guarantees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cereals—</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat and rye</td>
<td>20.4</td>
<td>18.1</td>
<td>22.0</td>
<td>16.6</td>
<td>30.3</td>
</tr>
<tr>
<td>Barley</td>
<td>25.2</td>
<td>33.6</td>
<td>33.2</td>
<td>36.3</td>
<td>36.8</td>
</tr>
<tr>
<td>Oats and mixed corn</td>
<td>12.8</td>
<td>11.7</td>
<td>18.1</td>
<td>11.0</td>
<td>10.0</td>
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Totals I and II (taken into account in Annual Review together with IV below).
Note (i). “Relevant production grants”. Expenditure on these grants is taken into account in calculating the total value of the guarantees at the Annual Review. The item “Other” under this heading includes grants in respect of grassland renovation, rabbit clearance societies, producers in the Scottish Islands and, for the first time, agricultural marketing development, agricultural co-operation (excluding fixed equipment), and agricultural credit. Certain cropping grants and headage payments for Scottish crofters are now also included for the first time.

Note (ii). “Other grants and subsidies”. Expenditure on these grants is not taken into account in calculating the total value of the guarantees. The item “Other” under this heading includes grants in respect of livestock improvement, and bracken eradication, and now also fixed equipment for agricultural co-operatives. Scottish crofting improvements are also included for the first time.

Note (iii). General explanation of figures. The figures in I, II, III and IV for years up to and including 1966/67 represent actual expenditure recorded in the Appropriation Accounts. The figures for 1967/68 are the latest estimates (Hansard 31st January 1968, written answers, columns 340–342) of cash expenditure in the United Kingdom (Civil Estimates Class V, Votes 3, 4, 5, 6) to which have been added parts of Votes 2 and 7. The figures for 1968/69 are those in the corresponding Civil Estimates for that year. They do not take account of the effect of the determinations in this White Paper.

Note (iv). Explanation of particular figures.
(a) 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.
(b) 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 for the Exchequer, taking one year with another, from the implementation of the price guarantee.
(c) Expenditure on tuberculosis eradication relates to bonus payments under the Attested Herds Scheme only and excludes compensation payments for slaughtered reactors.
(d) Part of the payment of hill sheep subsidy due in 1967/68 was brought forward to 1966/67 prior to the introduction of a change in the payment arrangements in 1967/68.
(e) The investment incentive grants to agriculture were payable for the first time in 1967/68. They replaced investment allowances and, unlike them, take the form of direct Exchequer payments instead of tax concessions.
(f) The basis of the calculation of administrative expenses was changed in 1961/62 so that the figures of earlier years are not comparable with later figures.

Note (v). Estimated effect of determinations on Estimates 1968/69. 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 is a net increase of £31 million in the total estimated cost (£286 million) of agricultural support by the Exchequer in 1968/69. This net increase is the result broadly of increases of £3 million on wheat, £6 million on barley, £1 million on oats, £121 million on cattle, £4 million on sheep, £1 million on pigs, £1 million on potatoes and £2 million on production grants and a decrease of £1 million on eggs.

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.

Note (vi). The Table excludes grants specifically for horticulture. The estimated cost of these, together with horticultural co-operation and credit, is £4.7 million in 1967/68 and £5.3 million in 1968/69.
Figure I

Estimated Cost of Exchequer Support to Agriculture

[Diagram showing estimated costs for different commodities and years.]
## Table B

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

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<td>Fat Sheep (per lb. est. d.w.)</td>
<td></td>
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<td></td>
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<tr>
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<td>2 2 0</td>
<td>2 2 4</td>
<td>2 2 1</td>
<td>3 2 0</td>
<td>3 2 0</td>
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<tr>
<td>Unit Subsidy</td>
<td>1 0 0</td>
<td>7 1 1</td>
<td>1 1 1</td>
<td>9 6 1</td>
<td>6 3 3</td>
<td>2 2 1</td>
<td>4 1 1</td>
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<tr>
<td>Total Return</td>
<td>3 3 2</td>
<td>3 3 2</td>
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<tr>
<td>Fat Pigs (per score deadweight)</td>
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<td>32 1 0</td>
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<td>35 1 0</td>
<td>44 1 0</td>
<td>44 9 1</td>
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<td>Unit Subsidy</td>
<td>6 3 4</td>
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<td>Total Return</td>
<td>45 4 1</td>
<td>45 3 1</td>
<td>45 1 0</td>
<td>45 1 0</td>
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<td>45 1 0</td>
<td>45 1 0</td>
<td>45 1 0</td>
<td>45 1 0</td>
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<tr>
<td>Wheat (per cwt.)</td>
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<tr>
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<td>Total Return</td>
<td>2 2 6 1</td>
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<tr>
<td>Barley (per cwt.)</td>
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<tr>
<td>Unit Subsidy</td>
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<td>7 7 1</td>
<td>7 7 1</td>
<td>6 6 1</td>
<td>5 4 1</td>
<td>3 3 1</td>
<td>3 3 1</td>
<td>3 3 1</td>
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<tr>
<td>Total Return</td>
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<td>4 5 1 0</td>
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<td>2 6 1 1</td>
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<td>2 6 1 1</td>
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<tr>
<td>Oats (per cwt.)</td>
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<td>Market Value</td>
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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 cattle and sheep includes payments expected to be made under the graduated deficiency payments arrangements after the end of the fatstock year. 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 or administrative expenses.
FIGURE II

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

FAT CATTLE

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit Subsidy</th>
<th>Average Market Value</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>59-60</td>
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<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
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</table>

WHEAT

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit Subsidy</th>
<th>Average Market Value</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>59-60</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>...</td>
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</tr>
</tbody>
</table>

FAT SHEEP

<table>
<thead>
<tr>
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<th>Unit Subsidy</th>
<th>Average Market Value</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>59-60</td>
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<td></td>
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<tr>
<td>...</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

BARLEY

<table>
<thead>
<tr>
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<th>Unit Subsidy</th>
<th>Average Market Value</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
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<td>...</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

FAT PIGS

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit Subsidy</th>
<th>Average Market Value</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>59-60</td>
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<td></td>
</tr>
<tr>
<td>...</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

OATS

<table>
<thead>
<tr>
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<th>Unit Subsidy</th>
<th>Average Market Value</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>59-60</td>
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<td></td>
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<tr>
<td>...</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
### APPENDIX VI

Guaranteed Prices determined in the light of the Annual Review 1968

**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></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fat Cattle (per live cwt.) <em>(a)</em></td>
<td>189s. 0d.</td>
<td>+ 11s. 0d.</td>
<td>200s. 0d.</td>
</tr>
<tr>
<td>Fat Sheep and Lambs (per lb. estimated dressed carcass weight) <em>(a)</em></td>
<td>3s. 3·75d.</td>
<td>+ 2·5d.</td>
<td>3s. 6·25d.</td>
</tr>
<tr>
<td>Fat Pigs (per score deadweight) <em>(a)(b)</em></td>
<td>45s. 11d. related to a compound feed price of 35s. 5d. per cwt. On the basis of the current compound feed price of 35s. 9d. per cwt. this guaranteed price is equivalent to 46s. 2d.</td>
<td>+ 1s. 0d.</td>
<td>47s. 2d. related to a compound feed price of 34s. 11d. per cwt. which is equivalent to a compound feed price of 35s. 9d. calculated on the basis used for the 1967/68 guarantee year.</td>
</tr>
<tr>
<td>Eggs—hen (per dozen) <em>(c)</em></td>
<td>3s. 6·51d. related to a compound feed price of 35s. 5d. per cwt. (The compound feed price to which the current level of the guaranteed price is related is also 35s. 5d. per cwt.)</td>
<td>− 0·25d.</td>
<td>3s. 6·26d. related to a compound feed price of 35s. 3d. per cwt. which is equivalent to a compound feed price of 35s. 5d. calculated on the basis used for the 1967/68 guarantee year.</td>
</tr>
<tr>
<td>Eggs—duck (per dozen) <em>(c)</em></td>
<td>2s. 5·59d. related to a compound feed price of 35s. 5d. per cwt. (The compound feed price to which the current level of the guaranteed price is related is also 35s. 5d. per cwt.).</td>
<td>− 1·14d.</td>
<td>2s. 4·45d. related to a compound feed price of 35s. 3d. per cwt. which is equivalent to a compound feed price of 35s. 5d. calculated on the basis used for the 1967/68 guarantee year.</td>
</tr>
<tr>
<td>Wool (per lb.)</td>
<td>4s. 5·25d.</td>
<td>no change</td>
<td>4s. 5·25d.</td>
</tr>
<tr>
<td>Milk (average per gallon) <em>(d)</em></td>
<td>3s. 7·66d.</td>
<td>+ 1·2d.</td>
<td>3s. 8·86d.</td>
</tr>
</tbody>
</table>
Guaranteed Prices for Crops

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Guaranteed Prices for 1967 Harvest determined after the Annual Review 1967</th>
<th>(i) Guaranteed Prices for 1968 Harvest determined after the Annual Review 1968</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat (per cwt)(e)(f)</td>
<td>25s. 11d.</td>
<td>27s. 5d.</td>
</tr>
<tr>
<td>Barley (per cwt)(e)(f)</td>
<td>24s. 9d.</td>
<td>25s. 2d.</td>
</tr>
<tr>
<td>Oats (per cwt.)</td>
<td>27s. 5d.</td>
<td>27s. 10d.</td>
</tr>
<tr>
<td>Rye (per cwt.)</td>
<td>21s. 7d.</td>
<td>21s. 7d.</td>
</tr>
<tr>
<td>Potatoes (per ton)</td>
<td>290s. 0d.</td>
<td>297s. 6d.</td>
</tr>
<tr>
<td>Sugar Beet (per ton, 16·0 per cent sugar content)</td>
<td>133s. 0d.</td>
<td>136s. 6d.</td>
</tr>
</tbody>
</table>

Notes on Price Tables

(a) Guarantee payments for fatstock are made weekly by reference to standard prices. For cattle and sheep these are on a pre-determined seasonal scale and payments are subject to abatements and supplements under the graduated deficiency payments scheme described in Part II. These arrangements should normally mean that the guaranteed price for the year is paid exactly; but circumstances can arise where marketings and prices vary from those forecast in such a way that the producers' average return exceeds the guaranteed price for the year. Because of the weekly basis of payment this can happen for cattle, sheep or pigs if market prices go higher than the standard prices in some weeks and in others guarantee payments are made. For pigs, the method of calculating the guarantee involves an element of estimation and can result in the producers' average return differing slightly from the guaranteed price.

(b) The guaranteed price for pigs is subject to the flexible guarantee and feed formula arrangements as set out in Part II.

(c) The guaranteed prices for hen and duck eggs are subject to the indicator price and feed formula arrangements as set out in Part II.

(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 price for barley is subject to the standard quantity/target indicator price arrangements. The guaranteed price for wheat is subject to the operation of the target indicator price.

(f) In order to promote orderly marketing throughout the season, the guaranteed price for wheat is subject to the operation of a seasonal scale and the guaranteed price for barley to arrangements whereby premiums are paid for barley delivered, after sale, in the later months of the cereal year and deductions made 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 1968/69 and for crops of the 1968 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 1968/69 has been calculated as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Provisional Standard Quantity 1967/68</th>
<th>Adjustments for Changes in Liquid Sales</th>
<th>Provisional Standard Quantity 1968/69</th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Wales</td>
<td>1,855·2</td>
<td>+5·1</td>
<td>1,860·3</td>
</tr>
<tr>
<td>Main Scottish Area</td>
<td>190·7</td>
<td>-0·7</td>
<td>190·0</td>
</tr>
<tr>
<td>Aberdeen and District</td>
<td>20·6</td>
<td>+0·1</td>
<td>20·7</td>
</tr>
<tr>
<td>North of Scotland</td>
<td>10·5</td>
<td>+0·1</td>
<td>10·6</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>104·5</td>
<td>+0·3</td>
<td>104·8</td>
</tr>
</tbody>
</table>

| Total               | 2,181·5                              | +4·9                                   | 2,186·4                              |
3. The final figures for the standard quantities for 1967/68 for each of the five milk marketing areas are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Million gallons</th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Wales</td>
<td>1,853.8</td>
</tr>
<tr>
<td>Main Scottish Area</td>
<td>191.1</td>
</tr>
<tr>
<td>Aberdeen and District</td>
<td>20.7</td>
</tr>
<tr>
<td>North of Scotland</td>
<td>10.5</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>104.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,180.9</strong></td>
</tr>
</tbody>
</table>

Fat Cattle

4. **Graduated Deficiency Payments Scheme.** With effect from 1st April 1968, 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 28s. 0d. to 34s. 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 34s. 0d. per cwt., or is less than 28s. 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

5. **Graduated Deficiency Payments Scheme.** With effect from 1st April 1968, 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 3d. to 5d. 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 5d. per lb., or is less than 3d. 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

6. **Flexible Guarantee Scale.** The flexible guarantee scale (set out in paragraph 7 of Appendix VI, Part II of the 1967 Annual Review White Paper) will be modified and with effect from 1st April 1968, 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>11·6 million or more but less than 11·9 million</td>
<td>+ 2s. 9d.</td>
</tr>
<tr>
<td>11·9</td>
<td>+ 1s. 9d.</td>
</tr>
<tr>
<td>12·2</td>
<td>+ 9d.</td>
</tr>
<tr>
<td>12·5</td>
<td>Basic guaranteed price 9d.</td>
</tr>
<tr>
<td>13·9</td>
<td>− 1s. 9d.</td>
</tr>
<tr>
<td>14·2</td>
<td>− 2s. 9d.</td>
</tr>
<tr>
<td>14·5</td>
<td>+ 2s. 9d.</td>
</tr>
</tbody>
</table>

There will be a further adjustment of 1s. for each complete 0·3 million or part thereof by which the forecast level of certifications falls below 11·6 million or exceeds 14·8 million.

7. **Feedingstuffs Formula.** In 1968/69 the guaranteed price will continue to be subject to adjustment in respect of changes in the cost of a compound feed ration and the changes will continue to be expressed in terms of an index. The weightings used in the calculation have been brought up to date; and the revised price (34s. 11d. per cwt.) to which the new guaranteed price is related is deemed to be equivalent to 1,000 points on the index. For every movement of 10 points from 1,000 points, the guaranteed price will be adjusted by 3d. per score.

Eggs

8. In 1968/69 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 1968/69, the British Egg Marketing Board's average selling price for hen or duck eggs is below the appropriate indicator price, the proportion of the difference to be met by the Exchequer will be reduced from 40 per cent to 30 per cent in accordance with the arrangements set out in the Orders referred to above as subsequently amended by the Eggs (Guaranteed Prices) (Amendment) Order 1966 (1966 No. 479).

9. Feedingstuffs Formula. In 1968/69 the guaranteed prices for hen and duck eggs will continue to be subject to adjustment in respect of changes in the cost of a compound feed ration and the changes will continue to be expressed in terms of an index. The weightings used in the calculation have been brought up to date; and the revised price (35s. 3d. per cwt.) to which the new guaranteed prices are related is deemed to be equivalent to 1,000 points on the index. For every movement of 21 points from 1,000 points on the index each guaranteed price will be adjusted by 1d. per dozen.

Cereals

10. Standard Quantities. As stated in paragraph 47 of this White Paper, the standard quantity for wheat is being abolished as from the beginning of the 1968/69 cereal year. The standard quantity for barley for the 1968/69 harvest will be 8,600 thousand tons. This represents an increase of 750 thousand tons over the standard quantity for the 1967 harvest determined after the 1967 Annual Review. (Because the wheat acreage was abnormally low in 1967 the operation of the crop adjustment formula will result in some increase in the barley standard quantity as determined after the 1967 Annual Review and a corresponding reduction in the wheat standard quantity for 1967. The precise adjustments to be made will be determined after the end of the 1967/68 cereal year.)

11. Method of Calculation of Deficiency Payment. In order to relate production to the standard quantity the production of barley in any year will be calculated by multiplying the acreage in that year by a 3-year average of yields (weighted by acreage in those years) including the definitive yield estimate for the year in question. This method of calculation, which differs from the method previously used by the substitution of the definitive yield estimate for the November estimate, will apply as from the beginning of the 1967/68 cereal year. It will therefore apply to the calculation of wheat production in that year for the purpose of any additions or reductions in the unit rate of deficiency payment that may be required under the standard quantity arrangements. With the abolition of the standard quantity for wheat the unit rate of deficiency payment on wheat in 1968/69 and subsequent years will be the difference, which will not be subject to adjustment, between the guaranteed price and either the average market price or the target indicator price, whichever is the higher.

12. Method of Payment. The conversion of the deficiency payments on barley and oats to an acreage basis in 1967/68 and subsequent years will be made by the use of a weighted 3-year average yield, including the definitive yield estimate for the year in question, in the same way as in relating production to the standard quantity of barley.

13. Target Indicator Prices. As stated in paragraph 50 of this White Paper, the target indicator prices for wheat and barley of the 1968 crop will be determined after consultation with the Farmers' Unions at a later stage in the light of decisions to be taken on the future level of the minimum import prices.

14. Escalator Arrangement. The escalator arrangement will operate within a range of production of 8·15 to 8·60 million tons for barley.

Sugar Beet

15. For the 1968 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 1969 crop will be the same as in 1968.
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CABINET

NATIONAL LOTTERY

Memorandum by the Chancellor of the Exchequer

The purpose of this memorandum is to seek the views of my colleagues on three related questions:

(a) Whether as a matter of principle the Government should sponsor a National Lottery.

(b) The application of the proceeds.

(c) The tactics for pursuing the idea further.

2. The Home Affairs Committee have already given preliminary consideration to this subject, and the following summary takes account of the views expressed at their meeting on 1st March.

(a) The principle of a National Lottery

3. Many other countries operate National Lotteries successfully and raise substantial revenues from them for general Exchequer purposes. In this country it has been felt in the past that it would be wrong for the Government to take an initiative in sponsoring or approving a National Lottery because this would cause disproportionate offence to important sections of the community who object to lotteries on sincerely held moral grounds; several attempts by Private Members Bills to establish National Lotteries have therefore been frustrated by Governments in recent years.

4. There are indications however that a growing majority of the public would now positively welcome a National Lottery. On the most recent occasion for testing Parliamentary opinion - the National Lottery Bill promoted by Mr. James Tinn - the Government spokesman did not oppose the principle of a Lottery but invited the House of Commons freely to express a view on it; Second Reading was approved by 69 votes to 17.

5. The main arguments to consider are as follows:

(i) There would still be strong criticism of a National Lottery on moral grounds, particularly in Scotland and Wales. Such criticism might carry less weight however if it were seen that the basic decision had been taken by a large majority in Parliament on a free vote.
Promoting a National Lottery might appear to conflict with the Government's policy underlying the present Gaming Bill. But this Bill does not purport to pronounce on the morality of gambling, only to prevent abuses.

In the Budget context a National Lottery might be criticised as an attempt to escape from serious economic difficulties by an irrelevant fiscal device. On the other hand many people would regard a National Lottery as a popular means of raising revenue, preferable to the alternatives of even higher taxation.

Application of proceeds

Most proposals for a National Lottery include hypothecating the net proceeds to specific areas of expenditure, for example sport, medical research, hospitals generally, etc. Traditionally the Government is opposed to such hypothecation on the grounds that it conflicts with the rational ordering of expenditure priorities in line with resources and real needs; it could also create problems of Parliamentary control over Supply. It could be objectionable to build into a National Lottery a special position for say sport, as a prior claim on our national resources, independently of the claims of other desirable programmes, and to make the level of expenditure on sport heavily dependent on the vagaries of lottery performance from year to year (with the added risk that the Exchequer might have to make good any occasional shortfall in performance).

To hypothecate or not presents a dilemma. On the one hand it is clear that many supporters of a National Lottery attach great importance to raising money for expenditure purposes which are not primarily a Government responsibility or which are not otherwise sufficiently catered for by public finance. Such hypothecation might also help to divert criticism of a National Lottery generally, and it could also give the Lottery a sales appeal. On the other hand a National Lottery would be an expensive undertaking, making demands on staff and other resources in the public sector, and possibly involving the Government in continuing controversy, and it would therefore be unreasonable to embark on such a venture unless there were a substantial direct benefit to public revenues. A second difficulty is that there would be big problems of allocating and controlling expenditure on fringe activities given the way in which the development of longer term public expenditure programmes and the allocation of resources is handled.

Views on this dilemma could be influenced by the likely scale of a National Lottery's operations. The most optimistic guess, based on performance of gambling habits in other countries, puts the net proceeds, after prizes and expenses, at £50 million a year. It is assumed that much of this yield would reflect an alternative to incidental consumer spending, rather than a diversion from other forms of savings, though there might be some diversion from National Savings which the Exchequer would have to make good by additional borrowing. It is unthinkable that a large part of such a sum could be found worthwhile employment on secondary programmes, especially when so many other painful decisions are having to be taken to restrain public expenditure.
9. I regard it as desirable that a large part of the net proceeds of a National Lottery should go direct to the Exchequer. Further study is required of the scope for and degree of any hypothecation, and the mechanics of it, and I would welcome the views of other Ministers on the need for this.

(c) Tactics for the next stage

10. If it were decided in principle to set up a National Lottery, a careful study would have to be made of the detailed terms and the administration, and there would have to be legislation. It would not in any event be possible to begin actual lottery operations until some time in 1969 at the earliest. But it would be unwise to begin this more detailed work before it was clear that the principle of a National Lottery commanded broad acceptance. I suggest, therefore, that we use the opportunity of the Finance Bill this year to test Parliamentary opinion by a free vote on the principle; this could be achieved by including in the Bill a clause to remove the present legal obstacle in the way of running a National Lottery. If acceptance of the principle were confirmed in this way, there would be a need for separate additional legislation in the next Session.

11. In the meantime the further stages of Mr. Tinn’s Bill have to be dealt with. This Bill is unsatisfactory in a number of respects, but it would be difficult to obstruct it on purely technical grounds. I would like to seek to negotiate its withdrawal however by indicating to the sponsors that a Government proposal will be submitted to Parliament shortly, and by assuring its sponsors (without entering into any commitment) that we are giving very careful consideration to the arguments in favour of some measure of hypothecation of the revenues of a National Lottery.

Recommendation

12. I recommend agreement in principle to the Government sponsoring a National Lottery, subject to a further testing of Parliamentary opinion through a free vote on a suitable clause in this year’s Finance Bill. Subject also to the views of my colleagues I would propose to examine further the possibilities of earmarking a limited part of the net proceeds of a Lottery for expenditure on desirable activities which are not likely to be adequately catered for in public expenditure programmes in the foreseeable future.

R, H, J.

Treasury Chambers, S. W. 1.

5th March, 1968
CABINET

PRICES AND INCOMES; ENFORCEMENT OF POWERS

Memorandum by the Secretary of State for Economic Affairs

My colleagues invited me to consider further, in consultation with the Law Officers, the problems of enforcement of statutory powers (CC(68) 16th Meeting, Minute 3). This memorandum sets out the position in the light of my discussion with the Attorney-General.

2. There is no question of imposing a policy in the face of widespread opposition involving very large numbers of employers and unions. The assumption is that the Government can look for a considerable degree of voluntary co-operation and wide public support for the policy. To seek to impose a policy in the absence of such support by wide use of statutory powers and sanctions would demand virtually the end of collective bargaining and the setting up of a large apparatus of price control.

3. But where opposition comes from a relatively few employers and unions, even if these are large ones, challenges to the policy cannot be met quickly and effectively without our having some suitable statutory powers. If even a few groups are seen to be getting away with it against the requirements of the policy, the effect on employers and unions generally - and on public opinion - would be very serious indeed and could quickly undermine voluntary co-operation.

4. This means that the role of statutory powers is still of great importance even though in this sense it is a limited one. It means also that the attitude to the policy of the general public is a very significant factor. There is no reason today to suppose that the public would be hostile to the Government seeking fresh and stronger reserve powers; indeed, given the renewed sense of urgency about our economic situation, notwithstanding devaluation, the public might well feel that we were not facing the facts if we decided not to seek such powers. The strong support of public opinion was a powerful influence at the time of the 1966 Standstill and the decision to take the wide powers under Part IV.

5. In some cases, the use of powers will be sufficient in itself to secure the acquiescence of those concerned because they will be reluctant to face prosecution for offences against the Government's statutory orders or directions. There is also the tendency of the average citizen to rally to the support of the law. But in other cases one must expect that the challenge will not be ended by the use of powers and that those concerned, particularly employees, will take some form of action to try to get their own way.
6. The Prices and Incomes Act, 1966 was drawn in such a way as to avoid, as far as possible, creating offences for which trade unions or trade unionists would be liable to conviction and penalties. The onus for complying with an order or direction deferring or suspending increases in pay falls wholly on the employer. But it was essential to go on in the 1966 Act to provide a sanction against trade unions or employees who might take action "with a view to compel, induce or influence any employer" to implement an award or settlement forbidden under the Act.

7. This special provision was not devised simply to give protection to the employer who was placed under a statutory obligation not to pay more to his employees but also to give trade unions a most necessary safeguard against "any criminal or tortious liability for conspiracy or any other liability in tort" - that is action for criminal conspiracy or for civil damages. Having provided the sanction under section 16(4) of the 1966 Act, it was then possible to provide this safeguard in section 16(5).

8. The possibility remains that employees could be prosecuted and, on conviction, fined. The Act does not provide for imprisonment as an alternative to a fine but a person who refused to pay a fine could become liable to imprisonment for non-payment of the fine. The position in 1966 was such that a person determined against paying a fine would have ended up in prison quite quickly.

9. However, the Criminal Justice Act, 1967 has changed the picture considerably because its provisions relating to non-payment of fines for offences for which there is no alternative penalty of imprisonment (including those under the Prices and Incomes Act, 1966) greatly reduce the likelihood of even a very determined union official or unofficial striker being imprisoned.

10. It is no longer open to the court to order imprisonment immediately for non-payment of fines and an offender must have had time to pay, enquiry must be made into his means, and other forms of enforcement have been found to be inappropriate or unsuccessful. These other forms of enforcement are: civil proceedings may be brought in the High Court and County Court against income, assets, etc., and magistrates' courts may enforce fines by attachment of earnings orders. These provisions should greatly reduce the likelihood of non-payment of fines leading to imprisonment unless the offender were deliberately out to get imprisoned and even then he would have to arrange his personal affairs in such a way that it proved impossible to collect the fines by civil remedies.

11. But it is just possible that the personal affairs of some persons who had been out on strike (especially unofficial strike) for a time might be such as to escape the possibility of a civil remedy - attachment of earnings orders could be applied only when they had returned to work.

12. It is important to keep in mind that the first essential step is to have power to stop payment being made or else the employers in many cases will feel too exposed to co-operate in the policy. The next essential step is to afford employers some measure of protection against strike action, and in many cases unions will be reluctant to face the charge of a strike "against the Government".
13. As the Attorney-General has pointed out, however, the intrusion of the criminal law into this field is always likely to be difficult, as it involves an interference with contractual rights and contractual agreements between employer and employees, for instance where the employer might be a local authority or the settlement one authorised by a statutory Wages Council. It is for the Attorney-General alone (in England and Wales), in his quasi judicial capacity to decide whether criminal proceedings should be started. Before taking such proceedings, he will normally wish to consult Ministers about the possible effects of a prosecution. But, although his decision will be based on considerations of the public interest as a whole, if there is clear evidence of an offence under section 15, it may be his duty to commence proceedings, even though that may be contrary to the wishes of Ministers. Experience during the period of standstill and severe restraint has shown the delicacy of the position as between Ministers and the Attorney-General as a Law Officer.

14. However, in many cases there will be insufficient evidence to justify a prosecution under section 16(4), or to be sure of success if a case is brought, even though it is apparent that employees are seeking to persuade employers to act in breach of statutory orders. To succeed in a prosecution under this sub-section, it would be necessary to prove beyond reasonable doubt that the employee's action was taken "with a view to compel, induce or influence any employer, etc." The difficulty will be in collecting the necessary evidence of intent to satisfy this sub-section where the employees' action stops short of ordinary strike action (e.g. working to rule, a ban on overtime or 'working without enthusiasm'). But although such action as working to rule can cause great difficulty for employers, it is a more limited form of industrial action in many cases than a strike.

15. Prosecution will be particularly difficult if powers are taken to prevent retrospective payments of increases. It will be necessary to show that there had been, by the illegal payment of arrears of pay, an implementation of the original award and not merely an increase awarded by an employer after the period of deferment had expired; and for the purposes of section 16(4) it will be necessary to prove that the employee had taken action with a view to influencing the employer to implement the original award. In the Attorney-General's view, there would be no great zeal for the enforcement of such provision by the criminal courts, and prosecutions might well fail in such circumstances.

16. The Attorney-General considers that the pattern of enforcement in the courts would be exacerbated if the Government were free to make orders without reference to, and recommendation by, the NBPI because, in his view, the courts would be influenced by the fact that employers and employees had taken action contrary to the findings of an independent statutory body.

17. Problems of enforcement do, of course, apply whether there are few or many statutory powers. They arise even in relation to Part II of the 1966 Act which is permanent legislation and in relation to sections 1-3 of the 1967 Act which lapse after 11th August, 1968. The consideration of extended powers, such as described in C(68) 45, does not make it necessary to go beyond section 15(4) of the 1966 Act. It is difficult to see how one could narrow yet further the risk of imprisonment of trade unionists without destroying the credibility of statutory powers. But, penalties apart, an extension of the powers will tend to widen the area of uncertainty about enforcement where they are challenged.
16. The Attorney-General has mentioned the question of industrial action resulting from action in the courts and this is an inherent risk in any statutory powers over pay awards and settlements. The risk may well be greater if the maximum period of delay is extended to 12 months and a bar to retrospection imposed. But we have to weigh this risk against the serious danger of a "free for all" over pay if we have no powers to deter those who challenge our policy.

19. The view we finally take about statutory powers must in the last resort depend on our expectation of being able to enlist wide public support for the policy. I agree with the Attorney-General that, even with such support, we can expect difficult cases over enforcement; without it, the extension of statutory powers would be a hollow exercise.

P.S.

Department of Economic Affairs, S.W.1.

6th March, 1963
CABINET

AMERICAN BALANCE OF PAYMENTS MEASURES:
ACCELERATION OF KENNEDY ROUND TARIFF REDUCTIONS.

Note by the President of the Board of Trade

I circulate for my colleagues' information the attached memorandum which is to be considered by the Committee on Commercial Policy on Monday, 11th March. I hope to report the Committee's views orally to my colleagues on Tuesday, 12th March.

C. A. R. C.

Board of Trade, S. W. I.

8th March, 1968
The United States Administration seem likely not to pursue the ideas which they mentioned to us when Mr. Katzenbach visited London at the beginning of January for introducing some form of export rebate. It now seems probable that they will decide to impose an import surcharge of probably 5 per cent to support their balance of payments. Since this would contravene the G.A.T.T., it seems to be their intention to ask for a waiver which, if granted, would no doubt specify closely the duration of the surcharge and the conditions on which it could be imposed. The United States Administration are expected to reach a decision within the next week or two but the exact timing remains uncertain.

2. During the consultations with the European countries which the Americans have been having in recent weeks, they have hinted that a possible alternative to a surcharge would be the unilateral implementation immediately and in full by the E.E.C. of the Kennedy Round tariff reductions which are due to take place over the next five years. The Germans took up this hint and have been pressing this solution on their colleagues in the E.E.C. It met with resistance from the Commission and the French but the Germans, with some backing from the Netherlands and Italy, persisted and it has now been agreed that the Commission should make an urgent study of the possibility. It is not clear how far the German proposal is conditional on the United States dropping its proposals for an import surcharge, but the United States would certainly be expected to honour its own Kennedy Round tariff reductions according to the timetable originally agreed and to legislate to abolish the American Selling Price system for chemicals.

3. Meanwhile, the Scandinavian countries (whose tariffs of course are low) are we believe letting it be known in Washington that they would be willing to implement their Kennedy Round concessions immediately provided that we and the Six would do the same. They have suggested that we should
make a similar approach to the Americans pointing out that this would increase the pressure on the French to allow the six to participate.

4. There are strong arguments for holding that it would be worth our while to join in a general acceleration of the Kennedy Round tariff reductions if by doing so we could prevent the Americans from taking restrictive measures against our trade, particularly if it would help the passage of the A.S.P. legislation despite the unfavourable mood in Congress. If the Americans impose a surcharge and seek a waiver from the G.A.T.T., which would require a certificate from the I.M.F. that their balance of payments difficulties justified restrictive action, the French would be presented with extensive opportunities for making mischief. There would be a real risk that some countries might seek to take reprisals, and a chain reaction which would seriously upset the expansion of world trade and prejudice the growth of our exports might easily develop. Action which will avoid these consequences and alleviate American difficulties by increasing rather than restricting world trade would be greatly preferable in our own interests; the early reduction of tariff barriers in Europe would be of particular benefit to our exports.

5. At present we propose to make 40 per cent of the ultimate Kennedy Round cuts on the 1st July this year and the remainder by three equal 20 per cent cuts on the 1st January, 1970, 71 and 72. If we decide to accelerate, the mechanics would need further study; it would be impracticable to make the full cut on the 1st July this year, but we should be able to make it on the 1st January, 1969 provided that the decision were taken by the end of August. Although this would mean that imports from next year on would be higher than they would otherwise have been, we should still have the protective effect of devaluation. Moreover, so far as our exports are concerned we should get the full benefits of the Kennedy Round much earlier than we had expected in our main markets other than the U.S.A. and we should avoid the loss of exports which would result from the imposition of a surcharge in the U.S.A., not to mention possible wider repercussions.

6. We should have to face criticism from a number of British industries which would be deprived of a part of their protection sooner than they had bargained for, and would expect to lose more than they would gain: these might include scientific instruments, electronics and optical goods. Others would gain more than they would lose; but those who fear they will be hurt are always more vociferous than those who benefit.

7. There would also be criticism on the ground that with our own balance of payments difficulties we were in no position to help the U.S.A.; and it is true that in canvassing these ideas, the Americans seem to have had in mind acceleration of reductions primarily by the surplus countries. Of course it would suit us best if action by the E.E.C. alone would suffice to stop the Americans from putting on a surcharge but it would be unrealistic to expect this. It would certainly make it easier for the Germans to bring the French into line if we were prepared to act too; and the basis for our action would be that, so far from exacerbating our own balance of payments difficulties, it would be likely to have less damaging consequences for ourselves than the probable alternative.

8. The Annex to this paper contains such estimates as can be made quickly of the probable effect on our balance of
payments of accelerating the Kennedy Round reductions and of the imposition by the Americans of a 5 per cent surcharge on imports. These suggest that either would have a significant adverse effect, the main difference being in the timing of its incidence. A surcharge if imposed in the next month or so would have its sharpest effect this year and next; the main impact of the accelerated Kennedy Round cuts (on the assumptions made) would not come until 1970.

9. I therefore recommend to my colleagues that I should be authorised to inform the United States Government that we are willing to implement our Kennedy Round tariff cuts in full by the 1st January, 1969 or whatever subsequent date may be agreed provided that:

(i) at least the E.E.C. and E.F.T.A. and, if possible, Japan also accelerate to the same extent;

(ii) the American Government do not introduce an import surcharge, export rebate or other measures restrictive of trade; and

(iii) the American Government undertake to proceed with their Kennedy Round cuts in accordance with the agreed timetable and to do their best to get the A.S.P. legislation through Congress this year. If they were to fail in this it would be open to us to reconsider our willingness to go ahead.

C.A.R.C.

BOARD OF TRADE, S.W.1
7th March 1968.
ANNEX

ESTIMATES OF THE EFFECT ON UNITED KINGDOM BALANCE
OF PAYMENTS OF ACCELERATING KENNEDY ROUND TARIFF
REDUCTIONS COMPARED WITH A SURCHARGE ON IMPORTS
INTO THE UNITED STATES

1. If the United Kingdom, E.E.C., E.F.T.A. countries and
Japan, but not the United States, accelerated their Kennedy-
Round tariff reductions so that they were completed by
1st January 1969 (instead of 1st January 1972, as under
present agreements), there would probably be a net loss to
our balance of payments, compared with what it would other­
wise have been. This would result from:

(i) an increase in our imports and

(ii) a reduction in our exports to E.F.T.A.
because of the loss of preference there,
offset to some extent by

(iii) increased exports to E.E.C. countries.

The effect would begin to be felt in 1969, would probably
reach its peak in 1970, and between 1970 and 1972 the loss
could be expected to taper off so that by 1973 (the United
States having made its final Kennedy Round reduction on the
1st January 1972), the position might be roughly restored,
apart from the once for all loss that had occurred.

2. The direct adverse effect on our balance of payments
of a 5 per cent surcharge by the United States on imports
(except those already free of duty - the most likely basis
for the United States to choose) would be felt more sharply
and earlier than the effect of accelerating the Kennedy
Round cuts. If the surcharge were imposed more or less
immediately, its full effect would certainly be making
itself felt by the end of this year. Next year, too, the
effect would probably be greater than would the effect of an
acceleration of the Kennedy Round cuts.

3. In addition to these direct effects the United States
surcharge might touch off restrictive or retaliatory
measures elsewhere and might affect confidence.

4. The following table contains the best estimates we can
make of the likely effects (ignoring the indirect effects)
of accelerating the Kennedy Round cuts and of a 5 per cent
surcharge on imports into the United States on the
assumption that the latter would last for two years only.
The figures depend on a number of assumptions and indicate
orders of magnitude only: they show the adverse change to
be expected in our balance of visible trade compared with
what it would otherwise have been.

<table>
<thead>
<tr>
<th>Kennedy Round reductions completed on 1st January 1969</th>
<th>5 per cent surcharge on United States imports of dutiable goods April 1968 to March 1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968 nil</td>
<td>£m</td>
</tr>
<tr>
<td>1969 20 - 30</td>
<td>20 - 40</td>
</tr>
<tr>
<td>1970 30 - 60</td>
<td>40 - 60</td>
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<tr>
<td>1971 20 - 30</td>
<td>10 - 20</td>
</tr>
<tr>
<td></td>
<td>nil</td>
</tr>
<tr>
<td></td>
<td>70 - 120</td>
</tr>
<tr>
<td></td>
<td>70 - 140</td>
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</tbody>
</table>
5. It will be seen from the table that the likely effect on our balance of payments of an import surcharge by the United States over the years might not be much more adverse than an acceleration of the Kennedy Round cuts but that a much higher proportion of the total adverse effect would fall this year and next. Moreover, the adverse effect of a surcharge in this period is more likely to be under-stated (because of the risk of repercussions) than in the case of acceleration of the Kennedy Round cuts.
Cabinet

Prices and Incomes: Future Policy on Productivity.

Memorandum by the Secretary of State for Economic Affairs

My colleagues invited me (CC(68) 18th Conclusions, Minute 4) to circulate a further memorandum dealing particularly with the four issues which stood out in our discussion last week:

(i) The problem of statutory notification of pay and price increases.
(ii) Powers to delay increases and to prevent retrospection.
(iii) Tying of powers to the use of the National Board for Prices and Incomes (NBPI).
(iv) Application of delaying powers to levels of pay instead of to settlements.

Notification

2. The Prices and Incomes Act, 1966 (in Part II - which can be activated annually by Order in Council) gives us all the power we need to require notification of claims and settlements as a statutory obligation. Even during the 1966 standstill, we did not use this power and there are powerful reasons why we should try to avoid doing so until it is absolutely essential; even then we should need to use it selectively. This power is drawn in terms which enable us to be highly selective (e.g. to specified kinds of work, or specified undertakings, or specified employers or according to the size or location of undertakings).

3. If we used this power at the outset of the new phase of policy, or used it indiscriminately, we would undermine the large measure of voluntary co-operation which we still can reasonably expect to be forthcoming. In any case, we would be snowed under with a mass of paper (including a great many cases where increases were within the ceiling) if we required statutory notification of national and plant bargains.

4. In my view, we do not need to have reported to us every plant bargain. We need to be known to have the power to deal with any bargaining which breaches the policy, and to be able to deal with it when we hear about it even if this is after the event. With these powers, there will be a strong incentive for employers to inform us of all significant bargains without the need to invoke statutory powers of notification.
Power to Delay and Bar to Retrospection

5. We need power to delay wage settlements for at least 12 months because we cannot afford the general level of new wage settlements being above the \(3\frac{1}{2}\) per cent ceiling. A \(3\frac{1}{2}\) per cent ceiling for new pay settlements would be consistent with an annual increase of wages and salaries per head of about 4-5 per cent and this is all we can afford if we are to retain the full competitive advantage of devaluation. This \(3\frac{1}{2}\) per cent is less than the level of settlements since the end of the severe restraint which has averaged over 6 per cent (or about 5 per cent in annual terms).

6. Under Part II powers alone, the maximum delay on a settlement is only four months and thus a 6 per cent settlement would effectively breach the ceiling requirements even if there is no retrospection. If we do no more than re-enact, from August, 1968, the present power to delay for up to seven months, settlements of 6 per cent or more could still breach the ceiling because retrospection cannot be prevented under present powers.

7. A delay of 12 months is bound to have a considerable influence on employers who might be tempted to concede retrospection if the backdating was for a few months only. It could also influence unions who after 12 months will tend to be concentrating their attention on getting a new pay claim through rather than on seeing how much retrospection they might get out of employers.

8. The question of the duration of our powers is very important here - if we take powers for at any rate two years (renewable after the first year by affirmative resolution), and if we have power to delay increases in the rate of remuneration, employers and unions would have to recognise that the Government could continue to delay increases in pay above the ceiling of \(3\frac{1}{2}\) per cent annually.

9. It would still be very desirable to have a bar to retrospection, notwithstanding the inevitable legal uncertainties about its ultimate enforcement, but provided we have power to delay increases for up to 12 months, power to bar retrospection is not crucial for the policy.

10. For any lesser power of delay than 12 months, however, a bar to retrospection is indispensable.

Plant Bargaining

11. It has always been intended that the incomes policy should be applied at plant level. The current White Paper (Prices and Incomes Policy after 30th June, 1967; Cmd. 3235) states that the present "no norm increase" and qualitative criteria are intended to be applied by all concerned with the determination of employment incomes in the private and public sectors whether at industry, company or plant level and including arbitrators, independent review bodies and statutory wage fixing bodies.

12. The application of the ceiling at plant level therefore does not add a new dimension to incomes policy. But it is intended to increase the impact of the policy at this level. To exclude the plant from the scope of the ceiling would be to leave a gaping hole in the policy which would undermine its application at national level and damage its credibility.
13. With a ceiling policy toughly applied, the temptation to exploit loopholes is bound to be great. If the powers can be applied to both national and plant bargains, there should be no inherent tendency for the proportion of plant bargaining to increase. But if we apply the policy toughly at national level and exempt plant bargains altogether, the pressure for those to increase in importance and to breach the policy will be enormous.

Application of the Policy and Tying of Powers to the NBPI

14. The volume of cases in which we would need to use our powers is unpredictable. It will depend largely on the extent of public support and on the firmness we show in dealing swiftly with breaches early on. If we continue to tie our powers to reference of cases to the NBPI there is a risk that the Board would become overloaded and this could react also on its standing. Nevertheless, I have reconsidered this issue because I see the big advantage of our being able to show that increased powers will not be used arbitrarily by the Government.

15. There are three categories of cases involving the ceiling which would require reference to the Board -

(i) Settlements where it is claimed that the increase is not more than 3½ per cent and where examination by the Board would help in establishing the facts. This independent check on the facts would be valuable presentationally and the Board should be able quickly to build up a useful case law which would later reduce the need to continue references in this category.

(ii) Settlements where it is claimed with no real justification that they meet the one criterion for exception to the ceiling — productivity. In these cases, the Board would be able to reject them quickly and without need for more than the briefest of reports.

(iii) Settlements which seem genuinely to be productivity agreements but which need to be fully examined by the Board.

16. I have discussed with the Chairman of the Board the possibility of its being able to handle a much larger flow of references, particularly those in categories (i) and (ii) above. The Board has a considerable flexibility in operation, a substantial membership and a large and experienced staff (now some 200). The Chairman believes that this would be feasible, given the necessary gradual build-up of his staff, and that the Board's reports on such cases could be streamlined and handled largely by staff without necessarily requiring an increase in the Board's membership. I am prepared, therefore, to agree to our continuing the present tying of powers to the use of the NBPI.
Means of Delaying Increases in Pay where these would be in breach of the policy

17. There are two ways in which powers to delay unwarranted increases can be framed:

(i) By reference to the award or settlement which is the point of origin of the increase - the order then forbids implementation of the settlement without the Minister's consent.

(ii) By reference to the rate of remuneration of the employees concerned in the settlement - the order then forbids an increase in the rate (for the same kind of work) without the Minister's consent.

18. Action by reference to the settlement is the basis of the limited powers of Part II of the 1966 Act and the Prices and Incomes Act 1967. Action by reference to the rate of remuneration - or level of pay - was the basis of Part IV of the 1966 Act which was temporary legislation.

19. There are practical and legal difficulties about course (i) above, because there has to be a basic description of the settlement and this is by no means as simple as it sounds, as experience has shown in dealing with cases since the lapse of Part IV. A national agreement may be involved but there are also local agreements which effectively govern the implementation of the national agreement - as in the recent case of the Municipal Busmen. Where plant bargains are involved, the pay of the workers concerned may well be influenced by more than one settlement.

20. There is also a real risk of evasion - at least of serious complications - because the parties could easily make a slight variation in an agreement and this would then constitute a new settlement which would not be covered by the existing order. It would be possible to make a fresh order but this in turn could be evaded by the making of a further agreement. In the process of "chasing" agreements and making a series of new orders, the exercise of powers could become discredited in the eyes of many people.

21. It is true that course (ii) above would smack of Part IV but the new policy is meant to be a more severe one than the current phase of "moderation" for which the limited powers of the 1967 Act were appropriate. The difficulty is basically one of presentation and this could be eased if we finally decided that the Government's exercise of the powers should be tied to reference to the NBPI because then any order forbidding an increase in the rate of remuneration would be coupled with a reference to the Board - unlike the position under Part IV when we could make such an order without reference to the NBPI.
22. The adoption of course (ii) is not absolutely essential to the new policy but it must be recognised that the retention of course (i) — action by reference to a settlement — would almost certainly lead to serious difficulty in applying the new policy firmly and decisively.

23. To sum up on incomes:

(i) We hope to avoid statutory notification but we already have the power to impose it if needed and to do so as selectively as we choose.

(ii) We must have a power to delay for 12 months. New legislation is required if we are to have a power of delay exceeding 4 months.

(iii) We must have power to prevent retrospection if our delaying power is less than 12 months — even with 12 months this is very desirable.

(iv) The policy should apply to all new bargains which increase the rate at which income is earned, whether at national, local or plant level.

(v) Despite some risk of overloading the Board if we were to tie our powers to reference to it, we should continue this tie if it would gain greater support for the policy.

Price Aspects

24. There is not, of course, a strict parallelism between pay and prices, but what I have said above in the context of pay about the important issues of the tying of powers to reference to the NBPI and of statutory notification should apply also to our handling of powers over prices. My colleagues with prices responsibilities will no doubt welcome my conclusion that we should continue the tie of powers to the use of the NBPI.

25. I share the hope that the voluntary operation of early warning for prices at the manufacturing end will continue to be effective. We are seeking, as previously agreed, a modest but valuable extension of the voluntary arrangements. Of course, if the voluntary arrangements were threatened by lack of co-operation, we could use the power to require statutory notification — this has always been clearly understood in our dealings with industry. As in the case of pay, I would hope that this would be on a strictly selective basis.

26. We have considered the taking of power to require reduction of prices, subject to recommendations by the NBPI, and I regard the inclusion of this power so tied to reference to the Board as an essential part of the new policy.

Department of Economic Affairs, S.W.1.
11th March 1968

PS
When the Cabinet considered last June (CC(67) 40th Conclusions, Minute 1) the proposal to introduce British Standard Time, they concluded that it would be preferable to introduce it as a permanent measure, and not experimentally. They should therefore be aware that the Home Affairs Committee recently considered and accepted a proposal by the Secretary of State for Scotland that the Bill should be amended in Committee so that the Act would lapse after three years unless made permanent by affirmative resolution.

2. The Cabinet intended that the introduction of British Standard Time should be a permanent measure. It was thought that the public would expect the Government to take an early decision on whether we should or should not fall in line with Central European Time; that if the change were made experimental the public would have no incentive to make the necessary adjustments; and that it would be unwise to commit the Government to further legislation at a later date, though it would be possible to amend the Act if British Standard Time proved unpopular or inconvenient. In winding up the Second Reading debate on the Bill, the Joint Parliamentary Under-Secretary of State, Home Office, accordingly rejected suggestions that the change should be experimental and said that if in two years disadvantages prevailed the Government would have to take note of that (Official Report; 23rd January, 1968, Col. 364).

3. The Secretary of State for Scotland suggested to the Home Affairs Committee that the opposition encountered by the Bill on Second Reading, the absence of positive support and the public reaction in Scotland both to the Bill and to the actual introduction of Standard Time on 18th February, would justify the amendment which he proposed. Criticism is based on the fact that in the latitude of Glasgow it will not be light until after 9.00 a.m. for almost three months of the year. Children will go to school in the dark and outdoor workers will be delayed in starting work; and attention has been drawn to the risk of an increase in industrial absenteeism and road accidents and to the unpopularity of the wartime experience of summertime extending throughout the year.

-1-
4. The Home Secretary suggested that as an alternative to amending the Bill he should give an explicit undertaking to amend the Act, if necessary, in the light of experience. This would avoid exposing the Government to charges of vacillation soon after the change of policy on the third London airport. By a narrow majority, however, the Home Affairs Committee preferred the proposal to amend the Bill. They thought it would be unfortunate to give ground for the suggestion that the Government were more ready to yield to pressure from the opponents of the Stansted proposal than to a large body of opinion in Scotland and the North of England. The proposal to amend the Bill would have the additional advantage of allowing a period in which to assess the effect of the change on the demand for electricity generating capacity, and it was noted that the need for further legislation would be avoided.

5. The Bill has been passed by the House of Lords and should reach Standing Committee in the Commons in April or May. I invite the Cabinet to decide whether, in view of the arguments presented since the question was last discussed, the Bill should be amended in Committee to allow it to lapse after three years unless made permanent by affirmative resolution. My own view is that this amendment should be made.

M. S.

70, Whitehall, S.W. 1.

11th March, 1968
13th March, 1968

CABINET

DURATION OF POWERS OVER PRICES AND INCOMES

Memorandum by the Secretary of State for Economic Affairs

On 12th March, (CC(68) 19th Conclusions, Minute 2), my colleagues invited me to circulate a memorandum for Cabinet on 14th March examining the alternatives open to us about the duration of statutory powers. I have sent advance copies of this memorandum to the Chancellor of the Exchequer, the Lord President and the Attorney-General but time has been too short for us to meet and accordingly it does not commit these colleagues.

2. The Alternatives

(i) To take powers for 18 months with provision for Parliament to determine their continuance for a further period by means of the Expiring Laws Continuance procedure.

(ii) To take powers for two or three years subject to annual renewal by affirmative resolution procedure.

(iii) To take powers without time limit subject to annual renewal by affirmative resolution procedure.

Legal and Parliamentary Aspects

3. In legal terms, no particular difficulties appear to arise over any of these courses. In Parliamentary terms, however, there are significant differences between course (i) and the other two courses. The Expiring Laws Continuance Bill is subject to debate in all its stages and amendments are in order in so far as they concern excepting from continuance particular provisions of the Act proposed to be continued. From the point of view of presentation, this can be presented as a more severe form of Parliamentary scrutiny than the affirmative resolution procedure of debate of an order extending an Act for a further period which precludes, of course, the tabling of amendments to omit particular provisions of the Act being extended.
As far as Parliamentary opinion is concerned, it is perhaps doubtful whether the choice of course (i) rather than course (iii) ("annual renewal") would decisively influence this although our own supporters might feel that the Government would be more reluctant to use the Expiring Laws Continuance procedure after 18 months to extend the new prices and incomes legislation than to do so by affirmative resolution procedure after 12 months.

Employers and Unions

The Trades Union Congress (TUC) have been opposed to all statutory powers although in practice they have not pressed seriously for the revocation of Part II of the Prices and Incomes Act, 1966. But this does not mean that the TUC and individual unions would be indifferent to the form and duration of the new powers to be sought by the Government. In particular, most unions would see a decision by the Government not to set a definite term to new powers as a very grave development indeed.

The Unions may know in their bones that the Government simply must take wider powers now in the serious economic situation after devaluation even if this means - as a ceiling policy must mean - that collective bargaining is no longer genuinely free to take its full course. It is one thing for them to tolerate extensive new powers which are taken for a definite period only, but it is a very different matter for them to accept that thereafter it is still open to the Government within the limited safeguards of Expiring Laws Continuance, or ordinary affirmative resolution procedure, to continue these powers.

Put bluntly, there will for some time to come be a fear among trade unionists that another party might come into office and find ready to hand powers over pay passed by the Labour Government which can be readily continued under either course (i) or (iii). Although the Tory Party has taken up the posture of opposing all statutory powers over pay and prices, trade unionists cannot be confident that the Tories would let these powers lapse on finding them so conveniently to hand.

The position of employers, including the Confederation of British Industry (CBI), is different only to the extent that they are now in favour of the Government having powers for 18 months or even two years, but the CBI have made it clear to me that their members attach great importance to a definite term being set to the life of new powers over pay and prices. (The CBI Council last month accepted new powers on the basis that these would be "subject to the application of a firm time limit").

If we give the impression that we intend to retain these new powers on a permanent basis there is a real danger of employers and unions finding some common ground for opposition to the Government, something which we have been able to avoid for a long time past. It is difficult to gauge how public opinion generally might react to powers which do not have a firm time limit, but united opposition from management and unions might lessen the amount of general support.
10. We are agreed that to take powers for one year only would be seen as a dangerously weak line, particularly as our economic strategy, including prices and incomes policy, now looks ahead beyond mid-1969. If we took powers for two years only, I see the difficulty of having to face in 1970 another decision about bringing in fresh legislation. There is an obvious advantage in being able to link extension of powers annually through the Expiring Laws Continuance procedure because powers taken for 18 months initially could be continued for a further year in December, 1969.

11. Of the courses before us I would prefer to adopt course (i) with the expectation (but without the commitment) that we should renew it in December, 1969, with or without the limited amendment which would be permissible under the Expiring Laws Continuance procedure. Looking further ahead, for my part, I would favour the retention of statutory powers (greater than in Part II of the Prices and Incomes Act, 1966 but less than we are at present envisaging) as a part of the longer term development of prices and incomes policy. But it would be wiser for us not to commit ourselves finally over the duration of the new powers, or over our longer term attitude to fully permanent powers, until we have had the further discussions with the TUC and CBI. Meantime, we could announce next week that we had decided to seek new powers for at least the 18 months up to the end of 1969 (or for at least two years). This would not preclude our deciding on extension by the Expiring Laws Continuance procedure under course (i) or on annual renewal under course (iii) before publication of the Bill.

Bar to Retrospection

12. It would be easier, I believe, to justify omission of a bar to retrospection in the new legislation if we take powers for at least 18 months. The risk of employers and unions acting together over retrospective payments is obviously less the longer the powers are to remain in force.

13. Of course, the vital need is to get through the first year from the middle of 1968 when our new power to delay increases for up to 12 months will become available. The more successful we are in securing the restraint called for under the new policy on pay and prices, the less likely it is that employers will be prepared to agree to retrospective payments after as long a period of deferment as a year.

P.S.

Department of Economic Affairs, S.W.1.

13th March, 1968
The National Board for Prices and Incomes (NBPI) have now submitted their report on the proposal referred to them last October for increases in Post Office charges.

2. My colleagues will, I feel sure, share my satisfaction that the Board, while finding ground for certain criticisms of the Post Office, were able to conclude that:

"In spite of its defects we have been favourably impressed with its efficiency and with its high regard for the public interest."

I have no doubt that this tribute to the efficiency of Post Office management will be of material help in presenting to the public the need for price increases.

3. I am not yet in a position to bring before my colleagues a full and final view on the Board's recommendations since I am pledged to allow time for the Post Office Users' Council, the Post Office Economic Development Committee and the Staff Sides of the Post Office Departmental Whitley Councils to present their comments on the report. If my colleagues agree, it would, however, be possible to reach conclusions at this stage as to the total sums of additional revenue that I should seek to raise, reserving for later consideration the detailed tariff proposals. In the context of the Budget, it would be desirable for me to be able to indicate the Government's intentions in broad terms as soon as the report is published next Monday (18th March).

4. There is, I think, only one particular feature of the Board's recommendations that I need mention. They couple their tariff recommendation for the new two-tier letter service with an implementation date of 1st April, 1969. This is unacceptable. I have already announced that the new service will start in the autumn of this year and plans to this effect are well advanced. The Board recognised that an earlier implementation date might be desirable on operational grounds and recommended that, in that case, there should be a compensatory deferment in the implementation of certain other tariff changes. I propose to follow this latter recommendation and to introduce the two-tier service at the tariff recommended by the Board in the autumn of this year.
5. On this basis the Board's recommendations would produce additional revenue in a full year of £27 million for Posts and £40 million for Telecommunications. The effect of the changes in postal tariffs which it is now proposed to defer for the time being (paragraph 4 above) would be to add a further £5.5 million to postal income. I will inform the Chancellor of the Exchequer of the likely effect of the changes on Post Office borrowing needs in 1968-69.

6. The yield from the Board's recommendations may be compared with the estimates of Post Office needs - £30 million for posts and £35-40 million for telecommunications - which I gave last July in bringing before my colleagues the proposal for an NBPI reference. Those estimates have since been modified by the effects of devaluation and other changes. Nevertheless, I am satisfied that additional income on the scale of the Board's recommendations will be needed to enable the Post Office to meet its financial targets over the next three years.

7. I invite my colleagues to agree that following the publication of the NBPI report on Monday, I should announce that in accordance with the Board's estimates of Post Office needs I intend to make changes in tariffs designed to raise additional revenue of some £67 million (posts £27 million; telecommunications £40 million) in a full year and that I shall announce shortly the proposed changes and their dates of introduction.

E. W. S.


13th March, 1968
CABINET

PRODUCTIVITY, PRICES AND INCOMES POLICY:
PROVISIONAL DRAFT OF A WHITE PAPER

Note by the Secretary of State for Economic Affairs

My colleagues invited me to circulate for our meeting on 18th March a draft White Paper, recognising that this would have to be a provisional draft prepared in advance of final decisions about the future policy, of the Budget Statement and of consultations with the Confederation of British Industry (CBI) and Trades Union Congress (TUC).

2. The attached provisional draft has been prepared by my officials. It has not been discussed interdepartmentally and is circulated at this stage for information only.

3. Certain important parts of the White Paper including the introduction will be drafted in the light of the Budget Statement.

4. In my view consultations with the CBI and TUC on the contents of the White Paper will be very necessary but cannot take place until after the Budget Statement. It is too much to expect that these bodies will in any sense endorse the White Paper but we must avoid producing resentment through an absence of consultation, particularly from the TUC. The need for such consultation will influence the timing but we must strive to achieve publication of the White Paper not later than Thursday, 28th March.

5. I will consult my colleagues again about a revised draft of the White Paper as soon as possible after I have held talks with the CBI and TUC next week. Meanwhile, interdepartmental discussion of the draft can go forward at official level.

P.S.

Department of Economic Affairs, S.W.1.

15th March, 1968
I. INTRODUCTION

[To be drafted after the Budget.]

II. PRICES AND CHARGES

The continuing objectives of the prices policy are to encourage industry and commerce to avoid cost increases, to increase efficiency, and, wherever possible, to stabilise or reduce prices. Greater price competitiveness will enhance the advantage for home produced over imported goods and the opportunities for development of our export trade which devaluation has provided. The national interest requires that there should be a continuing effort to contain cost increases by improvements in efficiency and greater productivity, avoid unjustifiable price increases and reduce prices where practicable.

Price Increases

2. It is inescapable after devaluation that price increases will occur where costs of manufacturing and distribution have been directly increased as the result of higher costs of imported materials and of components. But it is essential that increases in manufacturers' and distributors' prices due to higher import costs should do no more than cover the increase in costs overall that has been sustained, and the Government will continue to examine proposed increases with this in mind.

3. A recent report by the National Board for Prices and Incomes has demonstrated, in the particular case of prices recommended by

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Footnote:
Report No. 55 on Distributors' Margins in Relation to Recommended Prices (Command 3546)
manufacturers for the resale of their goods, that a reduction
in distributors' percentage margins should be made where the
manufacturer's price has to be increased because of devaluation.
The Government consider that in principle there should be no
automatic maintenance of distributors' margins when distributors'
prices are increased to take account of higher costs due to
devaluation.

b. Increased prices, particularly of foodstuffs, due to
drastic in supply for seasonal or other reasons are also
unavoidable, but where prices rise for these reasons they
normally fall again when supplies are plentiful.

[Price increases as a result of Government action.]

c. In all other cases, price increases should take place only
where strictly justified by one or more of the criteria set out
below. This applies to all prices for the sale of goods —
manufacturing, wholesale and retail — and for all charges for
the performance of services on the home market by both the public
and private sector.

Criteria for Price Increases

d. The criteria, drawn up in consultation with both sides of
industry, which are set out in Command 3235 will continue
to apply:

These criteria allow price increases 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 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.

Price Reductions

1. The need in the present economic circumstances to increase price competitiveness makes even more necessary efforts by all concerned in determining prices to reduce prices wherever possible. In particular, prices in the manufacturing sector will need to fall in order to offset price increases in other sectors where it is not difficult to absorb increases in costs by increasing productivity.

Criteria for Price Reductions

8. The criteria for price reductions specified in Command 3235 all continue to apply. These require price reductions:

(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, 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.

Prices Supervision

As in the case of incomes it is the Government's intention that the policy on prices in this new phase should continue as far as possible to operate on a voluntary basis. The number of individual prices in the economy makes detailed supervision of all prices impracticable. However the Government intend that the early warning arrangements for notification of proposed increases in prices should continue and, where necessary, be extended in cooperation with industry and commerce. These arrangements enable the Government to maintain a watch on the trend of prices over a wide range of goods of economic significance, including those of importance in the cost of living.

10. The voluntary early warning system is described in the White Paper on Prices and Incomes Policy: An "Early Warning" System (Command 2808). The goods and services to which these arrangements currently apply are listed in Annex , and as announced in Parliament recently the Government are in consultation with industry on the addition of further goods to this list.

11. The consistency of proposals for increases notified under these arrangements with the policy set out in this White Paper will be rigorously scrutinised, and appropriate cases will be referred to the National Board for Prices and Incomes for examination.

12. There are also arrangements to keep watch over the trend of manufacturers' prices of certain goods (excluding food) where advance notice of individual price increases is not practicable, e.g., because of fluctuations in raw material prices (Annex ). These arrangements will be extended. The arrangements for keeping a constant watch on the prices of a number of basic foodstuffs will continue (Annex ).
These arrangements for the supervision of prices are, except in the case of certain foodstuffs, concerned with the prices of manufacturing industry. The Government intend also to keep generally under review the trend of retail prices because of the importance of avoiding unjustifiable increases in retail prices which would offset restraint exercised at the manufacturing end. Where appropriate, the Government departments concerned will follow up with retailers the movement of prices of particular products.

Application of the Policy

1. The criteria and considerations set out above are intended to be applied by all concerned, including wholesalers and retailers, in the determination of prices and charges on the home market in both the private and public sectors.

15. The Government intend to make full use of their power to refer to the National Board for Prices and Incomes any question relating to prices where independent examination is desirable. Such references will, in accordance with the Government decision announced by the Prime Minister in September, 1967, include any proposals for major increases in the public sector.
III. RENTS AND RATES

16. House rents are a large item in the family budgets of workers, and sharp changes in rent levels are, therefore, of significance for incomes policy.

17. Since the measures of July, 1966, most local authorities have followed Government advice and kept increases in the rents of their houses to no more than has been needed to meet increases in costs. Many have adopted or improved rent rebate schemes. Some, however, have raised rents more sharply, for example on a scale designed to secure sufficient revenue now to cover cost increases over several years ahead. Whatever justification there may have been for such action in other times, it would not in present circumstances be compatible with prices and incomes policy.

18. The Government have decided therefore to take powers to require early warning of rent increases and to enable them to direct local authorities to moderate rent increases which they regard as unduly high in present circumstances.

19. Many private rents are still rigidly controlled under the Rent Act, 1957. For those subject to rent regulation under the Rent Act, 1965, fair rents are determined by Rent Officers or Rent Assessment Committees. These give rise to sharp increases in certain cases, and it is therefore proposed that in the present situation power should be taken for the Housing Ministers to make Regulations for a scheme of phasing, over a period not exceeding three years, of increases above a stipulated minimum amount.

20. In view of the effect on costs of increases in rents for business premises and land, those concerned should take into
account the need for restraint in any negotiation of rents to take effect over [this period].

Rates

21. Rates as a form of taxation are outside the scope of prices and incomes policy. Rates this year are being made against the background of the Government's request to local authorities that the rate of growth of local government expenditure will have to be kept substantially below the 6 per cent to 7 per cent per annum of the recent past, which will mean little room for the improvement of services and, in some cases, a temporary lapse in standards. Similar restraints will apply in Scotland (where rates are fixed later in the year).

22. On this basis the rise in rates in England and Wales can be expected to be about the same as last year and substantially below the average of previous years. The rate for householders will be 10d less than the general rate as a result of increases in Exchequer grant. Since rate poundages are higher in Scotland the reduction in the rate for householders will be 1/8d in 1968/69.
IV. INCOMES

Over the next [two years] it is of paramount importance for the national economic strategy after devaluation to obtain a large measure of restraint on income increases. The objectives are:

(i) first, to keep intact the competitive advantage of devaluation by avoiding increases in money costs;

(ii) second, to limit consumption by avoiding any increase in incomes to compensate for the increased cost of living resulting from devaluation and from direct Government action.

The economy cannot yet afford any general increase in personal incomes and all increases or other significant improvements must continue to be justified against the criteria and considerations which are set out below. The Government are anxious to give every encouragement to genuine productivity agreements which can make a valuable contribution to raising productivity in the interests of exports and import saving and the policy is intended to take this vital need fully into account.

Earmnt Incomes

Without firm guidance about the tolerable level of settlements, the tendency during a period of rising economic activity and substantial increase in the level of prices is for the average outcome of wage and salary settlements to rise beyond a level that the country can afford. In order to provide a clear lead the Government have decided to set a "ceiling" on all wage and salary increases which can be justified against the criteria. From now on until the [end of 1969] the ceiling will apply at the level of 3\(\frac{1}{2}\) per cent on wage and salary increases, calculated as an annual rate since the date of the last increase.

Application of Ceiling

Wage and salary earnings are commonly determined by reference to rates or scales of pay which may apply to the time worked or to units of work or output or to a combination of both. The 3\(\frac{1}{2}\) per cent ceiling is intended to be applied to increases in these rates or
or scales, but not to increases in earnings which are legitimately due to increases in hours worked and/or the amount of work done.

27. This means that the ceiling should cover increases in basic rates and allowances, including basic pay scales or ranges; rates for overtime, night or shift working; payment by results rates (including piece-rates, bonus and merit rates) and lieu rates; and skill and responsibility allowances, etc. Improvements in fringe benefits, normal or standard hours of holiday entitlement must also be taken into account for the purpose of applying the ceiling.

28. Changes in rates or scales may be settled at national, local, firm or plant level but where groups benefit from increases or improvements settled at more than one level, the application of the ceiling requires that the overall increase should not exceed the 3½ per cent ceiling. In some industries with national rates it will therefore be inappropriate to negotiate general pay increases.

29. Where groups of workers are considered together, or a wage or salary structure is considered as a whole, the ceiling can be taken as applying to the overall increase in rates, thus permitting flexibility of adjustment of rates within the group or structure.

29a. Changes in payments by results rates (including piecework rates, bonus rates or standard times) should not result in high earnings unless they can be justified on grounds of increased effort or efficiency and should be contained within the ceiling. Where such changes take place consequential
increases for other groups whose pay is directly linked will be permissible [provided these groups also increase effort or efficiency].

30. It is not intended that the 3½ per cent ceiling should apply to:

(1) Increases in pay genuinely resulting directly from increased output, e.g. piece-work earnings, commissions on sales, necessary increases in overtime worked, etc.;

(ii) Normal arrangements for increasing pay with age, as with apprentices or juveniles, or by means of regular increments within a fixed range or scale;

(iii) Individual increases in pay genuinely resulting from increased responsibility or special merit or promotion to work at a higher level, whether with the same or a different employer.

It would be contrary to the policy for posts to be regraded without proper justification as a means of raising pay above the ceiling.

Criteria for Incomes Policy

31. Over the period ending [ ] the broad criteria contained in Command 3235 which were agreed with Management and unions will continue to apply. These provide for increases in 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.

These criteria will need to be applied firmly and should be read in conjunction with the considerations which are set out below, and where appropriate with the reports of the N.B.P.I.

2. The criteria relating to productivity bargaining and improvement in the pay of low-paid workers are often used to justify pay increases and both the C.B.I. and T.U.C. accept that priority should continue to be given to increases justified under them. Low paid workers will be able to benefit up to the ceiling if their claims satisfy the appropriate criterion, and there can be above-ceiling increases for them within a settlement which overall does not exceed the ceiling. The action taken by the Government to raise family allowances will also help lower paid workers with two or more children.

3. The criterion justifying increases on grounds of comparability is also frequently invoked, but it needs to be applied selectively and must not be used to spread pay increases into areas of employment where the original justification does not apply. The criterion justifying pay increases on manpower grounds is the least used of all the criteria, and there is a
growing acceptance on both sides of industry that the most effective way of remedying a labour shortage is to use existing manpower more efficiently.

Cost of Living

(a) Pay increases based on a rise in the cost of living are not justified under the criteria, and should not be conceded. Not only would this be self-defeating since it would result in further increases in costs and prices, but it could set off a wage price spiral that would damage our competitive position. The T.U.C. have accepted that increases in prices resulting from devaluation should not constitute in themselves justification for increases in wages. [Similar considerations should apply to price increases resulting from Government action which are intended to facilitate the switch of resources from consumption to exports, import-saving and investment.]

(b) Cost of living sliding scales are of diminishing importance in industry and rarely, if ever, compensate fully for cost of living increases. But during a period when price increases are inevitable it may be thought that they confer an advantage over those workers who do not have them or are in the process of discontinuing them. Pay increases resulting from such existing arrangements should be taken fully into account in applying the ceiling to the pay of the group covered.

Interval between Settlements

(c) Twelve months should continue to be regarded as the minimum period which should elapse between the operative dates of successive improvements. Both the C.B.I. and T.U.C. have accepted that claims for improvements in wages and salaries due to take effect within 12 months of the previous settlement should be regarded as incompatible with incomes policy.
exception to the Ceiling

37. At a time when a rapid increase in productivity is essential in the interests of exports and import saving an exception to the ceiling can justifiably be made for genuine productivity agreements which raise productivity sufficiently to justify a pay increase above 3½ per cent after conforming to the guidelines laid down by the N.B.P.I. in their Report No.36 on "Productivity Agreements". Major reorganisations of wage and salary structure which can be justified on grounds of economic efficiency and increased productivity may also qualify for exceptional treatment, but all such cases would be referred to the N.B.P.I. for examination.

Staging

38. It was stated in paragraph 24 of Command 3235 that in some cases it is appropriate for substantial improvements in pay or conditions to be achieved by stages, even though justified under the criteria. The application of the ceiling should considerably reduce the number of cases where large increases are justified, but they may still occur where a much longer interval than twelve months has elapsed since the previous increase or improvement, or there is an exception to the ceiling. The need to consider staging in such cases will be particularly important in a period when the great majority of workers will be able to receive only limited increases.

Notification of Claims and Proposed Settlements

39. Under the existing early warning arrangements the Government receive information about claims and proposals to increase pay from the C.B.I. and the T.U.C., from organisations which are not members of either of these bodies and directly from firms and employers' organisations in the case of local and company negotiations. It is intended that these arrangements and the
similar arrangements in the public sector will continue on a voluntary basis.

40. Information about claims and proposed settlements will continue to be required at both national and local level and from companies employing [ ] employees or more.

41. The Government already have powers under Part II of the Prices and Incomes Act, 1966, to require statutory notification, but they do not intend to use them unless the voluntary system is not working satisfactorily.

Application of the Criteria

42. The ceiling and criteria for incomes policy and the considerations set out above are intended to be applied by all concerned with the determination of employment incomes in the private and public sectors, whether at national, local, company or plant level and including arbitrators, independent review bodies and statutory wage fixing bodies.

43. It will continue to be the aim of the Government in consultation with the C.B.I. and the T.U.C., and with the assistance of the parties and of the N.B.P.I. in appropriate cases, to secure the effective and consistent application of the policy both in the private and public sectors.
There continues to be widespread recognition of the value of the work of the National Board for Prices and Incomes and of its role as an independent statutory body in furthering the objectives of the productivity, prices and incomes policy.

The Board has been strengthened to enable it to deal with an increased volume of work covering the expected increase in post-devaluation prices and incomes references and it will be further strengthened if this should prove necessary.

In consultation with the C.B.I. and T.U.C. and other interested bodies the Government will continue to refer to the Board appropriate cases relating to the application of the productivity, prices and incomes policy and matters of longer term importance to the policy.

To be drafted after decisions have been taken.
CABINET

POST OFFICE: THE INLAND TELEGRAM SERVICE

Memorandum by the Secretary of State for Economic Affairs

The Committee on Industrial Policy have agreed that the Postmaster General should announce that the Post Office would close down the inland telegram service on 31st March, 1973 (or earlier if possible) and replace it by an emergency service and - subject to public demand - a Postagram service for special greetings. I have been invited to report to the Cabinet the background to this decision.

The service at present

2. The inland telegram service has for many years operated at a loss; over the next five years it is expected to be about £3 million a year. An annual total of 65 million messages immediately after the 1939-45 war has now fallen to 9 million, and the rate of decline is about 5 per cent a year. In spite of staff economies and variation of charges there is no prospect of making the service profitable.

3. The types of message sent can be divided as follows:

- Greetings and congratulations: 33 per cent
- Other social messages: 23 per cent
- Business (e.g. the fish industry, bookmakers' clients): 22 per cent
- Miscellaneous (including money order messages, requests to telephone and press telegrams): 21 per cent
- Life and death messages (urgent requests to see a dying person): 1 per cent

The emergency service

4. Against this background the Postmaster General proposed that the present service should be abolished and replaced by an emergency service. This service would cover not only imminent death but also dangerous illness, emergency admissions to hospital, and circumstances involving national or local emergencies; a more detailed definition of the service, together with the kinds of situation covered, is set out in the Annex. The charge for this service would be fixed initially at the present standard charge of 5s. for twelve words which will, of course, involve a substantial loss on each message.
5. In proposing this service the Postmaster General, at the instigation of the Committee on Industrial Policy, has gone a considerable way beyond his original concept of a service confined to messages concerning imminent death. Some members of the Committee had suggested that there should be a residual service which could be used for any urgent message; in particular, they had in mind the needs of those people, mainly concentrated in working class areas, who did not have easy access to a telephone. However, in further discussion it was accepted that the Postmaster General had in his revised proposals gone as far as was possible in extending the service; any further broadening would have seriously undermined the objective of cutting losses and it would be impossible to give sufficiently precise instructions for Post Office staff to operate such a service efficiently and without across-the-counter disputes of what was an urgent message. The Committee was further influenced by the fact that nearly all business users could be expected to use the telephone or telex service by 1973 and that a large proportion of private telegrams were not of an urgent nature. The letter service can deal with most moderately urgent situations; and the position will be further eased if the Post Office are successful in their effort to encourage shopkeepers to have telephones for public use and if, as is expected, 45 per cent of homes have telephones by 1973. Further to this, the Postmaster General has undertaken to consult with interested bodies, such as the National Council of Social Service, the Post Office Users Council and Government Departments on the final details of his proposed emergency service.

6. He will also consult with those business users who still make substantial use of the telegram service with a view to arranging for them new or extended telex and telephone facilities.

The Postagram Service

7. Subject to evidence of sufficient public demand he will replace the present greetings telegram service by a Postagram service in which greetings cards would be delivered through the ordinary post.

Timing

8. The Postmaster General proposed that the service should not be closed until March, 1973 - though it might be earlier if possible - so that he would have full time to consult users and in particular to make arrangements for redundant staff. In view of this long period the Committee considered whether the announcement of their decision might be postponed. However, they accepted that the Postmaster General should start his consultations as soon as possible and that once this had happened his intentions would inevitably become generally known.
Conclusion

9. Given the heavy financial loss of the service, the alternative facilities available and the scope of the emergency service now proposed the Committee agreed that the Postmaster General should make an early announcement of the termination of the service. They recognised, however, that this decision might well be criticised, particularly in remote and rural areas, and they accordingly invited the Postmaster General to inform his colleagues of the terms and timing of his announcement.

10. I invite my colleagues to endorse the decision of the Committee on Industrial Policy.

P.S.

Department of Economic Affairs, S. W. 1,

19th March, 1968
THE EMERGENCY SERVICE

1. The service would be available for any message which expressly calls for immediate action or reply by the recipient, and which:

   (i) refers to impending or actual death; serious accident; or dangerous illness, or
   (ii) expresses serious anxiety about the safety of life of an individual or group of persons, or
   (iii) is directly connected with alleviating a national emergency, or serious local disaster.

2. The kinds of situation covered by this definition are listed below:

   (i) Notification of hospital patients becoming dangerously ill, or who had died.
   (ii) Notification of emergency admissions to hospitals, e.g. in street accident cases, or illness or accident at home.
   (iii) Notification of persons dangerously ill or who had died at home.
   (iv) Notification of a psychiatric patient who has absconded or discharged himself from hospital.
   (v) Messages to trace a missing child.
   (vi) Messages tracing contacts on highly infectious disease cases; or warning of defect, loss or sale in error, of a dangerous drug or substance (e.g. petrol).
   (vii) Messages in a national strike, war alert, national drought, or like situation.
   (viii) Messages in a local emergency, e.g. Aberfan, train accidents, mountain rescue, flooding.
We weighed carefully the considerations involved in allowing any exception to the ceiling other than that for genuine productivity agreements. We decided that there were powerful reasons against an exception for low paid workers and, in doing so, we agreed to increase family allowances.

2. These powerful reasons against such an exception were:

(i) We use the term "low paid worker" but there is no definition of it and no prospect of being able to agree with the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) on a workable definition.

(ii) An additional exception for low paid workers would make it extraordinarily difficult to resist pressure from unions in the public services to treat the criterion of "fair comparison" as another exception to the ceiling making the ceiling look more like the accustomed "norm", or automatic entitlement to a minimum increase.

(iii) Employers would be exposed to intolerable pressure from unions who are only too ready to use the low paid as a "stalking horse" to obtain all round increases with preservation of traditional differentials.

(iv) Although some of these differentials have no real justification today, there is increasing concern over the narrowing of differentials which do reflect genuinely skill and responsibility.

3. In looking again at the presentation of the policy without an exception for low paid workers, we should be clear that it does not mean the pay of these groups of workers will increase by a maximum of 3½ per cent when prices will be rising by twice as much.

-1-
4. The relevant points about the policy as it now stands are:

(i) Many low paid workers will benefit from increased overtime and piecework earnings as industrial activity picks up.

(ii) A good many low paid workers will be able to receive above-ceiling pay increases arising from genuine productivity agreements at plant level.

(iii) It is open to a group containing low paid workers to negotiate above-ceiling increases for the low paid within a settlement which overall was within the ceiling. This is what the National Board for Prices and Incomes (NBPI) recommended for the engineering industry. For example, the 3 3 per cent increase could be given as a flat rate increase which would ensure that proportionately the lowest paid received larger increases.

5. Presentationally the family allowance increases are of great importance because the most vital area of public concern about the vulnerable groups of workers relates to family endowment. We are proposing a further increase of three shillings a week from October in addition to the seven shillings increase from April.

6. With pay increases of up to 3 3 per cent, these increases in family allowances should give substantial protection to low paid workers with families of two or more children. For example, a man earning £15 a week (this is the target of the TUC for guaranteed minimum earnings) could receive a pay increase of 3 3 per cent plus a family allowance increase of 10 shillings (3 3 per cent) if he has two children or £1 (6 3 per cent) if he has three children.

7. Of course, there are the Budget tax increases but these have been designed, as far as possible, to bear less hardly on the least well-off workers. It is estimated that the effects of the Budget tax changes on a married couple with an income before tax of around £15 a week will be to reduce their annual income after tax by about 1.25 per cent (about £8. 7s. 0d). The corresponding figure for a married couple with two children on the same level of income is less than 1 per cent (about £7. 10s. 0d). This calculation does not take into account the effect of the increases in family allowances.

8. Notwithstanding these important factors which will apply to a considerable number of low paid workers, we have to recognize that there will be little flexibility for above-ceiling increases for the low paid workers in industries in which the low paid predominate, for example Agriculture and a number of Wages Councils industries. We have again considered whether anything could be done to devise a limited form of exception to cover such cases - but one which would stand a chance of restricting above-ceiling increases to the genuinely low paid.
9. We have had practical experience, however, of trying to restrict pay increases in these industries to the low paid, particularly during the period of severe restraint. There is often a wide gap between the statutory minimum wage rates and average earnings, and the distribution of earnings is such that increases given to all the workers could not really be justified on low paid worker grounds. We referred to the NBPI the case of the Retail Drapery, Outfitting and Footwear Trades Wages Council covering 340,000 workers. The Board found that workers in those trades as a whole were not amongst the lowest paid in the community, although the minority whose remuneration was at the level of the statutory minimum were among the lowest paid. Other Wages Councils would be in a similar position.

10. Even in the case of Agriculture, where average weekly earnings including overtime are well below those in any other industry for which such figures are available, the NBPI found some groups where there was no case for applying generally a pay increase intended to assist the lower paid.

11. It should be kept in mind that Wages Councils industries (together with the Agricultural Wages Boards) account in all for some 4 million workers; of these 2½ million were women.

12. We have considered whether these problems might somehow be mitigated by fixing a minimum earnings level of say £12 for men and £10 for women (excluding overtime) and allowing above-ceiling increases only for earnings below these minima. But the difficulty here is that workers with earnings below these minima are very widely distributed between industries and bargaining groups. In industries where there are relatively large numbers of such workers, it would probably be impracticable to squeeze differentials to the extent required.

13. If overtime earnings were included - which would bring the £12 minimum up to about £14 - there would inevitably be a great many borderline cases due to fluctuations in overtime and it would be impossible to differentiate clearly between those workers on one side of the line entitled to an above-ceiling increase and those on the other who would receive no more than 3½ per cent.

14. The problems we face in applying firmly a general ceiling of 3½ per cent are considerable; those associated with maintaining a dual ceiling to allow some form of exceptional treatment for the low paid would be insuperable. We have been forced to the conclusion therefore that, for the time being at least, there is no effective way in sight of departing from our previous decision without running the gravest risk of undermining the ceiling concept on which our new policy is based. But we think it right that officials should press on with the current study of a national minimum wage and that, following this, we should envisage talks with the CBI and TUC about the problems of getting some workable definition of low paid workers.

P.S.
R.J.C.

Department of Economic Affairs, S.W.1.

20th March, 1968
26th March, 1968

CABINET

PUBLIC EXPENDITURE PROSPECT

Memorandum by the Chancellor of the Exchequer

Background

It is now some two months since we finished the January review of public expenditure. The new financial year is just about to begin and my colleagues should know how the public expenditure prospect now appears.

2. Our management of public expenditure must certainly be one of our major pre-occupations over the next three years. This is partly a question of sticking to figures which we have announced; but more important is the effect on the rest of the economy, and in particular on exports, personal consumption and industrial investment, if we exceed those limits.

3. We published in January our expenditure plans for the next two years (Cmnd. 3515); and we have now, for the first time, also published the economic forecasts upon which the 1968-69 Budget has been based. The latter make public the way in which the public sector's demands compete with other demands for available resources.

Figures

4. There is an important difference between the figures in the January White Paper (Cmnd. 3515) and those in the Financial Statement which accompanied the Budget. The latter shows the provisional out-turn for 1967-68 at current prices and the estimate for 1968-69 on the price basis of the following Public Expenditure Survey. The increase implied by these figures is 7 per cent. Although this figure does not provide a measure of the increase between the two years in terms of resources, it cannot be ignored completely because of its relevance to the financing problem and because it sets us a presentation problem, which may grow worse as any addition to costs, such as pay increases, emerges during the year. The White Paper, on the other hand compares the estimate for 1967-68 with that for 1968-69 on a constant price basis. This shows an increase in real terms of 4½ per cent and it is to this figure that we are publicly committed.
5. By Budget Day Government decisions had added some £50 million to the expenditure foreseen in January for 1968-69. Fortunately the economies secured from examining the Estimates and for other changes have meant that we have been able to absorb this £50 million, and at Budget Day the estimated increase for the year was still only 4.6 per cent.

6. But we already face some £80 million additional expenditure for cancellation charges and other items which we know to be coming along. Every £15 million adds 0.1 per cent to the 4.6 per cent. In other words, what is already in prospect would take us over 5 per cent next year. It follows that there is a continuing need for savings where we can find them and for avoiding further new commitments.

7. Over two-thirds of total public expenditure is embodied in controlled programmes (defence, social security, education, health and welfare, housing, rates and the Home Departments). I certainly do not want at this stage to reopen the decisions reached on them last January, though it is clear that any proposals involving increases in these programmes could only be met by reductions elsewhere within them. Problems are, however, more likely to arise in the remaining sector where legitimate claims on public funds may well arise either because of emergencies (such as the Torrey Canyon or foot and mouth disease compensation) or because of open-ended commitments, such as investment grants, agriculture and some technological projects.

8. In view of this I am asking my officials to examine the whole field for possible savings, and I ask my colleagues to help by instructing their officials to co-operate in this. The aim should be two-fold: first, to see if, without major changes of policy, further economies can still be found. Second, by way of contingency planning, to have ready more substantial proposals for meeting the situation with which we should be faced if, by end-June, the prospects are that the announced 4\(\frac{3}{4}\) per cent will be exceeded.

1969-70

9. The prospect for 1969-70 is no easier. We have at this moment barely £100 million (i.e., \(\frac{4}{5}\) per cent) in hand for all contingencies and all new developments which may arise over the next two years. At next June's Public Expenditure review we shall certainly have to look at the year 1969-70 with this problem very much in mind. In the meanwhile, we must seek to avoid accepting commitments which would reduce the very small room for manoeuvre left available.

1970-71 and afterwards

10. At this stage it would be unwise for us to assume that from 1970-71 onwards the present heavy constraints on public expenditure will be radically eased. The strain caused by the large switch into exports should be over, but there are some uncomfortable elements in the situation which must not be forgotten. First, in the next decade our working labour force is not expected to increase, so the growth
of our national product will depend on the rise of average productivity. We hope this will increase rather faster than the 3 per cent per annum of the past but in all prudence we must not plan our public expenditure programmes now on the basis that this will be so. Secondly, we have to allow for the inevitable rise in costs of our present programmes and commitments. All the evidence is that a higher proportion of the population will expect to use educational services, health services and services for the elderly. Also, the fact that the public sector supplies mainly services means that it is very hard for productivity in the public sector to keep pace with productivity as a whole. This means that the share of the national product required to maintain an existing Government activity is always rising.

11. So our present programmes and commitments are likely to absorb the great bulk of resources that we can count on reasonably for the public sector in 1970-71 and after. We must, of course, plan ahead, and I welcome the kind of planning which the Social Services Committee is putting in hand as a sensible way of framing programmes with the right priorities within practicable totals. But we should not mortgage too much of the future by piecemeal decisions now. The key lies in timing. We must refrain from committing ourselves to large totals of public expenditure in 1970-71 and later years until we can judge more clearly our success in bringing about the shift of resources to exports and to import saving and also see more clearly what our average growth of GNP in the early 1970s is likely to be. At the 1968 June Review we shall have to take some firm decisions on 1970-71, which is the "focus" year of the 1968 survey, but we shall need to keep the total commitments for this year to a prudent level. We also need to be extremely cautious over accepting new commitments which may start small in or before 1970-71 but have large implications for later years. There are some branches of expenditure where, in order to maintain a given level of activity, "new commitments" necessarily follow one another; but in most branches (e.g. education, social services) new commitments are an addition to an existing level of activity. I conclude that for the period 1970-71 and after we should not take firm decisions on the timing of the introduction of such new schemes until we have had the Public Expenditure Survey of 1969.

Conclusion

12. In short, I propose that we should proceed as follows:

(i) for 1968-69, officials should be asked to act as in paragraph 8;

(ii) if by the June review we find that the 4 1/2 per cent figure for 1968-69 is likely to be exceeded, we should consider what action to take on the proposals emerging from (i);

(iii) for 1969-70, as we have now only £100 million for contingencies of all kinds, we should do our utmost to avoid any further commitments until next June's review shows us whether more room for manoeuvre can be found;
when planning for expenditures in 1970-71 and later years, we should avoid, in those fields in which it is possible to do so, commitments on the timing of new expenditures until we have had next year's Public Expenditure Survey, i.e. end June, 1969.

R.J.

Treasury Chambers, S.W.1.

25th March, 1968
Cabinet

Productivity, Prices and Incomes Policy in 1968 and 1969: Draft White Paper

Note by the Secretary of State for Economic Affairs

The Cabinet invited me to circulate a draft White Paper setting out the new policy for productivity, prices and incomes (as agreed at our meetings on 14th and 18th March, (CC(68) 20th Conclusions, Minute 4 and CC(68) 22nd Conclusions, Minute 4)).

The attached draft has been prepared after full discussion in the Ministerial Committee on Prices and Incomes. I invite my colleagues to approve the White Paper for publication early next week.

P.S.

Department of Economic Affairs, S.W.1.

27th March, 1968
We now have a real basis for putting our balance of payments into substantial surplus and paying off our debts abroad, and an opportunity for the economy to sustain a faster rate of growth and a higher level of employment than was possible before devaluation. But paying our way abroad means consuming less of what we produce ourselves, and we shall be able to take these opportunities only if there is a major shift of resources from domestic consumption to exports and import saving, and if the competitive advantage gained by devaluation is not eroded by an inflation of costs. The action taken in the Budget is intended to achieve the first of these tasks and this will mean a temporary fall in personal consumption. The prices and incomes policy is vitally important in maintaining the competitive edge of devaluation.

Over the next two years it is of paramount importance for the national economic strategy after devaluation to raise productivity and efficiency and to obtain substantial restraint from all sections of the community in order to keep incomes more in line with the expected growth of national output and prevent them rising with the cost of living.

The Government's firm intention is to continue the development of the policy for productivity, prices and incomes to the fullest extent practicable on a voluntary basis, in consultation with the Confederation of British Industry and the Trades Union Congress. The economy cannot yet afford any automatic increase in personal incomes and all increases or other significant improvements must continue to be justified against the criteria and considerations which are set out below.
The new feature of the policy will be a ceiling of 3½ per cent on wage and salary and dividend increases. But the Government wish to encourage genuine productivity agreements which can make a valuable contribution to raising productivity and stabilising or reducing prices, and the policy provides for an exception to the ceiling for such agreements.

There will be unavoidable increases in prices because of devaluation and the Budget, but it is essential that there should be continuing efforts to contain cost increases by improvements in efficiency and greater productivity, to avoid unjustifiable price increases and to reduce prices where practicable.

There must be protection for the poorest section of the community and there must be restraint, not only on employment incomes, but also on incomes from property.

The Government believe it is necessary in the circumstances facing the country and in the light of experience since 1966 to have available statutory powers. The powers at present available to the Government derive from Part II of the Prices and Incomes Act, 1966, as extended by the Prices and Incomes Act, 1967, and are exercisable in the context of references to the National Board for Prices and Incomes. These powers enable the Government to require statutory notification of proposed increases in prices and pay and to defer increases for a maximum of seven months.

The relevant section of the 1967 Act will expire on 11th August 1968 and Part II of the 1966 Act will lapse at the same time unless renewed by Order in Council. The Government have decided to introduce legislation to replace the powers under the expiring sections of the 1967 Act so as to:

(i) lengthen the maximum delaying power on price and pay increases to 12 months in the context of reference to the N.B.P.I.;

(ii) require reductions in existing prices where this is recommended by the N.B.P.I.;
(iii) moderate and phase housing rent increases;

(iv) require notification of dividend increases and to prevent excessive distributions.

These powers will be sought for at least eighteen months with provision for renewal should this prove necessary.

All these powers will be held in reserve and will be used only to the extent necessary where the voluntary arrangements are not being properly observed. The notification arrangements for price, pay and dividend increases will be on a voluntary basis provided that they operate satisfactorily.

Full support of this policy for productivity, prices and incomes will enable us to seize the opportunities in the new situation after devaluation and so ensure the basis for a lasting improvement in living standards for the whole community.
II. PRICES AND CHARGES

13. The continuing objectives of the policy for domestic prices are to encourage industry and commerce to contain cost increases by improvements in efficiency and greater productivity, to avoid unjustifiable price increases and to stabilise or reduce prices where practicable. Greater price competitiveness will enhance the advantage for home produced over imported goods. Increased costs will need to be avoided if the opportunities for development of our export trade which devaluation has provided are to be fully exploited.

price increases

14. It is inescapable after devaluation that price increases will occur where costs of manufacturing and distribution have been unavoidably increased as the result of higher costs of imported foodstuffs, materials and components. Similarly there will be some increases in prices as a result of direct action by the Government, such as increased taxation. But it is essential that increases in manufacturers' and distributors' prices due to higher import costs and Government action should do no more than cover the overall increases in costs that has been sustained.

Criteria for Price Increases

15. Every effort should be made to absorb increases in costs by means of increased efficiency, and price increases should take place only where [strictly] justified by one or more of the following criteria:-

(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 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.

16. The reference to the criteria of incomes policy in the first of the above criteria must now, of course, be taken to include the application of the ceiling and the incomes policy considerations set out in the incomes section below.

1. Increased prices, particularly of foodstuffs, due to changes in supply for seasonal or other reasons are unavoidable, but where prices rise for these reasons they should fall again when supplies are plentiful.

Price Reductions

11. The need in the present economic circumstances to increase price competitiveness makes even more necessary efforts by all concerned in determining prices to reduce prices wherever possible. During the next 18 months, increased productivity and efficiency should make some prices reductions possible and should help to keep other prices stable.

II-2
Criteria for Price Reductions

19. The criteria for price reductions specified in Cnd. 3235 will continue to apply. These require price reductions:

(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, 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.

Prices Supervision

20. It is the Government's intention that the policy on prices should, although strengthened by extended reserve powers, continue as far as possible to operate on a voluntary basis. The number of individual prices in the economy makes detailed supervision of all prices impracticable. However, the Government intend that the early warning arrangements for notification of proposed increases in prices should continue, and, where necessary, be extended in co-operation with industry and commerce. These arrangements enable the Government to maintain a watch on the trend of prices over a wide range of goods of economic significance, including those of importance in the cost of living.
concluded in a recent report on prices recommended by manufacturers for the resale of their goods, that in general in such circumstances a reduction in distributors' percentage margins should be made where the manufacturer's price has to be increased because of devaluation. The Government consider that in principle there should be no automatic maintenance of distributors' percentage margins when their prices are increased to take account of higher costs.

Application of the Policy

26. The criteria and considerations set out above are intended to be applied by all concerned - manufacturers, wholesalers and retailers - in the determination of prices for the sale of goods, and charges for the performance of services, on the home market in both the private and public sectors. This includes all concerned in the negotiation of prices under individual contract.

27. The Government will not hesitate to use their strengthened delaying powers to prevent unjustifiable increases in prices and will continue to refer to the National Board for Prices and Incomes any question relating to prices where independent examination is desirable.

Report No. 55 on Distributors' Margins in Relation to Recommended Prices (Cmnd. 3546)

II-5
For the reasons set out in Part I above substantial restraint is required over the next two years, and the Government propose to take power to delay increases in pay for up to 12 months in the context of reference to the N.B.P.I. All increases in pay, or other significant improvements, will need to be justified against the criteria and considerations of the policy. In addition, the Government have decided that for all wage and salary settlements reached on or after 20th March 1968 which satisfy these criteria and considerations there will be a ceiling of $3\frac{1}{2}$ per cent.

The Ceiling

The ceiling will be applied as an annual rate; thus if in a particular case the criteria permit an increase, and more than a year has elapsed since the pay of the particular group was last adjusted, the ceiling on any such increase will be correspondingly higher than $3\frac{1}{2}$ per cent, though large increases will still need to be staged.

Wage and salary earnings are largely determined by reference to rates or scales of pay which may apply to the time worked, or to units of work or output, or to a combination of both. The $3\frac{1}{2}$ per cent ceiling is intended to be applied to increases in these rates or scales and other elements referred to in paragraph 16, having regard to the effect on earnings. But it is not intended to apply to increases in earnings which are due to necessary increases in hours worked or in the amount of work done.

This means that the ceiling should cover increases in basic pay rates and allowances (including basic pay scales or ranges), rates for overtime, night or shift working, etc. Improvements in fringe benefits, normal or standard hours or holiday
entitlement must also be taken into account for the purpose of applying the ceiling.

17. There will, of course, be increases in earnings under payment by results systems resulting directly from increased output. Changes in payment by results systems, including changes in piecework rates, bonus rates or standard times should not, however, result in higher earnings unless they can be justified on grounds of increased effort or other direct contribution towards increasing productivity from the employees concerned.

It is expected that the forthcoming report of the N.B.P.I. on payment by results will offer guidance on the application of incomes policy to these systems of payment.

18. Changes in rates or scales may be settled at national, local, firm or plant level, but where groups benefit from increases or improvements settled at more than one level, the application of the ceiling requires that the overall increase should not exceed the 3½ per cent ceiling. In considering increases settled at national level account must be taken of probable increases at local, company and plant level; conversely, increases in rates settled at the plant level should be taken together with relevant increases settled at other levels.

19. Where a settlement covers the pay of one or more groups of workers, or a wage or salary structure is considered as a whole, the ceiling applies to the settlement as a whole, thus permitting flexibility of adjustment of rates within the group or structure.

Criteria for Incomes Policy

20. Over the next two years the criteria contained in Cmnd.3235 will continue to apply. These provide for increases in 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.

21. These criteria will need to be applied firmly and should be read in conjunction with the considerations which are set out below, and where appropriate with the reports of the N.B.P.I.

22. It is of continuing importance to encourage increased productivity and efficiency, and so help stabilise or reduce prices, and priority will continue to be given to increases which are justified against the productivity criterion. Reorganisations of wage and salary structures which can be justified on grounds of economic efficiency and increased productivity may be justified under this criterion. There may be productivity agreements or major reorganisations of wage and salary structures which, as exceptions, justify above-ceiling increases (see paragraph 29).

23. It will be necessary to ensure that increases under the low pay criterion are confined to low paid workers. Low paid workers will be able to benefit up to the ceiling if their claims satisfy this criterion. Under any settlement which, as a whole, is
within the ceiling there can be above ceiling increases for low paid workers. In addition the purpose of the new arrangements for family allowances is to ensure that help is given specifically to low paid workers with two or more children.

4. The criterion justifying increases on grounds of comparability needs to be applied selectively, and must not be used to spread pay increases into areas of employment where the original justification does not apply.

5. The criterion justifying pay increases on manpower grounds is retained, but there is a growing acceptance on both sides of industry that the most effective way of remedying a labour shortage is to use existing manpower more efficiently.

6. The ceiling and the criteria described above do not apply to existing arrangements for increasing pay with age, as with apprentices or juveniles, or by means of regular increments within a fixed range or scale, or progressions based on added experience, increased responsibility or special effort, or increases resulting from promotion to work at a higher level, either with the same or a different employer. It would be contrary to the policy for posts to be regraded without proper justification as a means of raising pay.

Cost of Living

7. Pay increases based on a rise in the cost of living are not justified under the criteria, and should not be conceded. Not only would this be self-defeating since it would result in further increases in costs and prices, but it could set off a wage price spiral that would damage our competitive position. Cost of living sliding scales are of diminishing importance in industry, and pay increases resulting from such existing arrangements should be taken fully into account in applying the ceiling to the pay of the group covered.
Interval Between Settlements

1. The period which should elapse between the operative dates of successive settlements should be at least twelve months.

Exceptions to the Ceiling

3. There will be exceptions to the ceiling for genuine productivity agreements which raise productivity sufficiently to justify a pay increase above 3.5 per cent and which are found to conform to the guidelines laid down by the N.B.P.I. in their Report No. 36 on "Productivity Agreements". (These guidelines are reproduced in Appendix II.) Major reorganisations of wage and salary structures which can be justified on grounds of economic efficiency and increased productivity may also qualify for exceptional treatment.

Staging

4. It was stated in paragraph 24 of Cmd. 3235 that in some cases it is appropriate for substantial improvements in pay or conditions to be achieved by stages, even though justified under the criteria. The application of the ceiling should considerably reduce the number of cases where large increases are justified, but they may still occur where a much longer interval than twelve months has elapsed since the previous increase or improvement.

The need to consider staging in such cases will be particularly important now that the majority of workers will be able to receive only limited increases.

Application of the Policy

5. The ceiling and criteria for incomes policy and the considerations set out above are intended to be applied by all concerned with the determination of employment incomes in the private and public sectors, whether at national, local, company or plant level and including arbitrators, independent review bodies and statutory wage fixing bodies.
It will continue to be the aim of the Government in consultation with the Confederation of British Industries and the Trade Union Congress, and with the assistance of the parties, and of the N.B.P.I. in appropriate cases, to secure the effective and consistent application of the policy both in the private and public sectors.

**Notification of Claims and Proposed Settlements**

1. Under the existing early warning arrangements described in para. 2808 the Government receive information on a voluntary basis about claims and proposals to increase pay from the C.B.I. and the T.U.C., from organisations which are not members of either of these bodies, and directly from firms and employers' organisations in the case of local and company negotiations. There are similar arrangements for the public sector.

2. It is intended that these arrangements will continue, and consequently information about claims and proposed settlements, either at national, local, company or plant level, will continue to be required. While all settlements are subject to the requirements of the policy, the information to be submitted under the early warning arrangements relates to claims and proposed settlements which might be significant (e.g. because of the nature of the claim, or the possible repercussions on the pay of other groups) and, in any case, to all those involving more than 100 workers.

3. The information about claims should specify the nature and terms of the claim, the proposed date of implementation, the number and category or workers covered, and the date and terms of the previous settlement covering this group of workers. The notification should also include an assessment of the justification for the proposed improvement against the criteria and considerations set out in paragraphs 20-30. The information about proposed settlements should give details of the way in which the ceiling has been calculated and applied.

III - 6
other Forms of Employment Income

3. Many individual salaries and other forms of remuneration, including that of company directors and executives, are fixed outside the usual process of collective bargaining. The principles of incomes policy should however be applied equally to them as to other forms of income. The Companies Act of 1967 has provisions concerning the disclosure of the remuneration of directors and executives.

51. The incomes and scales of charges and fees of self-employed persons, including all forms of professional fees, are expected to conform with the policy. The Government have referred to the N.B.P.I. the remuneration of solicitors, and architects costs and fees. The Board's report on solicitors' remuneration was published in February, and its recommendations are being considered by the Government.

Non-Employment Incomes

52. The Government are committed to use their fiscal powers or other appropriate means to correct any excessive growth in aggregate profits, whether distributed or not, as compared with the growth of total wages and salaries, after allowing for short-term fluctuations. If Parliament agrees, the rate of Corporation Tax will be increased by 2½ per cent to 42½ per cent, and a special charge, which is expected to yield a revenue of £100 million, will be made on the investment income of an individual for 1967-8 where this exceeds £3,000.

53. The Government will also refer for examination by the N.B.P.I. prices cases where the growth of profits or dividends is based on excessive market power.

54. As already announced in the Chancellor of the Exchequer's Budget Statement the Government propose to take statutory powers relating to notification of dividend increases and prevention of excessive distributions. All companies are asked not to increase
 dividends without good reason and to limit any essential increase. In precise terms, total ordinary dividends in respect of a company account year should be limited to:

(i) not more than 3\frac{1}{2} per cent above the amount of ordinary dividends declared in respect of the preceding account year;

or (ii) not more than the amount in respect of the account year before that;

or (iii) where dividends in each of the last two account years were abnormally low, and subject to examination and approval by the Treasury, not more than the amount in respect of an earlier account year.

55. This requirement affects all companies incorporated in the United Kingdom with the exception of unit trusts, investment trusts, those close companies which increase distributions to meet the requirements of the Finance Act 1965, and companies wholly owned by other companies where ordinary dividend payments are exclusively inter-company transactions. It affects all distributions in respect of paid-up ordinary share capital which are recommended after 19th March 1968.

56. The call for dividend restraint is addressed to all other companies, and in order to achieve its objectives the Government will institute early warning arrangements in the main company sector comparable to the arrangements made in the field of prices and pay. All quoted companies are therefore asked to notify the Treasury whenever an intended distribution would involve any increase at all above total declarations in respect of the preceding company accounts year and such companies should take irrevocable action upon such intentions without the Treasury's consent.
IV. RENTS AND RATES

Houses of Houses

7. House rents are a large item in the family budgets of workers, and sharp changes in rent levels are, therefore, of significance for incomes policy.

55. Many private rents are still rigidly controlled under the Rent Act, 1957. For those subject to rent regulation under the Rent Act, 1965, fair rents are determined by Rent Officers or Rent Assessment Committees. In certain cases, these can give rise to sharp increases, and it is therefore proposed that in the present situation the Housing Ministers should be empowered to make Regulations for phasing increases above a stipulated minimum amount over a period not exceeding three years.

59. Most local authorities have followed Government advice and kept increases in the rents of their houses to no more than has been needed to meet increases in costs. Many have adopted or improved rent rebate schemes. Some, however, have raised rents more sharply, for example on a scale designed to secure sufficient revenue now to cover cost increases over several years ahead. In present circumstances this is not compatible with prices and incomes policy.

40. The Government have decided therefore to take powers to require early warning of rent increases and to enable them to direct local authorities to moderate or phase rent increases which they regard as too high in present circumstances.
Rates

61. Rates as a form of taxation are outside the scope of prices and incomes policy: they are necessary to help pay for the range of services provided by local authorities. Better services are bound to cost more money, but the Government have taken steps to reduce the impact of rates on householders by providing special grants which reduce the amount in the £ they have to pay by 5d. in the £ this year and 10d. in the £ in 1968/69. As a result of this and of the savings made by local authorities most householders have during the present year paid little, if any, more in rates than they did the year before. There is every reason to believe that this will also be the case in 1968/69, though larger increases may be unavoidable in some areas. In addition the income limits for rate rebates are being raised from next October and this should help many householders with small incomes, particularly those with large families.

62. In Scotland rates are fixed much later in the year and it is not yet possible to say what their level will be in 1968-69. However, special grants will reduce the amount householders have to pay by 1/8d. in the £ compared with 10d. in 1967-68; and the higher income limits for rate rebates will also apply from next October.
V. NATIONAL BOARD FOR PRICES AND INCOMES

1. The work of the National Board for Prices and Incomes and of its role as an independent statutory body in furthering the objectives of the productivity, prices and incomes policy will be of increasing importance.

2. The Government will continue to exercise the statutory powers in relation to prices and pay through the process of reference to the N.B.P.I. The Board has been strengthened to enable it to deal with an increased volume of work covering the expected increase in post-devaluation prices and incomes references and it will be further strengthened if this should prove necessary.

In consultation with the C.B.I., the T.U.C. and other interested bodies the Government will continue to refer to the Board appropriate cases relating to the application of the productivity, prices and incomes policy and matters of longer term importance to the policy.
APPENDIX
PART A
Goods and Services Subject to Early Warning Arrangements

Ministry of Agriculture, Fisheries and Food

Bread
Flour
Biscuits
Cakes
Breakfast cereals
Sausages
Meat pies
Canned fruit
Canned vegetables
Jams and marmalade
Margarines and cooking fats
Milk products (including condensed milk)
Pickles and sauces
Processed vegetables
Quick-frozen foods
Ice-cream
Soft drinks
Chocolate and sugar confectionery
Soups
Table jellies
Tea
Processed coffee
Manufactured pet foods
Animal feeding stuffs
Beer
Cider and perry
Wines and spirits

A - 1
Ministry of Technology

Domestic refrigerators (electric)
Gas cookers
Electric cookers
Washing machines
Vacuum cleaners
Gas fires
Electric storage heaters
Domestic boilers
Domestic water-heaters
Electric lamps - coil and fluorescent
Household electrical wiring components
Cash registers
Office photocopying machines
Typewriters
Domestic sewing machines
Industrial sewing machines
Chain link fencing
Domestic electric power tools and their attachments
Electric motors
Primary cells and primary batteries
Secondary batteries
Contractors' plant
Agricultural machinery
Tractors
Commercial vehicles
Motor cars
Bicycles and motorcycles
Radio and television electronic components (including valves and cathode ray tubes)
Copper cylinders and boilers
Galvanised steel cisterns and tanks
Plastic cold water tanks
Board of Trade

Fertilisers
Glass jars and bottles
Insurance premiums
Man-made staple fibre and filament yarn
Sewing thread
Building and decorative paints
Paper and board
Wallpaper
National daily and Sunday newspapers
Polyethylene
Polyvinyl chloride
Rubber footwear
Tyres
Household soaps and detergents
Acetylene and oxygen
Coastal shipping rates (freight and passenger)

Ministry of Public Building and Works

Asbestos cement
Cement
Bricks
Glass
Glazed floor tiles
Ceramic sanitaryware
Plaster and plaster board
Pitch fibre pipes
Roofing felt
Clay pipes
Ministry of Power

Petrol
Derv
Fuel oils
Bottled gas
Coal
Coke
Manufactured fuel
Iron and steel products
Gas
Electricity (England and Wales)

Scottish Development Department

Electricity (Scotland)

Ministry of Transport

Rail fares (country-wide charges outside London Passenger Transport Area)

Rail freight charges (published scales for parcels and sundries and other country-wide charges)

B.R.3, Parcels Ltd. (Published scale of country-wide charges for parcels).
PART B

Goods of which the Trend of Manufacturers' Prices is kept under review

Board of Trade

Carpets, mats and matting
Cotton and man-made fibre spun yarns
Footwear (other than rubber)
Electric power cables
Wool yarns for weaving and hosiery
Knitting wool
Clothing
General chemicals
Hosiery and knitwear
Leather

Ministry of Public Building and Works

Building blocks
Sand and gravel
Ready mixed concrete
PART C
Foodstuffs subject to Constant Watch

Ministry of Agriculture, Fisheries and Food

Carcase meat and offal
Bacon and ham
Poultry (including broilers)
Meat
Fresh Fruit
Fresh vegetables (including potatoes)
Lard, cooking and edible oils
Fish
Sugar
Cheese
Butter
Cream
The guidelines for productivity agreements in the N.B.P.I. report No. 36 are as follows:

(i) It should be shown that the workers are making a direct contribution towards increasing productivity by accepting more exacting work or a major change in working practices.

(ii) Forecasts of increased productivity should be derived by the application of proper work-standards.

(iii) An accurate calculation of the gains and the costs should normally show that the total cost per unit of output, taking into account the effect on capital, will be reduced.

(iv) The scheme should contain effective controls to ensure that the projected increase in productivity is achieved, and that payment is made only as productivity increases or as changes in working practice take place.

(v) The undertaking should be ready to show clear benefits to the consumer through a contribution to stable prices.

(vi) An agreement covering part of an undertaking should bear the cost of consequential increases elsewhere in the same undertaking, if any have to be granted.

(vii) In all cases negotiators should beware of setting extravagant levels of pay which would provoke resentment outside.

APP - 7
1st April, 1968

CABINET

SOCIAL SERVICES; SICKNESS AND UNEMPLOYMENT BENEFIT: WAITING DAYS

Memorandum by the Minister of Social Security and the Chief Secretary, Treasury

On 5th March the Cabinet (CC(68) 17th Conclusions, Minute 2) agreed that there should be a compensating saving in social security expenditure to support a further 3s. increase in family allowances, in fulfilment of the commitment to protect the most vulnerable and in accordance with the need to avoid concessions for lower paid workers which might put aspects of incomes policy at risk. The Minister of Social Security proposed abolition of any payment for the first three waiting days of a period of sickness or unemployment as the least harmful saving, but pointed out that that would be unpopular with the trades unions. Her proposal was agreed.

2. The proposal to withdraw payment for waiting days must be seen in the context of the longer-term earnings-related scheme. It has been proposed - and the question is in fact being discussed today by the Subcommittee on Earnings-Related Pensions of the Ministerial Committee on Social Services - that we should seek the agreement of the Confederation of British Industry (CBI) and Trades Union Congress (TUC) to employers' cover for periods of sickness of up to four weeks (although it may prove necessary to compromise at some shorter period) with an appropriate reduction in the national insurance contribution. With this in mind, the withdrawal of state payment for the first three days of sickness (and unemployment, which is a separate problem in the earnings-related scheme) could be seen as a first step. Moreover discussions are already taking place between the Minister of Labour, the CBI and TUC on employers' cover for the first six days of suspension from employment, and a commitment to legislate on this question has been made. There is thus a consistent logic of approach to both these aspects of cover for employed workers. The Lord President will be able to report orally on the result of the Sub-Committee's discussion of the proposals. The details involved in transfer of responsibility for the early weeks of sickness from the state to employers are complicated and will give rise to difficult and prolonged consultation with the CBI and TUC.

-1-
3. I should perhaps explain in a little more detail what the proposed change in the waiting days provision amounts to. No payment is made for the first three days of a short period off work due to illness, injury or unemployment; but if such a period lasts for 12 working days or more (and for this purpose periods occurring within 13 weeks of each other are linked) payment is then made retrospectively for the three waiting days. These retrospective payments are of less importance than they used to be because of improvements in occupational sick pay schemes, in the provision made for the unemployed in the Contracts of Employment and Redundancy Payments Acts and in supplementary benefits. Indeed, since the payment for waiting days for sick and injured people is often offset against such payments by employers under sick pay schemes and always against any supplementary benefit paid, I estimate that nowadays only some 10 per cent to 25 per cent of sick people benefit from it. This 10 per cent to 25 per cent will be made up of people with incomes above the supplementary benefit level but they will not generally be covered by an employer's scheme.

4. However it is now found that there is strong opposition in the Parliamentary Labour Party to the proposed change in the waiting days provisions. Outside Parliament, the reaction of the TUC has been surprisingly mild, Press reaction has been restrained and the general public in so far as this can be measured by letters have scarcely reacted at all. There is nevertheless some indication of hostile rank and file trade union reaction. The Second Reading of the Bill is on Tuesday, 2nd April and it is necessary to decide before Tuesday afternoon what approach should now be taken to the clause changing the waiting day provision.

5. There are three possible courses of action. The advantages and disadvantages of each are set out below.

A. Persisting with the Clause

6. This will provoke a difficult Parliamentary situation. On Committee stage, the Opposition will clearly join with some Government Backbenchers in opposing the Clause. On the other hand, without the Clause, there can be no immediate saving in social security expenditure since any alternative saving is even more likely to provoke difficulties; and the Government will be accused of vacillation and surrender to pressure.

7. It is, however, the case that the proposed saving is on the expenditure of the National Insurance Fund, which counts for Public Expenditure Survey Committee (PESC) purposes, but which does not appear in any Vote. It might be that the saving could for the time being be forgone if there were prospects in the reasonable future of a more radical change which would reduce National Insurance Fund expenditure more drastically.

B. Withdrawing the Clause and replacing it by an enabling Clause providing for compulsory employers' cover for up to four weeks

8. Presentationally, this would be an attempt to make it clear beyond doubt that the Government were committed to an alternative method of reducing Fund expenditure and that the changes in the waiting days provision had indeed been seen in the context of more far-reaching proposals. Parliamentary criticism would no doubt be confined to the
Opposition, provided that the TUC reaction was favourable. An enabling clause would permit discussions with the CBI and TUC about the detail (of which there would be an immense amount) before laying Regulations. It could not be expected that Regulations could be laid before January/February, 1969.

9. The disadvantage of this course is that, given the timing involved, the CBI and TUC cannot possibly be consulted - or even informed - before some indication is given in the House. Both will certainly react violently against such non-consultation on a matter which would normally be one for the most thorough discussion before any announcement of policy. This could well prejudice the chances of achieving a satisfactory outcome (i.e., a reasonable period of employers' cover).

C. Withdrawing the Clause and making an explanatory statement to the effect that the Government is inviting the CBI and TUC forthwith to discuss the proposal for employers' cover.

10. This would have much the same effect in Parliament as Course B, except that the Opposition would have no focus for dissent in the Lobbies. Much the same timetable would be involved, but a separate Bill would be needed; unless there would be any possibility of dealing both with the suspended days' cover and sickness cover in the same Bill.

11. The essential difference between this Course and Course B is that CBI (and possibly TUC) opposition would be minimised rather than maximised. The chances of securing whatever we decide to be the best period and conditions of employers' cover would therefore also be maximised.

12. Since it is difficult to judge the impact of this course of action without an indication of just what could be said in the House, the Minister of Social Security has prepared a draft statement giving a broad outline of what might be said. This is appended at Annex. It will be seen that it is really not possible to avoid an admission that there has been a change of mind in response to back-bench opinion. But this is of course also true of Course B.

Effect on expenditure from the National Insurance Fund

13. If either Course B or C is adopted, the saving of £15 million expenditure from the Fund achieved by the Bill in 1968-69 would be replaced by a future reduction (probably beginning in the financial year 1969-70) of between £30 million and some £100 million annually, depending upon the period of employers' cover (from one to four weeks). As pointed out earlier, this reduction in Fund expenditure would have to be reflected in a reduction of national insurance contributions.
CABINET: PROCEDURE

MANPOWER IMPLICATIONS OF POLICY PROPOSALS

NOTE BY THE PRIME MINISTER

It is a long-standing practice that proposals put before the Cabinet or a Cabinet Committee which would involve expenditure or affect general financial policy should first be discussed with the Treasury, and that the results of those discussions, together with the best possible estimate of the cost to the Exchequer, should be indicated in the memorandum put before the Cabinet or Committee. (See paragraph 3 of Questions of Procedure for Ministers annexed to C (P) (66) 5.) But the cost of a proposed new policy in terms of resources—in particular manpower—is no less significant than its cost in terms of money. It was the practice of the last Labour Administration to require policy proposals submitted to the Cabinet or a Cabinet Committee to be accompanied by an estimate of the manpower requirements as well as the cost to the Exchequer. This is a sound practice, which I consider we should revive. I should therefore be glad if all Ministers in charge of Departments would ensure that any proposals put to the Cabinet or a Cabinet Committee which would make demands on manpower include, in addition to an estimate of cost, the best available estimate of the manpower that would be required to give effect to those proposals, whether within the public service or outside, and any difficulties foreseen in recruiting the necessary manpower. I appreciate that it is often difficult to
make estimates of this kind with any precision in advance; but, if the best possible estimate is put before Ministers, they will be better able to judge whether a new policy proposal would make excessive demands on resources and whether there is a risk of its being frustrated through inability to recruit the necessary staff.

H. W.

10 Downing Street, S.W.1,
13th February, 1967.
14. We ask our colleagues to decide which of the courses outlined above will best meet the present situation.

J, H.
J, D.


1st April, 1968
Clause 2 concerns the withdrawal of provision for waiting days. Beyond this, however, another and altogether bigger issue which the Government has been studying concerning the division of responsibility between employers and the state in the field of provision for illness and which it is appropriate that I should now mention. It is clear that at the moment there is a good deal of wasteful overlap, between occupational sick pay and national insurance sickness and injury benefits. Over the years occupational schemes have been steadily growing and the majority of workers are now covered to some extent by sick pay schemes but not all of them. This is one of the problems with which we have been concerned. We think that it would be sensible to ensure that all employers made provision for their employees when they are ill, during the early weeks of incapacity, and we have begun to consider whether it would be right to lay a statutory responsibility on employers to make suitable sick pay arrangements for their employees for the early weeks of sickness. My rt. hon. Friend the Minister of Labour is already discussing with the CBI and TUC the arrangements for employers' cover of the first six days of suspension. I myself have now therefore opened discussions with the CBI and TUC on this question and would hope that any changes decided upon as a result might be brought into operation before too long. The appropriate provision for waiting days will of course be one of the matters to be discussed.

My colleagues and I have been reviewing, against this background, the change proposed in this Clause and have reached the conclusion that in all the circumstances we should not proceed with this particular measure at this time. I shall therefore be proposing at the Committee stage of the Bill that this Clause should be withdrawn. I know that some of my rt. hon. and hon. Friends will welcome this.
5th April, 1968

CABINET

THE OLDER HOUSES (ENGLAND AND WALES): DRAFT WHITE PAPER

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

We attach a draft White Paper on the older houses which has been revised in the light of the discussion in the Ministerial Committee on Housing.

2. The Chancellor of the Exchequer has now accepted our proposals for the figures on old and new housing which should go into the Public Expenditure Survey, though without commitment, of course, on the programme to be finally settled. The White Paper will not prejudice that settlement.

3. The Lord President has said that there is no need to bring the draft before the Home Publicity Committee before it comes to the Cabinet.

4. Subject to these points we were invited by the Housing Committee to bring the draft to the Cabinet as soon as possible.

5. A summary of the proposals will be found immediately before the statistical appendix to the White Paper. There are two points to which we should draw attention.

6. Paragraphs 30 to 37 contain proposals for increases in rents where tenanted property is improved and put into good repair. For houses subject to rent control, we propose that the fair rent provisions of the Rent Act, 1965, should apply once houses have been improved without grant and repaired. A large proportion of houses lacking amenities or needing extensive repair are tenanted. Without the incentive of a higher return, we cannot hope to get landlords to put these houses into good condition. We propose that the resultant rent increases should be phased over a period of years so that tenants will not be faced with steep increases.

7. Paragraphs 44 to 51 include proposals for improving the compensation provisions for unfit houses subject to slum clearance. The principal proposal is that most owner-occupiers should, in effect, be paid market value when their houses are bought for clearance. There is a growing sense of injustice among owner-occupiers about the
present code, which limits compensation to site value, with some supplements. Many of them bought their houses when it was impossible to get anything better. Many local authorities consider the present code unfair to owner-occupiers and this makes them reluctant to tackle slum areas with a high proportion of owner-occupied houses.

8. We do not propose to extend this concession to landlords. Landlords are not, like owner-occupiers, losing their homes; and the gap between site and market values is generally far less for tenanted than for owner-occupied houses. But those who have maintained their properties will benefit from our proposals in paragraph 51. We think it important to publish these proposals as part of our general plan for dealing with older houses. That makes it necessary to date the entitlement to the new compensation from the White Paper; this will avoid causing hardship to people whose homes are bought for clearance between now and the enactment of the legislation and discouraging local authorities from pressing on with slum clearance in the meantime.

9. If the draft White Paper is approved, it will be published on or about 23rd April.

A.G.
C.H.

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

5th April, 1968
I. Introduction

Since the war the first aims of housing policy have been to provide enough houses to overcome the shortage, to keep up with the growing number of households and, since 1955, to replace the worst of the older houses. At the same time house owners and local authorities have been encouraged by subsidies and other means to carry out improvements. But for the most part improvement has been left to individual initiative, and the results have been patchy. Now, as the result of the very large increase in house-building in the last few years, it is possible to plan for a shift in the emphasis of the housing effort, so that a greater share of the resources should go to the improvement of older houses. The need for large new housebuilding programmes will remain for many years ahead. But the balance of need between new housebuilding and improvement is now changing, so there must be a corresponding change in the emphasis of the local authority housing programmes.

2. How can this be brought about? Some new facts have come to light, some old facts have been better understood, some powers and grants which were adequate when they were introduced are no longer adequate. Local authorities' powers to bring about the improvement of single houses and of whole areas of houses are cumbersome and inflexible; some aspects of the present control of rents are standing in the way of improvement of older houses. All this must be adjusted if the change described above is to be achieved.

3. This White Paper sets out these matters in more detail, and says what changes in policy and law in England and Wales the Government propose.

II. Knowledge

4. Until 1967 the Government had to rely upon local authorities' own estimates of the number of slums in their areas. Some of these estimates were rather rough, and different authorities naturally applied different standards. Early in 1967 the Government itself carried out a sample survey of the condition of houses in England and Wales. The survey showed that there were more unfit houses
more sub-standard houses than had been known before, and they were
much concentrated as had been believed before, but more were
spread out. We now know that there are probably 1.8(1) million unfit
buildings, of which 1.1(1) million are likely to have to be dealt
with in clearance areas. The remaining 700,000 will have to be
dealt with individually. Although nearly all of these need
repairs costing £125 or more,(2) some of them will be worth
saving and improving. Of the 1.9(1) million or so dwellings
which are not unfit, some 3.7(2) million need repairs costing £125
or more and some 2.5(3) million lack one or more of the following—a
indoor lavatory, a fixed bath, a wash basin, and a hot and cold
water system. Altogether, about 4.5(3) million dwellings which
are not unfit require either £125 or more spent on repairs, or lack
one or more basic amenities, or both. More details of the survey
results are published in the Appendix, many of them for the first
time.

III. The General Policy

5. The results of the survey demonstrate the need for a new deal
for our older housing areas. Bad housing, disrepair, lack of
basic necessities like hot water and baths, are not limited to
any one part of the country, or to the big cities and towns, or to
houses of particular tenure. True, conditions are worse in the
North

(1) Appendix Table 1.
(2) Appendix Table 12.
(3) Appendix Table 14.
North than elsewhere: and worse in privately let houses than in
owner-occupied houses or local authority houses. But in all parts
of the country and in all kinds of accommodation there are far too
many people living in bad conditions, and without the comfort and
convenience they ought to have in their homes. The policy behind
the legislative changes now put forward is simply that much more
should now be done year by year to improve and repair houses that
can be improved and to get rid of the unfit ones.

7. The Government look to local housing authorities to be the
main instruments of this policy in their areas. There will be a
useful role for housing associations, which have already done very
good work in some areas. Much too will depend on the co-operation
of owners and residents. But the local authorities must take the
lead and drive the policy forward in each town and district. They
will need better powers, better techniques and better financial
arrangements. But above all, each authority will need to make
up its mind to secure results: the Government hope that the
proposed legislation will be taken as the occasion for this new
effort to begin, and not merely as a series of technical changes.

8. The differences between local authorities' areas are very
great: this means that the powers and methods used must be flexible.
It also means that local authority programmes will have to reflect
their different needs, within the balance of the total national
programme of expenditure on new and older houses.

Academic studies have shown ways of relating the cost of
immediate replacement to the cost of improvement with deferred
replacement according to the "life" of improved property, the
prevailing interest rates, and other factors. Practical studies
have shown the comparative costs of redeveloping and improving
housing areas, and have brought out the difficulty of comparing
benefits as rigorously as costs. Studies on these lines need to
be pursued further to inform the thinking of both Government and
local authorities. But no further study is needed to prove that
millions of families in this country are going to be living in
unsatisfactory houses for at least another twenty years unless new
efforts are made. And it is already clear that the present grant
...its do not reflect the maximum which it may be worth while to spend on improvement. In many other cases, improvement at much less than maximum cost will make a great difference to the comfort and convenience of the people living in the house.

In reviewing the policy and legislation over the last three years the Government have received the report of a sub-committee of the Central Housing Advisory Committee, under the chairmanship of Mrs. Evelyn Denington, called "Our older homes - a call for action". This advised on a general approach to slums and improvement. The Ministry of Housing and Local Government published the Deepdene Study in September, 1966. This is a study of the possibilities of area improvement in a part of Rochdale, and since then a pilot scheme of improvement conducted jointly by the Ministry and the Rochdale County Borough Council has been going forward in Deepdene. The Government have also benefited from the Fulham and Halliwell Reports on the possibilities for private enterprise in the comprehensive redevelopment of old residential areas in Fulham and Bolton published by the Taylor Woodrow Group and Hallmark Securities Limited respectively.

IV. Improvement and Repair

Powers and procedure

1. The Government want local authorities to direct their main efforts in future to the improvement of whole areas, not just individual houses - though grants for improving individual houses will be continued and will be used in area improvement. The powers in Part II of the Housing Act 1964, do not really enable an authority to improve an area as a whole; and they have been found cumbersome in practice. The Government propose therefore to repeal them and to put in their place a procedure and powers on the following lines.

2. Local authorities should have power to declare General Improvement Areas. The aim in these areas would be to help and persuade owners to improve their houses, and to help them also by improving the environment. Authorities would be able to buy land and buildings and carry out work for this purpose. They would...
have power to buy houses for improvement and conversion and to buy any houses which were unfit and which stood in the way of the improvement of the whole area.

4. The success of area improvement will depend on local authorities securing the co-operation of householders in improving their houses with grants. In the Government's view the voluntary principle must be the guiding one, and although powers of compulsory purchase would be available for improvement they should be used only in the last resort. It is essential that the wishes of the needs of people in the area should be fully considered, and that the authority's plans for the area should be fully explained. For this reason, and to avoid delay, it is not proposed that the declaration of the area and the plans for it should be formally submitted to the Minister or Secretary of State for inquiry and approval. What is needed at this stage is informality of approach in good public relations and consultation; there must be flexibility in the authority's plans. The time for appeal and inquiry would be later when an individual's interests were affected. The better the explanation and consultation the less often will this have to happen.

4. Local authorities should be able to help owners in many ways and it is proposed to extend their powers of doing so. For instance, the Government propose to enable them to act as agents for the owner in any matter relating to improvement, since many owners may not know how to set about it.

5. In suitable cases where an owner needs a loan as well as a grant, but could not afford to repay the principal for a period, during his occupancy, the Government propose that the local authority should be able to charge interest only, the principal being secured on the property and recovered later on. Authorities can sometimes help greatly by providing temporary rehousing during improvement, but this does not need any new powers.

Environment

6. Whole areas and streets cannot be brought up to proper standards unless something can be done for the environment, as opposed to.
exposed to the interiors, of the houses. At present such powers exist are not easy to apply, and no grant is payable for the improvement of anything except the houses themselves and for their conversion into flats. This creates difficulty for the local authority in providing children’s play spaces, or parking spaces, planting trees, or regulating the traffic for the good of the people who live there. These purposes would be included in the concept of “improving the area”, and the Government propose to provide a coherent set of powers for them, including powers to acquire land and buildings. The Government also propose an exchequer grant of 50% on approved expenditure on works and the purchase of land for improving the environment of an area, the rate-aided expenditure to be limited to £100 per house in the area.

6. The 1967 sample survey showed that there are nearly 4½ million sellings in the country (not including those likely to be in slum clearance areas) which need £125 or more spent on repair. The Government propose that the powers of authorities to secure the repair of houses should be exercisable not only as at present where the house has become unfit, but wherever there is serious disrepair, so that the work required should be what is reasonable having regard to the age, character and location of the house. This power should be of use not only in getting houses repaired but in ensuring that an area which has been brought up to a good state of improvement is not allowed to fall into decay again afterwards.

Planning and Housing

7. The selection of improvement areas and the action taken in them can be important elements in the total planning of the town. There should therefore be close consultation with the local planning authority (in many cases it will be the same authority) so that housing and planning policies can be integrated in a total policy of urban renewal. But in using these powers local housing authorities will take as their starting point the housing conditions in which people are living.
The "action area" technique, as part of the urban structure, has been included in the Town and Country Planning Bill now before Parliament, will often be relevant. It will be for the local planning authority to consider in consultation with the housing authority which improvement areas should be identified as action areas; the size and importance of the area, and the amount of change proposed will be relevant factors.

With these new or extended powers and more informal and flexible procedures must go increases in the grant limits if house and area improvements are to run at a higher level.

Since 1949 local authorities have been able to pay grants to house owners willing to improve their houses to certain standards, and since 1959 they have been bound to pay grants to house owners to claimed them in installing the "basic amenities" in their houses. The first type is called a discretionary grant, the second type a standard grant. Grants are 50% of the cost of the work, of which the local authority recovers three-quarters from the Exchequer. In improving council houses, local authorities get three-eighths of their costs back from the Exchequer. At present, normal limits for discretionary grants are £400, and for standard grants £155.

The numbers of discretionary and standard grants approved in England and Wales in the last few years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Discretionary</th>
<th>Standard</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>48,013</td>
<td>82,819</td>
<td>130,832</td>
</tr>
<tr>
<td>1961</td>
<td>47,945</td>
<td>79,831</td>
<td>127,776</td>
</tr>
<tr>
<td>1962</td>
<td>41,768</td>
<td>68,738</td>
<td>110,506</td>
</tr>
<tr>
<td>1963</td>
<td>42,701</td>
<td>77,278</td>
<td>119,979</td>
</tr>
<tr>
<td>1964</td>
<td>45,050</td>
<td>76,635</td>
<td>121,685</td>
</tr>
<tr>
<td>1965</td>
<td>40,100</td>
<td>82,893</td>
<td>122,993</td>
</tr>
<tr>
<td>1966</td>
<td>49,960</td>
<td>67,760</td>
<td>107,720</td>
</tr>
<tr>
<td>1967</td>
<td>46,606</td>
<td>66,536</td>
<td>113,142</td>
</tr>
</tbody>
</table>

43% of grants were made to owner-occupiers, 29% to local authorities and 22% to other owners.
**Discretionary Grant limits**

1. The minimum estimated cost to attract grant at all will continue to be £100. The normal maximum level of discretionary grant will be raised from £400 to £1,000. The maximum grant for the conversion of a house of three or more storeys, which is at present £500 for each flat obtained, will be raised to £1,200 for each flat obtained. These increases reflect not only increases in prices since 1954 but also Government's view of what it may be worth while to spend on improving or converting a house.

2. The Government also propose that it should in future be made possible to include in grant-aided improvement some items of structural repair or replacement.

**Standard Grant Limits**

3. The discretionary grant, with its greater flexibility and its ceiling, will obviously be the preferred instrument for use in General Improvement Areas, but there will still be many householders outside those areas, and perhaps also within them, who wish, and have the right, to improve their houses by simply installing the "basic amenities". Since the present maximum of £155 was established for the standard grant (1959), costs in the building industry have risen. The Government now take the view that in the age of the refrigerator a ventilated food store is no longer a "basic amenity" which should be insisted upon; a sink, on the other hand, is. The Government propose therefore that the ceiling for the standard improvement grant should be raised to £200, and that individual grant limits should be varied as follows:

<table>
<thead>
<tr>
<th>Basic Amenity</th>
<th>Now</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bath</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Wash-hand basin</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Hot and cold water to bath</td>
<td>35</td>
<td>45</td>
</tr>
<tr>
<td>Hot and cold water to wash-hand basin</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Hot and cold water to sink</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>W.C.</td>
<td>40</td>
<td>50</td>
</tr>
<tr>
<td>Food Store</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Sink</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>155</strong></td>
<td><strong>200</strong></td>
</tr>
</tbody>
</table>

/ Waiving
In order to meet the great variety of needs with the help that is most useful in each case, the Government think that local authorities should have power to waive some of the existing conditions for grant, in particular cases subject to general directions given by the Minister or Secretary of State. These include the conditions relating to the "life" of houses to be improved; the standard of improvement to be attained; the requirement that all the missing "basic amenities" must be provided at once if a standard grant is to be paid; and the requirement that grant cannot be paid if the work has been begun before the owner's application for grants has been approved.

**Time Limit**

On the other hand authorities should have power to impose a time-limit within which any work approved for grant must be done.

**Acquisition for Conversion or Improvement**

Housing Associations, whose role in improvements the Government hope to see expand, at present enjoy one advantage over local authorities in this field; under the Housing Subsidies Act 1967 they can obtain Exchequer assistance towards the cost of buying houses for conversion or improvement as well as for doing the work. The Government propose to make grants for acquisition to local authorities also, and at the same time to increase the cost on which grant is payable (covering both acquisition and work) from the present maximum of £2,000 per flat obtained to £2,500. This will apply both to authorities and to associations. Taking account of the more limited life of older houses, even when they have been improved, these new limits should encourage local authorities to undertake this work whenever it is economic to do so, and will provide them with Government assistance broadly equivalent in present value terms to the subsidy which they receive towards building new houses.

All these provisions together are intended to give local authorities, working with housing associations and with householders, a new opportunity to bring basically sound old houses up to modern standards.
standards, and to make many run-down neighbourhoods into pleasant
and comfortable places to live in.

4. Landlords improving their houses reasonably expect to receive an increase in rent. Under present law where the improvement is paid for by grant, the permissible rent increase is limited by the grant conditions. Now that there is a well-established system for determining fair rents for regulated tenancies it seems right to use this machinery for determining new rents of those tenancies following grant-aided improvement.

5. Controlled tenancies raise wider questions. The rents chargeable, even with the increases permitted after improvement, do not normally provide a sufficient return to landlords to encourage them to improve their houses. Indeed, landlords whose rents are still controlled may have little incentive, or may even be unable, to maintain their houses as they should. The Government have in the past been unwilling to pass controlled property into rent regulation under the Rent Act 1965 until more experience has been gained of rent regulation. They are still unwilling to allow this to happen except where some countervailing advantage could be secured for the tenant. But the achievement and maintenance of a proper standard of equipment and repair would be such an advantage, and the Government accordingly propose the following changes in rent law.
32. First, where a house let on a regulated tenancy is improved with a grant, the rent should be determined under Part II of the Act, 1965 and not as at present by conditions attached to the grant.

33. Second, where a house let on a controlled tenancy is improved with a grant, the tenancy should become a regulated one and the rent should be determined as above.

34. Third, where a house let on a controlled tenancy is certified by the local authority as being in the required state, as indicated in paragraph 35, the tenancy should become a regulated one and the rent should be determined as above, even though no grant has been given.

35. In all these cases the house would normally need to have at least the basic amenities - an indoor lavatory, a fixed bath, a sash basin, a hot and cold water system and a sink - and to be in good repair.

36. Where a regulated rent has been increased, or a controlled tenancy has passed into regulation, following improvement carried out with grant, it would clearly be wrong for the full fair rent to be payable right away. The increase in rent will therefore be phased over a period. There would also be phasing in those cases of the third type mentioned above where there might otherwise be a sharp increase in rent as a result of the move to regulation.

37. Landlords will be able to apply to the rent officer for certificates as to the fair rent which would be obtainable, once the local authority had approved the work, although, of course, the new rent would not become payable until the work had been completed. The question of right of appeal where a certificate is refused is being further considered.

Grant in these paragraphs means discretionary grant or standard grant.
Multiple Occupation

At present, local authorities have certain powers to step in and regulate the conditions of houses in multiple occupation. But they have to wait until the multiple occupation is established before they can do anything. This means that in practice they are confined to alleviating the abuses which may arise in those circumstances, and cannot prevent them arising. The Government now propose to make available powers to regulate the conditions in which multiple occupation may be established, or to prevent it. These powers would be given to local authorities who needed to use them in the interests of people living in areas of housing stress. The powers could be applied, by order of the Minister or Secretary of State on a local authority’s application, to such areas in their district as they consider necessary. Unless the contrary were approved for a particular area, they would only apply where it was proposed that a house should be occupied by more than, say, two families or by more than four individual lodgers. Where the powers were applied, registration with a local authority would be a prerequisite of new multiple occupation, and registration could be refused by the authority if:

(i) the house was unsuitable and incapable of being made suitable;

(ii) the person having control of the house, or the person intended to be the person managing the house, was not a fit and proper person.

The authority would be able to make registration conditional on the carrying out of works and on the level of occupancy. Right of appeal to the county court would be given against refusal to register or against the conditions attached to registration.

But authorities should be able, when they use their control powers, to give help as well, so that a house may be at least partly improved even though it is still in multiple occupation.
The government propose therefore that authorities should be able to give a grant for the "basic amenities" even though they may not be for the "exclusive use" of any one family in the house.

IV. Certain minor aspects of local authority control over existing multiple occupation are under review and proposals will be included in the legislation.

V. Slums

2. The criteria by which a house is judged to be fit or unfit are set out in section 4 of the Housing Act, 1957. The Government believe that these criteria are in the main still the right ones, but, as was pointed out in the Denington Report, an important contributing factor making for an unfit house may be that it has very bad internal layout: for example, a W.C. opening directly from the living room or kitchen and narrow, steep or winding staircases. The Government propose therefore to add the internal arrangement of a house to the list of criteria.

Slum Clearance and Compensation

3. The number of slums dealt with in England and Wales in recent years has been as follows:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>56,561</td>
</tr>
<tr>
<td>1961</td>
<td>61,969</td>
</tr>
<tr>
<td>1962</td>
<td>62,431</td>
</tr>
<tr>
<td>1963</td>
<td>61,445</td>
</tr>
<tr>
<td>1964</td>
<td>61,215</td>
</tr>
<tr>
<td>1965</td>
<td>60,666</td>
</tr>
<tr>
<td>1966</td>
<td>66,782</td>
</tr>
<tr>
<td>1967</td>
<td>71,769</td>
</tr>
</tbody>
</table>

This is by no means an unsatisfactory record, but it is no longer good enough. As more and more new houses are built (and record figures are now being achieved) more unfit old houses ought to be cleared. And the number to be cleared has been underestimated in the past. The Government intend to continue to give first priority in the allocation of the housing programmes to areas with large numbers of slums.
The obstacles to faster slum clearance must therefore be identified and removed. There is no doubt that, as the Denington report noticed, the objections local authorities meet with to their clearance proposals are not really so much directed to the standards applied as to the terms of compensation. The basis of compensation is that if a house is unfit for human habitation it cannot be assumed to have any value. The compensation is therefore for "site value" alone: that is, the owner is paid no more for the land than he would be if there were no house on it at all. Over the years certain exceptions to this principle have grown up. Owner-occupiers now never receive less for an unfit house than the gross value for rating purposes. If a house has been well maintained in spite of its unfitness, a "well-maintained" payment is made. For owner-occupied houses this is four times the rateable value; for others it is twice. If an owner-occupier bought a house, which is now unfit, between 1939 and 1955 (when very few slums were being cleared) and has had it for less than fifteen years, he gets the full market value of the house.

A growing proportion (now about 20% nationally and much higher in some areas) of owners of houses in clearance areas are owner-occupiers; and they have a special grievance. Often they bought their house when it was not possible to get anything better, and they have put their savings into it. In any case, it is their house which is being demolished, and the average difference between site value and full market value is significantly greater for owner-occupied than for tenanted houses.
Average gap between site value and market value (end 1966)

<table>
<thead>
<tr>
<th>Tenure of House</th>
<th>England</th>
<th>Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>North</td>
<td>north and Humberside</td>
</tr>
<tr>
<td>Owner-occupied</td>
<td>243</td>
<td>180</td>
</tr>
<tr>
<td>Tenanted</td>
<td>98</td>
<td>80</td>
</tr>
</tbody>
</table>

Footnote: Based on information supplied by the Inland Revenue relating to cases reported upon by District Valuers during a period of 6 months.

4. The Government consider that the site value basis of compensation should be retained as the general rule. But they propose that (a) additional payments should be made to owner-occupiers of unfit houses dealt with under slum clearance powers, subject to the conditions indicated below; in the case of unfit houses acquired for clearance, this will have the effect of bringing the total payments up to full market value, (b) unfit tenanted houses should qualify for larger payments if they have been well-maintained. It is proposed that these changes should refer back to the date of this White Paper, and they are therefore set out in detail in the following paragraphs.

47. Owner-occupiers of houses which are unfit for human habitation and are purchased compulsorily, or are subjected to one of the procedures set out in paragraph 4(1) of the Second Schedule to the Housing Act, 1957 (destruction, closing or clearance orders) or are subjected to an unfitness order under paragraph 1(2) of the Second Schedule to the Land Compensation Act, 1961, are in certain circumstances entitled to an additional payment, or supplement. This supplement reflects the amount, if any, by which market value
exceeds site value, but is payable only where a house was owner-occupied on 13th December, 1955, and at the time of the compulsory purchase or other order is still owned by the same person, or a member of his family, who has not had 15 years’ enjoyment of the property.

48. The Government propose that this supplement should now become payable to all owners of houses which are owner-occupied in accordance with the terms of paragraph 49 below, in cases where the appropriate action is taken at any time after the date of this White Paper. The 'appropriate action' here means the commencement of the 'relevant proceedings' leading to the purchase or vacation of the house, as defined in paragraph 4(6) of the Second Schedule to the Housing Act, 1957. For unfitness orders the "appropriate action" would be the making of the order.

49. An owner-occupied house means in the first place any house which has been occupied by its owner or a member of his family continuously since the date of this White Paper. Where it is acquired for occupation after that date, the house must have been owner-occupied for 2 years before the "appropriate action" as defined in paragraph 48. (This is to avoid last minute sales which might be arranged simply to qualify for the supplement).

50. The Government propose that a person whose house is acquired or vacated before these provisions become law, but as a result of "appropriate action" taken after the date of this White Paper, should be able to claim later an additional payment.
payment to which he might become entitled by the legislation insofar as he has not already received it (for instance, on a sale by agreement).

5. "Well-maintained" payments will not be paid where a house qualifies for the new supplement. But the Government propose that the "well-maintained" payment for tenanted houses should be increased from twice, to four times, the rateable value of the house. The same rate will apply to owner-occupied houses not qualifying for the supplement under paragraph 48 above. These "well-maintained" payments will continue to be limited to the amount, if any, required to bring the site value up to the full market value of the house. The apportionment of these payments between landlord and tenant will continue to be a matter for the local authority.

VI. Conclusions

52. It is the main purpose of this White Paper to explain the proposals for legislation. The Minister and the Secretary of State will in due course publish a manual of advice for local authorities on how to handle the new General Improvement Area as an instrument of housing policy. But certain general remarks may still be in place.

53. No local authority can do everything on its own, but the Government envisage that the improvement of the older housing areas in our towns and cities should be carried out under the leadership of local authorities, and following general strategies which each local authority will decide for its own area.

54. Within that general strategy there will be a great part to be played by housing associations, and at every stage the voluntary co-operation of householders will prove, as it has already proved under the existing system, to be the first condition of progress. Local authorities must be tireless in explaining their proposals, and in gaining the confidence and approval of those whom they will affect. Areas will be able to
re-designated without reference to Whitehall, and without appeal or hearing. The time for appeal or hearing will be if, and only if, it becomes necessary to propose the compulsory purchase of any house or land, and at that stage the customary statutory safeguards of the appeal system will come into play. But the better the local explanation and co-operation is, the less frequently will compulsory purchase be necessary.

55. The keynote of the proposals is that the local authorities should positively concern themselves with the condition of the unsatisfactory private houses in their towns. The legislative and other changes now proposed, while reserving compulsory acquisition as an ultimate sanction, will greatly strengthen and widen the authorities' powers to improve the living conditions of their people.

56. The proposals of this paper place great emphasis on flexibility: flexibility in conditions, in grant maxima, in ministerial control. And this is right, since local circumstances will vary very widely. Some authorities will need to continue to devote most of their energies to clearance areas. Others, where there are not so many slums, or not such a shortage of housing, or a higher proportion of sound old houses, will wish to put much greater emphasis on General Improvement Areas.

57. These proposals will bring both problems and opportunities to the building industry, not excluding the smaller builders. The relations between the local authority and the local builders, and a good organisation to make the most productive use of their services and of local authorities' direct labour departments in this work, will greatly affect the success of improvement in any area. The Government are further studying this aspect of the subject and will consult the industry about it.
And finally, the Government hope that the publication of this White Paper, and the passage of the legislation it proposes, will be the occasion for a great new drive, grouping all the existing powers and using to the full the new powers and the higher grants proposed, for the improvement of those millions of older houses, and those hundreds of thousands of older streets which, though they are neglected at the moment, can be made into decent, pleasant and comfortable places to live in.
VII Summary of Proposals

Local authorities to have the duty, when surveying the condition of houses in their areas, of considering not only the need to provide new houses, but also the need to deal with unsatisfactory conditions (paragraph 5).

Improvement area provisions of the Housing Act 1964 to be extended (paragraph 11).

Local authorities to be empowered to declare General Improvement areas, without Ministerial approval, to assist householders in these areas in improving their houses; and to acquire land and buildings for improvement of the environment, improvement of houses, and clearance (paragraphs 12 and 13).

Local authorities to be able to act as owners' agents in improvement matters (paragraph 14).

"Interest only" payments on loans for the owner's share of improvement and repair costs to be allowed in appropriate cases, principal being recovered later (paragraph 15).

Exchequer grant of 50% for environmental improvement, on costs up to £100 per dwelling, in General Improvement Areas (paragraph 16).

Local authorities' power to compel owners to repair houses to be extended (paragraph 17).

Normal maximum discretionary grant to be raised from £400 to £1,000 (paragraph 23).

Normal maximum conversion grant to be raised from £500 per dwelling to £1,200 (paragraph 23).

Certain repairs and replacements to be eligible for improvement grant (paragraph 24).

Normal total standard improvement grant to be raised from £55 to £200 (paragraph 25).

Ventilated food store to be removed from standard improvement grant; "basic amenities", and sink added (paragraph 25).

For standard grant, basic amenities need not all be provided at the same time (paragraph 26).
Grant may be paid on improvement of houses which will not necessarily last fifteen years longer (paragraph 26).

Improvement grants may be paid even if the work has begun before the owner applies (paragraph 26).

Local authorities to be able to impose a time limit within which the work must be done (paragraph 27).

Assistance towards purchase of houses for improvement and conversion to be payable to local authorities as well as housing associations (paragraph 28).

Normal maximum cost of acquisition and conversion or improvement eligible for assistance to be £2,500 per dwelling obtained (paragraph 28).

Rents of tenanted houses which reach a required state, to be determined under the Rent Act 1965 (paragraphs 32, 33 and 34).

Local authorities to have power in certain areas to regulate proposed multiple occupation of houses (paragraph 38).

Basic amenities may attract grant even if not for the exclusive use of one family (paragraph 40).

Minor improvements to local authorities' powers to regulate existing multiple occupation (paragraph 41).

Internal arrangement of a house to be included in the criteria of fitness (paragraph 42).

Supplementary payments for owner-occupied houses subject to incur slum clearance (paragraphs 46 to 51).

Tenanted unfit houses to attract payments of four times rateable value if house has been well-maintained (paragraphs 46 to 51).
NATIONAL SAMPLE SURVEY OF THE CONDITION OF HOUSES

1. This survey of the condition of the housing stock was carried out by a physical inspection of a representative sample of dwellings by experienced public health inspectors working to a common brief.

2. The sample was designed to give a broad national picture. It was not large enough to give a local or regional picture. It is possible, however, to provide a picture for three broad divisions of the country - the North; Wales, Midlands and the South-West; the South-East.

3. The survey was directed to establish facts about:
   (i) fitness and unfitness (according to the criteria of unfitness in Section 4 of the Housing Act, 1957);
   (ii) the provision of basic amenities; viz. internal W.C.; fixed bath; hot and cold water system; wash basin. Information was not sought about ventilated food stores;
   (iii) state of repair; estimates were made of the amounts required to be spent to put dwellings into a satisfactory state of repair (excluding internal decoration) where this came to £125 or more.

The survey provided for a sub-division of most of these items by reference to age, type of area (conurbations, other urban areas and rural districts), and tenure.

4. The results are in Tables 1 to 14, viz.:
   Tables 1 - 4: Fitness and Unfitness
   Tables 5 - 8: Lack of amenities
   Tables 9 - 13: Disrepair (as measured by estimated cost of repairs needed)
   Table 14: Disrepair of fit/unfit dwellings having/not having all basic amenities.
### Table 1

<table>
<thead>
<tr>
<th>Region</th>
<th>Unfit dwellings</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In potential clearance areas</td>
<td>Others</td>
<td>All unfit dwellings</td>
<td>In or adjoining potential clearance areas - Pt. III Hsg. Act 1957 (to secure satisfactory areas for redevelopment)</td>
<td>Others</td>
<td>All dwellings not unfit</td>
<td>All dwellings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern, Yorkshire and Humberside and North West</td>
<td>578</td>
<td>52.6</td>
<td>184</td>
<td>25.0</td>
<td>762</td>
<td>41.5 (15)</td>
<td>51</td>
<td>45.1</td>
<td>4,216</td>
</tr>
<tr>
<td>South East</td>
<td>139</td>
<td>12.6</td>
<td>199</td>
<td>27.0</td>
<td>338</td>
<td>18.4 (6)</td>
<td>21</td>
<td>18.6</td>
<td>4,956</td>
</tr>
<tr>
<td>Rest of England and Wales(A)</td>
<td>382</td>
<td>34.8</td>
<td>354</td>
<td>48.0</td>
<td>736</td>
<td>40.1 (14)</td>
<td>41</td>
<td>36.3</td>
<td>4,577</td>
</tr>
<tr>
<td>England and Wales</td>
<td>1,099</td>
<td>100.0</td>
<td>737</td>
<td>100.0</td>
<td>1,836</td>
<td>100.0 (12)</td>
<td>113</td>
<td>100.0</td>
<td>13,751</td>
</tr>
</tbody>
</table>

**NOTE:** Figures in brackets show the numbers as a percentage of the stock in each region.

(A) = East Midlands, West Midlands, South West, East Anglia and Wales.

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**CONFIDENTIAL**
**Stock of dwellings: by type of area and condition**

**Estimated number February 1957**

**England and Wales**

<table>
<thead>
<tr>
<th>Area</th>
<th>Unfit dwellings</th>
<th></th>
<th></th>
<th>Dwellings not unfit</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In potential</td>
<td>Others</td>
<td>All unfit</td>
<td>In or adjoining</td>
<td>Others</td>
<td>All dwellings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>clearance areas</td>
<td>(Pt. III Hsg. Act</td>
<td>dwellings</td>
<td>potential clearance</td>
<td>(Pt. II Hsg. Act</td>
<td>not unfit</td>
<td>all dwellings</td>
</tr>
<tr>
<td></td>
<td>(Pt. III Hsg.</td>
<td>(Pt. II Hsg. Act</td>
<td></td>
<td>areas - Pt. III</td>
<td>(Pt. II Hsg. Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Conurbations</td>
<td>454</td>
<td>41.3</td>
<td>146</td>
<td>19.8</td>
<td>600</td>
<td>32.7 (11)</td>
<td>62</td>
</tr>
<tr>
<td>Other urban areas</td>
<td>523</td>
<td>47.6</td>
<td>283</td>
<td>38.4</td>
<td>806</td>
<td>43.9 (11)</td>
<td>48</td>
</tr>
<tr>
<td>Rural areas</td>
<td>122</td>
<td>11.1</td>
<td>328</td>
<td>41.8</td>
<td>430</td>
<td>23.4 (13)</td>
<td>3</td>
</tr>
<tr>
<td>England and Wales</td>
<td>1,099</td>
<td>100.0</td>
<td>737</td>
<td>100.0</td>
<td>1,836</td>
<td>100.0 (12)</td>
<td>113</td>
</tr>
</tbody>
</table>

**NOTE:** Figures in brackets show the numbers as a percentage of the stock in each type of area.
<table>
<thead>
<tr>
<th>Tenure</th>
<th>In potential clearance areas</th>
<th>Others</th>
<th>All unfit dwellings</th>
<th>In or adjoining potential clearance areas - Pt. III Hsg. Act 1957 (to secure satisfactory areas for redevelopment)</th>
<th>Others</th>
<th>All dwellings not unfit</th>
<th>All dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupied</td>
<td>273</td>
<td>263</td>
<td>556</td>
<td>47</td>
<td>7,368</td>
<td>7,415</td>
<td>6,971</td>
</tr>
<tr>
<td>Rented from local authorities or new town corporations</td>
<td>49</td>
<td>23</td>
<td>72</td>
<td>18</td>
<td>4,175</td>
<td>4,158</td>
<td>4,248</td>
</tr>
<tr>
<td>Other tenures</td>
<td>705</td>
<td>413</td>
<td>1,118</td>
<td>48</td>
<td>2,202</td>
<td>2,250</td>
<td>3,368</td>
</tr>
<tr>
<td>Closed (A)</td>
<td>72</td>
<td>18</td>
<td>90</td>
<td>-</td>
<td>23</td>
<td>23</td>
<td>113</td>
</tr>
<tr>
<td>Total stock</td>
<td>1,093</td>
<td>737</td>
<td>1,836</td>
<td>113</td>
<td>13,751</td>
<td>13,864</td>
<td>15,700</td>
</tr>
</tbody>
</table>

**NOTE:** Figures in brackets show the numbers as a percentage of stock in each tenure category.

(A) = Closed as unfit under Housing Act powers or preparatory to redevelopment under other statutory powers.
<table>
<thead>
<tr>
<th>Age of dwelling</th>
<th>Unfit dwellings</th>
<th>Dwellings not unfit</th>
<th>All dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In potential clearance areas</td>
<td>Others</td>
<td>All unfit dwellings</td>
</tr>
<tr>
<td>Pre 1919</td>
<td>1,091 (99.3%)</td>
<td>693 (94.0%)</td>
<td>1,784 (97.2%) (30)</td>
</tr>
<tr>
<td>1919 - 1944</td>
<td>5 (0.4%)</td>
<td>44 (6.0%)</td>
<td>49 (2.7%) (1)</td>
</tr>
<tr>
<td>Post 1944</td>
<td>3 (0.3%)</td>
<td>3 (0.1%)</td>
<td>3 (0.1%) (0)</td>
</tr>
<tr>
<td>Total stock</td>
<td>1,099 (100.0%)</td>
<td>737 (100.0%)</td>
<td>1,836 (100.0%) (12)</td>
</tr>
</tbody>
</table>

NOTE: Figures in brackets show the numbers as a percentage of stock in each age category.
### Table 5: Amenities Lacked

<table>
<thead>
<tr>
<th>Amenities Lacked</th>
<th>Northern Yorkshire and Humberside and North West</th>
<th>South East</th>
<th>Rest of England and Wales (A)</th>
<th>England and Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousands of dwellings: percentages</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>--------------------------------------------------</td>
<td>-----------</td>
<td>-------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Internal Water closet</td>
<td>1,255</td>
<td>43.0 (25)</td>
<td>586</td>
<td>20.1 (11)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,078</td>
<td>36.9 (20)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,919</td>
<td>100.0 (19)</td>
</tr>
<tr>
<td>Fixed bath</td>
<td>854</td>
<td>40.6 (17)</td>
<td>481</td>
<td>22.8 (9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>771</td>
<td>36.6 (14)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,106</td>
<td>100.0 (13)</td>
</tr>
<tr>
<td>Wash basin</td>
<td>1,101</td>
<td>36.2 (22)</td>
<td>853</td>
<td>28.1 (16)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,086</td>
<td>35.7 (20)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,040</td>
<td>100.0 (19)</td>
</tr>
<tr>
<td>Hot and cold water at 3 points</td>
<td>1,083</td>
<td>31.9 (22)</td>
<td>1,044</td>
<td>30.7 (20)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,273</td>
<td>37.4 (24)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,400</td>
<td>100.0 (22)</td>
</tr>
<tr>
<td>One or more of the amenities</td>
<td>1,402</td>
<td>35.5 (28)</td>
<td>1,126</td>
<td>28.6 (21)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,415</td>
<td>35.9 (26)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,943</td>
<td>100.0 (25)</td>
</tr>
<tr>
<td>Total stock</td>
<td>5,031</td>
<td>32.0</td>
<td>5,315</td>
<td>33.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5,354</td>
<td>34.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>15,700</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**NOTE:** Figures in brackets show the numbers of the listed amenities as a percentage of the stock in each region.

(A) = East Midlands, West Midlands, South West, East Anglia and Wales
### Table 6

<table>
<thead>
<tr>
<th>Amenities lacked</th>
<th>Conurbation</th>
<th>Other urban areas</th>
<th>Rural districts</th>
<th>England and Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal water closet</td>
<td>957 32.8 (18)</td>
<td>1,419 48.6 (20)</td>
<td>543 18.6 (17)</td>
<td>2,919 100.0 (19)</td>
</tr>
<tr>
<td>Fixed bath</td>
<td>727 34.5 (14)</td>
<td>961 45.6 (13)</td>
<td>418 19.8 (13)</td>
<td>2,106 100.0 (13)</td>
</tr>
<tr>
<td>Wash basin</td>
<td>1,119 36.8 (21)</td>
<td>1,385 45.6 (19)</td>
<td>536 17.6 (16)</td>
<td>3,040 100.0 (19)</td>
</tr>
<tr>
<td>Hot and cold water at 3 points</td>
<td>1,209 35.6 (23)</td>
<td>1,618 47.6 (23)</td>
<td>573 16.8 (18)</td>
<td>3,400 100.0 (22)</td>
</tr>
<tr>
<td>One or more of the amenities</td>
<td>1,560 34.5 (26)</td>
<td>1,914 48.5 (27)</td>
<td>669 17.0 (24)</td>
<td>3,943 100.0 (25)</td>
</tr>
<tr>
<td>Total stock</td>
<td>5,317 33.9</td>
<td>7,156 45.6</td>
<td>3,227 20.5</td>
<td>15,700 100.0</td>
</tr>
</tbody>
</table>

**NOTE:** Figures in brackets show the numbers without the listed amenities as a percentage of the stock in each type of area.
<table>
<thead>
<tr>
<th>Amenities lacked</th>
<th>Owner occupied</th>
<th>Rent from local authorities or new town corporations</th>
<th>Other tenures</th>
<th>Closed (%)</th>
<th>All dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal water closet</td>
<td>952</td>
<td>353</td>
<td>1,222</td>
<td>82</td>
<td>2,919</td>
</tr>
<tr>
<td>Fixed bath</td>
<td>565</td>
<td>93</td>
<td>1,521</td>
<td>77</td>
<td>2,106</td>
</tr>
<tr>
<td>Wash basin</td>
<td>849</td>
<td>479</td>
<td>1,632</td>
<td>80</td>
<td>3,040</td>
</tr>
<tr>
<td>Hot and cold water at 3 points</td>
<td>1,018</td>
<td>521</td>
<td>1,779</td>
<td>82</td>
<td>3,400</td>
</tr>
<tr>
<td>One or more of the amenities</td>
<td>1,288</td>
<td>675</td>
<td>1,895</td>
<td>85</td>
<td>3,943</td>
</tr>
</tbody>
</table>

NOTE: Figures in brackets show the numbers without listed amenities as a percentage of the stock in each tenure category.

(A) Closed as unfit under Housing Act powers or preparatory to redevelopment under other statutory powers.
### Table 8

#### England and Wales

<table>
<thead>
<tr>
<th>Amenities lacked</th>
<th>In potential clearance areas (Pt.III Hsg. Act 1957)</th>
<th>Unfit dwellings</th>
<th>Dwellings not unfit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>Others</td>
<td>All unfit dwellings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Pt.II Hsg. Act 1957)</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All dwellings</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>All dwellings</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>not unfit</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>All dwellings</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Internal water closet</td>
<td>962 87.5</td>
<td>1,412 76.9</td>
<td>1,442 76.9</td>
</tr>
<tr>
<td></td>
<td>450 61.1</td>
<td>65 57.5</td>
<td>1,507 10.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,507 10.9</td>
<td></td>
</tr>
<tr>
<td>Fixed bath</td>
<td>923 84.6</td>
<td>1,324 72.4</td>
<td>731 5.4</td>
</tr>
<tr>
<td></td>
<td>401 54.4</td>
<td>51 45.1</td>
<td>782 5.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>782 5.6</td>
<td></td>
</tr>
<tr>
<td>Wash basin</td>
<td>969 87.8</td>
<td>1,450 79.0</td>
<td>1,518 11.0</td>
</tr>
<tr>
<td></td>
<td>485 65.8</td>
<td>72 63.7</td>
<td>1,590 11.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,590 11.5</td>
<td></td>
</tr>
<tr>
<td>Hot and cold water at 3 points</td>
<td>951 90.2</td>
<td>1,517 82.6</td>
<td>1,511 13.2</td>
</tr>
<tr>
<td></td>
<td>526 71.4</td>
<td>72 63.7</td>
<td>1,683 13.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,683 13.6</td>
<td></td>
</tr>
</tbody>
</table>

**Thousands of dwellings: percentages**

<table>
<thead>
<tr>
<th>Internal water closet</th>
<th>Fixed bath</th>
<th>Wash basin</th>
<th>Hot and cold water at 3 points</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,919 18.6</td>
<td>2,106 13.4</td>
<td>3,040 19.4</td>
<td>3,400 21.7</td>
</tr>
</tbody>
</table>

---

**CONFIDENTIAL**
## Stock of dwellings: by region and repair costs

### Estimated number February 1967

### England and Wales

<table>
<thead>
<tr>
<th>Region</th>
<th>Under £125</th>
<th>£125-£249</th>
<th>£250-£499</th>
<th>£500-£999</th>
<th>£1,000 and over</th>
<th>All repair costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern, Yorkshire and Humberside and North West</td>
<td>2,984</td>
<td>927</td>
<td>543</td>
<td>346</td>
<td>231</td>
<td>5,031</td>
</tr>
<tr>
<td>South East</td>
<td>3,966</td>
<td>655</td>
<td>307</td>
<td>200</td>
<td>187</td>
<td>5,315</td>
</tr>
<tr>
<td>Rest of England and Wales (A)</td>
<td>3,182</td>
<td>939</td>
<td>478</td>
<td>423</td>
<td>332</td>
<td>5,354</td>
</tr>
<tr>
<td><strong>England and Wales</strong></td>
<td><strong>10,152</strong></td>
<td><strong>2,521</strong></td>
<td><strong>1,328</strong></td>
<td><strong>969</strong></td>
<td><strong>750</strong></td>
<td><strong>15,700</strong></td>
</tr>
</tbody>
</table>

**NOTE:** Figures in brackets show the numbers as a percentage of the stock in each region.

(A) = East Midlands, West Midlands, South West, East Anglia and Wales
Stock of dwellings: by type of area and repair costs
Estimated number February 1967

England and Wales

<table>
<thead>
<tr>
<th>Type of area</th>
<th>Under £125</th>
<th>£125-249</th>
<th>£250-£499</th>
<th>£500-£999</th>
<th>£1,000 and over</th>
<th>All repair costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousands</td>
<td>%</td>
<td>Thousands</td>
<td>%</td>
<td>Thousands</td>
<td>%</td>
</tr>
<tr>
<td>Conurbations</td>
<td>3,465</td>
<td>34.2 (65)</td>
<td>866</td>
<td>34.4 (16)</td>
<td>254</td>
<td>34.2 (9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>317</td>
<td>32.7 (6)</td>
<td>215</td>
<td>28.7 (4)</td>
</tr>
<tr>
<td>Other urban areas</td>
<td>4,613</td>
<td>45.5 (64)</td>
<td>1,163</td>
<td>46.1 (16)</td>
<td>623</td>
<td>46.5 (9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>479</td>
<td>49.4 (7)</td>
<td>278</td>
<td>37.1 (4)</td>
</tr>
<tr>
<td>Rural Districts</td>
<td>2,054</td>
<td>20.3 (64)</td>
<td>492</td>
<td>19.5 (15)</td>
<td>251</td>
<td>18.3 (8)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>173</td>
<td>17.3 (5)</td>
<td>257</td>
<td>34.2 (8)</td>
</tr>
<tr>
<td>England and Wales</td>
<td>10,132</td>
<td>100.0 (65)</td>
<td>2,521</td>
<td>100.0 (16)</td>
<td>1,328</td>
<td>100.0 (6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>969</td>
<td>100.0 (6)</td>
<td>750</td>
<td>100.0 (5)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15,700</td>
<td>100.0</td>
</tr>
</tbody>
</table>

NOTE: Figures in brackets show the numbers as a percentage of the stock in each type of area.
### Table 11

**England and Wales**

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Under £125</th>
<th>£125-£249</th>
<th>£250-£499</th>
<th>£500-£999</th>
<th>£1,000 and over</th>
<th>All repair costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupied</td>
<td>5,572</td>
<td>1,219</td>
<td>656</td>
<td>316</td>
<td>208</td>
<td>7,971</td>
</tr>
<tr>
<td>Rented from local authorities or new town corporations</td>
<td>3,526</td>
<td>548</td>
<td>95</td>
<td>52</td>
<td>27</td>
<td>4,248</td>
</tr>
<tr>
<td>Other tenures</td>
<td>1,022</td>
<td>742</td>
<td>574</td>
<td>578</td>
<td>452</td>
<td>3,568</td>
</tr>
<tr>
<td>Closed (A)</td>
<td>12</td>
<td>12</td>
<td>3</td>
<td>23</td>
<td>63</td>
<td>113</td>
</tr>
<tr>
<td>Total stock</td>
<td>10,132</td>
<td>2,521</td>
<td>1,328</td>
<td>956</td>
<td>750</td>
<td>15,700</td>
</tr>
</tbody>
</table>

**NOTE:** Figures in brackets show the numbers as a percentage of the stock in each type of tenure.

(A) = Closed as unfit under Housing Act powers or preparatory to redevelopment under other statutory powers.
Table 12

<table>
<thead>
<tr>
<th>Repair Costs</th>
<th>Unfit dwellings</th>
<th>Dwellings not unfit</th>
<th>All unfit dwellings</th>
<th>In or adjoining potential clearance areas - Pt. III Hag Act 1957 - (to secure satisfactory areas of redevelopment)</th>
<th>Others</th>
<th>All dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In potential clearance areas</td>
<td>Others</td>
<td>All unfit dwellings</td>
<td></td>
<td>Others</td>
<td>All dwellings</td>
</tr>
<tr>
<td>Under £125</td>
<td>5  0.5 %</td>
<td>15  2.0 %</td>
<td>20  1.1 %</td>
<td>18  15.9 %</td>
<td>10,094 73.4 %</td>
<td>10,112 72.0 %</td>
</tr>
<tr>
<td>£125 - £249</td>
<td>44  4.0 %</td>
<td>92 12.5 %</td>
<td>136  7.4 %</td>
<td>33  29.2 %</td>
<td>2,385 17.2 %</td>
<td>2,395 17.2 %</td>
</tr>
<tr>
<td>£250 - £499</td>
<td>252 22.9 %</td>
<td>162 22.0 %</td>
<td>414 22.6 %</td>
<td>22 19.5 %</td>
<td>614 6.6 %</td>
<td>614 6.6 %</td>
</tr>
<tr>
<td>£500 - £999</td>
<td>380 34.6 %</td>
<td>210 28.5 %</td>
<td>590 32.1 %</td>
<td>29 25.7 %</td>
<td>379 2.7 %</td>
<td>379 2.7 %</td>
</tr>
<tr>
<td>£1000 and over</td>
<td>428 38.0 %</td>
<td>258 35.0 %</td>
<td>676 36.6 %</td>
<td>11 9.7 %</td>
<td>74 6.5 %</td>
<td>74 6.5 %</td>
</tr>
<tr>
<td>All £125 and over</td>
<td>1,094 99.5 %</td>
<td>722 98.0 %</td>
<td>1,816 98.9 %</td>
<td>95 84.1 %</td>
<td>3,752 27.0 %</td>
<td>3,752 27.0 %</td>
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</tbody>
</table>

All repair costs 1,099 100.0 % 737 100.0 % 1,836 100.0 % 113 100.0 % 13,751 100.0 % 13,844 100.0 % 15,703 100.0 %
### Table 13

<table>
<thead>
<tr>
<th>Age of dwelling</th>
<th>Under £125</th>
<th>£125-£249</th>
<th>£250-£499</th>
<th>£500-£999</th>
<th>£1,000 and over</th>
<th>All repair costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre 1919</td>
<td>1,784</td>
<td>1,416</td>
<td>1,154</td>
<td>932</td>
<td>743</td>
<td>6,029</td>
</tr>
<tr>
<td></td>
<td>17.6 (30)</td>
<td>56.2 (23)</td>
<td>86.9 (19)</td>
<td>96.2 (16)</td>
<td>99.1 (12)</td>
<td>38.4 (100)</td>
</tr>
<tr>
<td>1919 - 1944</td>
<td>3,141</td>
<td>917</td>
<td>161</td>
<td>29</td>
<td>7</td>
<td>4,255</td>
</tr>
<tr>
<td></td>
<td>31.0 (73)</td>
<td>36.4 (22)</td>
<td>12.1 (4)</td>
<td>3.0 (1)</td>
<td>0.9 (0)</td>
<td>27.1 (100)</td>
</tr>
<tr>
<td>Post 1944</td>
<td>5,207</td>
<td>188</td>
<td>13</td>
<td>8</td>
<td>-</td>
<td>5,416</td>
</tr>
<tr>
<td></td>
<td>51.4 (96)</td>
<td>7.4 (4)</td>
<td>1.0 (0)</td>
<td>0.8 (0)</td>
<td>-</td>
<td>34.5 (100)</td>
</tr>
<tr>
<td>Total stock</td>
<td>10,132</td>
<td>2,521</td>
<td>1,328</td>
<td>969</td>
<td>750</td>
<td>15,700</td>
</tr>
<tr>
<td></td>
<td>100.0 (65)</td>
<td>100.0 (16)</td>
<td>100.0 (8)</td>
<td>100.0 (6)</td>
<td>100.0 (5)</td>
<td>100.0</td>
</tr>
</tbody>
</table>
### Table 13

**England and Wales**

<table>
<thead>
<tr>
<th>Age of dwelling</th>
<th>Under £125</th>
<th>£125-£249</th>
<th>£250-£499</th>
<th>£500-£999</th>
<th>£1,000 and over</th>
<th>All repair costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre 1919</td>
<td>1,784</td>
<td>1,416</td>
<td>1,154</td>
<td>932</td>
<td>743</td>
<td>6,029</td>
</tr>
<tr>
<td>£1.000 and over</td>
<td>31.6 (30)</td>
<td>56.2 (23)</td>
<td>86.9 (19)</td>
<td>96.2 (16)</td>
<td>99.1 (12)</td>
<td>38.4 (100)</td>
</tr>
<tr>
<td>1919 - 1944</td>
<td>3,141</td>
<td>917</td>
<td>161</td>
<td>29</td>
<td>7</td>
<td>4,255</td>
</tr>
<tr>
<td>£1.000 and over</td>
<td>31.0 (22)</td>
<td>36.4 (22)</td>
<td>12.1 (4)</td>
<td>3.0 (1)</td>
<td>0.9 (0)</td>
<td>27.1 (100)</td>
</tr>
<tr>
<td>Post 1944</td>
<td>5,207</td>
<td>108</td>
<td>13</td>
<td>8</td>
<td>0.8 (0)</td>
<td>5,416</td>
</tr>
<tr>
<td>£1.000 and over</td>
<td>36.4 (22)</td>
<td>7.4 (4)</td>
<td>1.0 (0)</td>
<td>0.8 (0)</td>
<td>- (-)</td>
<td>34.5 (100)</td>
</tr>
<tr>
<td>Total stock</td>
<td>10,132</td>
<td>2,521</td>
<td>1,328</td>
<td>969</td>
<td>750</td>
<td>15,700</td>
</tr>
<tr>
<td>£1.000 and over</td>
<td>100.0 (65)</td>
<td>100.0 (16)</td>
<td>100.0 (8)</td>
<td>100.0 (6)</td>
<td>100.0 (5)</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Note:** Figures in brackets show the numbers as a percentage of the stock in each age group.
<table>
<thead>
<tr>
<th>Repair costs under £125</th>
<th>£125-£249</th>
<th>£250-£499</th>
<th>£500-£999</th>
<th>£1000 and over</th>
<th>Repair costs of £125 or more</th>
<th>All repair costs</th>
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<tr>
<td>Outside potential clearance areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dwellings with all amenities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Unfit</td>
<td>9,235</td>
<td>1,551</td>
<td>495</td>
<td>161</td>
<td>30</td>
<td>2,237 (A)</td>
</tr>
<tr>
<td>Unfit</td>
<td>-</td>
<td>26</td>
<td>45</td>
<td>54</td>
<td>51</td>
<td>176</td>
</tr>
<tr>
<td>Totals</td>
<td>9,235</td>
<td>1,577</td>
<td>540</td>
<td>215</td>
<td>81</td>
<td>2,413</td>
</tr>
<tr>
<td>Dwellings lacking amenities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Unfit</td>
<td>879</td>
<td>801</td>
<td>397</td>
<td>189</td>
<td>33</td>
<td>1,420</td>
</tr>
<tr>
<td>Unfit</td>
<td>15</td>
<td>66</td>
<td>117</td>
<td>156</td>
<td>207</td>
<td>516</td>
</tr>
<tr>
<td>Totals</td>
<td>874</td>
<td>867</td>
<td>514</td>
<td>345</td>
<td>240</td>
<td>1,966</td>
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<tr>
<td>In or adjoining potential clearance areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Unfit</td>
<td>18</td>
<td>33</td>
<td>22</td>
<td>29</td>
<td>11</td>
<td>95</td>
</tr>
<tr>
<td>Unfit</td>
<td>5</td>
<td>44</td>
<td>252</td>
<td>580</td>
<td>418</td>
<td>1,094</td>
</tr>
<tr>
<td>Totals</td>
<td>23</td>
<td>77</td>
<td>274</td>
<td>409</td>
<td>429</td>
<td>1,189</td>
</tr>
<tr>
<td>All dwellings</td>
<td>10,132</td>
<td>2,521</td>
<td>1,328</td>
<td>969</td>
<td>750</td>
<td>5,568</td>
</tr>
</tbody>
</table>

(A) = The number of dwellings outside potential clearance areas which are not unfit requiring repairs costing £125 or more, or lacking amenities, or both is given by the sum of these figures, viz: 4,516,000.
FINANCIAL AND MANPOWER IMPLICATIONS

1. The Draft White Paper deals with a shift of emphasis from new housebuilding to improvement of our housing stock. Accordingly, the aim has been to achieve so far as is possible a neutral net effect in terms of both cost and manpower.

2. On cost, the Chancellor of the Exchequer has accepted for the purposes of compiling the figures for the Public Expenditure Survey proposals which I have made for investment in both new and old houses. On this basis there would be only a very small rise in the total housing investment expenditure between 1968-9 and 1972-3, and, indeed, that there would be a slight fall in each of the intervening years. Within this total there would be no extra cost in respect of slum clearance or improvement before 1970-1, when it might amount to £8.3m. growing to £37.2m. in 1972-3.

3. On manpower, a gradual re-allocation of resources within the building industry can be expected; but this would be marginal and should cause no undue strain. Departments concerned are considering how the transition could be most smoothly carried through and, as the Draft White Paper states (paragraph 57), the industry will be consulted. Within the public service, the significant impact will be upon local authorities. However, many of the proposals will lead to a more efficient use of manpower already engaged upon problems of older houses. There will be far less involvement with bureaucratic detail. But, above all, priorities will be determined locally in the light of all the factors: the confidential advice from associations of local authorities indicates that councils should be able to cope without adding significantly to their complements. There will however be an increased call on the services of public health inspectors; recruitment prospects have been more encouraging recently. The extra number required will depend on the rate of build-up of the new work and is difficult to quantify until the new methods have been given an extended trial. Over the next few years the increase will be marginal.
THE OLDER HOUSES [SCOTLAND]:
DRAFT WHITE PAPER

Note by the Secretary of State for Scotland

The attached White Paper contains my proposals for tackling the problems posed by the older housing stock in Scotland. Along with the White Paper by the Minister of Housing and Local Government and the Secretary of State for Wales (C(68) 66), it has been considered in the Ministerial Committee on Housing.

2. The financial implications have been discussed with the Treasury and agreement reached as to the likely cost. I am considering with the Chancellor of the Exchequer how the expenditure can be fitted into the programme for 1970-71 (the first year affected) and subsequent years.

3. I seek the Cabinet's agreement to publication of the White Paper, subject to any drafting adjustments which are found to be necessary, for example, on further detailed comparison of the English and Scottish drafts.

4. Though a separate Scottish White Paper is necessary, it is important that both should be published at the same time.

W.R.

Scottish Office, S. W. 1.

5th April, 1968
1. This paper outlines the Government's proposals for legislation on older houses in Scotland. The social and human consequences of their present condition are distressingly apparent in many of our towns. Some of these houses must be cleared away and replaced; others must be improved to an acceptable standard. To make this possible the law must be changed. But an Act of Parliament can be only a springboard for the action which is required and will not be effective without new efforts by all concerned - Government, local authorities, housing associations and private owners. The Government intend to provide wider powers and new financial incentives, so that local authorities and owners can play their part.

2. In considering their proposals the Government have received substantial help from the report, "Scotland's Older Houses"(1), published last year, of a sub-committee of the Scottish Housing Advisory Committee, under the chairmanship of Mr. J. B. Cullingworth, formerly Senior Lecturer in Urban Studies at the University of Glasgow and now Director of the Centre for Urban and Regional Studies at the University of Birmingham. The sub-committee considered that the condition of almost 300,000 of the older houses was so bad that they ought to be replaced quickly - within ten years if possible - and drew attention to the need for the rehabilitation and improvement of at least 200,000 more. This means that the number of older houses for which effective action needs to be taken or planned in the near future is half a million, or 30 per cent of Scotland's total stock.

3. Since the report was published, fuller information has become available from the results of a survey, published as "Scottish Housing in 1965"(2), more than 350,000 houses, one-fifth of the Scottish total, do not have a fixed bath or shower. Nearly one-quarter lack a hot water supply to bath, wash hand basin and sink. More than 200,000 have no internal water closet. Even of those which are thought to have a useful life of more than 15 years, 9 per cent do not have a fixed bath and 5 per cent have no internal water closet.

(2) Government Social Survey on behalf of the Scottish Development Department 1967.
Other evidence about the highly unsatisfactory state of the older houses is provided by the recently-published book, "A Profile of Glasgow Housing 1965" (3) and by the material now being derived from the 1966 Sample Census. It is now clear that the lack of amenities is in many ways more striking in Glasgow houses than in the Scottish stock generally. Many of the houses in the city are tenements, and no less than one-half of them have a floor area of less than 500 square feet. The information flowing from the 1966 Sample Census details the facilities available in the housing stock in each local authority area.

5. Merely to have so much information about our houses is in itself a step forward. Constructive thinking has often been inhibited by the absence of accurate information; much of the information we have had - based for instance on local authority returns of houses which were classified by them as unfit for human habitation - is now seen to have been misleading.

6. As the Cullingworth sub-committee emphasised, however, statistics alone cannot adequately describe the problem. Many people are forced to live in appalling conditions: the neglect and dilapidation of the common closes and staircases and the back courts have often overwhelmed the good intentions of individual householders.

7. The policy underlying the proposals now put forward is that more should be done year by year to replace those houses which have outlived their usefulness to rehabilitate and improve those which have a further useful life.

8. The Government consider that worthwhile results will be achieved only if the local housing authorities accept that they have an important role in their districts, not only as the providers of houses for letting, but also as the coordinators of all efforts directed to securing satisfactory housing for the whole community. There will be a role for housing associations, and much will depend on the co-operation of owners, factors and residents, but the local housing authorities must take the lead in driving the policy forward in each district. Legislation can give them better powers, better techniques and better financial arrangements. They alone can provide the drive without which

Since 1945, the local authorities have built some 450,000 houses and

some, together with nearly 200,000 built by other public bodies and the private

sector, have gone far to reduce the absolute shortage of housing in Scotland.

Major contribution in the post-war period does not lessen the need for

authority housing activity in the future, but it does mean that the

scale of that activity needs to be very different in future from what it was

a few years ago. In particular, further increases of the housing stock,

still necessary in some parts of Scotland, have become less important

renewing the existing stock, either by replacement or rehabilitation.

Before building new houses, it is now more than ever necessary to give

good consideration to the needs which have still to be met; and all

interests must be co-ordinated if the right decisions are to be taken about

redevelopment of existing old houses. On these matters only the local authority

give the lead and secure the co-operation which is essential.

THE SPECIAL PROBLEM OF TENEMENTS

Tenements are at the heart of the Scottish housing problem. Their

stone blocks form a striking feature of the landscape in our larger towns,

but all of them were built in the half century which ended with the outbreak

of the first world war. The problems they pose are of special importance,

not only because there are so many of them - about 400,000 in all, or

just 25 per cent of the total stock - but because the proportion of them is

greatest in towns where the housing problems are most severe.

Because of their bulk, the material of which they are constructed and

multiple ownership which is now widespread among them, they are extremely
difficult to clear and demolish. Because they accommodate so many families in

small compact area, redevelopment cannot achieve similar densities along

modern living standards. The local authority must rehouse those who

must be accommodated when the area is redeveloped; moreover, they must be

able to provide houses for all the affected families during the period of the

development work.
42. The alternative, to improve the tenements, may be difficult and costly. The small size of most of the houses, and the number of very small ones, makes it difficult to provide amenities, such as bathrooms, within the existing outer walls. Extensions built by conventional means would be prohibitively expensive, and prefabricated techniques have not yet been sufficiently developed to hold much promise for the foreseeable future. So it may be impossible to provide all modern amenities without displacing some households when the improvement is achieved; for example, by converting three houses on one storey into two. The structure of the tenements is old and often in disrepair, and the environment in which the blocks stand is often unsatisfactory. Because of the difficulties, little improvement work has been undertaken in recent years.

43. It is, however, important that the improvement of tenements should not be written off as being too difficult or too costly, especially as to replace within a reasonable period all which are unsatisfactory is likely to be impracticable. Some limitation of the range of the improvement work done would enable the cost to be kept down. The improved houses would generally be smaller than houses now being built, but by providing good accommodation for smaller households they would meet the needs of a section of the community whose housing conditions have often been a particular problem. Studies of the techniques of limited improvement are in hand.

44. One of the difficulties in the past has been the high level of incidental repair costs. A survey carried out recently of a sample of typical tenements in Rutherglen indicated that the repair costs which need arise with limited improvement schemes was not so heavy as had sometimes been imagined. Repair costs arising from the type of improvement work now proposed should not be a formidable obstacle to progress.

45. While it is hoped to develop centrally some techniques which will be of help to local authorities and private owners, it is clear that the question whether full or limited improvement of any particular Scottish tenements is justified on economic or other grounds, or is the only way of
securing tolerable housing conditions within a reasonable period, must be weighed against the other choices. There is no alternative to considering in each instance whether the best treatment is replacement or improvement.

A NEW BASIS FOR LOCAL ACTION

16. Because of the need for thorough consideration of what is the best treatment in each instance, the Government consider that the treatment of older houses must be planned for often quite large areas within each local authority's district. Where replacement is needed, a procedure for clearance is already set out in the Housing (Scotland) Acts, but few local authorities use it; many appear to rehouse tenants from unsatisfactory houses when they qualify for other reasons, and to classify the houses in question as unfit only after they have become vacant, rather than to plan the clearance of areas of unfit housing and to rehouse the tenants as a necessary consequence. In some instances the reason is that the local authority considers the statutory provisions to be unsatisfactory. The Housing Acts also include a procedure, first introduced in 1964, for local authorities to define improvement areas within their districts and to have improvement work carried out, if necessary compulsorily, within them; but only three authorities have endeavoured to make any real use of the procedure and all have run into difficulty, mainly because of its cumbersome and protracted nature.

17. The Government's aim is to remove obstacles to faster progress and accordingly it is proposed to simplify and to alter the procedures relating to clearance and to improvement so as to make them more suitable and effective, and also to assimilate them to each other since, after an area has been considered as a whole, it may well be decided that part of it should be dealt with by clearance and part by improvement, and the local authority should be able to proceed accordingly.

18. The beginning of the whole procedure must however be to identify areas which require treatment of one sort or the other. The report "Scotland's Older Houses" recommended that for purposes such as this there should be a statutory standard of "tolerability" which should depend largely on objective
considerations, such as the provision within the house of a sink provided with cold and hot water, and a W.C., but which would also include tests requiring the exercise of some judgment, for example, whether the house is free for damp and has adequate ventilation and lighting. The Government agree that in Scottish conditions a statutory standard would be a desirable starting point for these procedures, and propose that the legislation should introduce suitable provisions to define the statutory standard and to enable local authorities to initiate appropriate action in relation to houses which do not come up to that standard.

Faster Clearance

19. The annual rate of slum clearance in Scotland in recent years has improved steadily as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Slum Clearance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>12,085</td>
</tr>
<tr>
<td>1963</td>
<td>12,058</td>
</tr>
<tr>
<td>1964</td>
<td>14,392</td>
</tr>
<tr>
<td>1965</td>
<td>15,534</td>
</tr>
<tr>
<td>1966</td>
<td>16,650</td>
</tr>
<tr>
<td>1967</td>
<td>19,087</td>
</tr>
</tbody>
</table>

These figures are encouraging as far as they go, but fall far short of the average of 30,000 a year required to meet the recommendation in paragraph 2 above. Determined efforts must be made to increase the rate of clearance, and local authorities must use a greater proportion of their available houses (both newly-built and those becoming available for re-letting) specifically for the purpose of enabling unsatisfactory houses to be closed.

20. Following the proposal in paragraph 18, that future procedures should stem from the identification of areas requiring treatment in accordance with a new statutory standard of "tolerability", the procedures for taking unsatisfactory houses out of use will no longer be related to the "unfitness" criteria now set out in section 5 of the Housing (Scotland) Act 1966, which have proved to be unsuited to Scottish conditions. When a house is not up to the "tolerable" standard, the local authority will not be obliged to take action to have the house closed or demolished. As already indicated, the local authorities will be given powers to take various kinds of action in regard to houses falling below the statutory standard. But the intention is that the authorities should be placed under a general obligation to exercise the powers
soon as practicable, and that the Secretary of State should be able to
require local authorities to take specified types of action in areas defined
this.

21. Another factor which has been delaying progress with clearance is the
compensation which is payable when an unfit house is acquired by a local
authority. Many owners who object to clearance proposals do so because they
are dissatisfied with the compensation they will get if their house is classified
as unfit. The present basis of compensation is the site value or the market
value of the unfit house, whichever is the less, subject to the proviso that an
owner-occupier cannot get less than the gross annual value of the house. The
underlying principle, namely that an unfit house no longer has any value as a
place to live in, has been followed for fifty years and there is no reason for
departing from it now. But clearance is likely to affect an increasing number
of owner-occupiers and it seems right that the proviso which at present recognises
the special hardship which they suffer when their house is acquired should be
replaced by some rather less limited provision. The Government accordingly
propose to introduce new arrangements, which are set out in detail in the next
paragraph.

22. (1) The owner-occupier of a house which is the subject of --

(a) a closing order or a demolition order under Part II of the
Housing (Scotland) Act 1966, or a declaration of unfitness
order under Schedule 2 to the Land Compensation (Scotland)
Act 1963 made, or

(b) a compulsory purchase order under Part II of the Housing
(Scotland) Act 1966, in respect of which the notice under
section 11 or the notice of determination to purchase under
section 20 is served, or

(c) a clearance order or a clearance area compulsory purchase
order under Part III of the Housing (Scotland) Act 1966
in pursuance of a clearance resolution passed --

after the date of this White Paper will be entitled to a special payment, or
supplement. Where the house is acquired, the payment will be in addition to
the basic compensation; where the house is not acquired, the payment will be
the only sum that passes.
(2) The payment, which will be equivalent to the amount by which the market value of the house exceeds the value derived from the present statutory formula, will be payable to the owners of houses which are owner-occupied as defined in sub-paragraph (3) below. Payment cannot be made until the necessary legislation is enacted, but the owners concerned will be able to claim later (except insofar as they may already have received the equivalent sum - for instance, on a sale by agreement.)

(3) An owner-occupied house means in the first place any house which has been occupied by its owner or a member of his family ever since the date of this White Paper. Where a house is acquired for occupation after that date it will have to be owner-occupied for two years before the new arrangements will apply to it. Such a waiting period is necessary in order to prevent last-minute sales being arranged simply to qualify for the supplement.

(4) "Well-maintained" payments will not be paid where a house qualifies for the new supplement, but where it does not, the maximum of such payments will be increased from $3\frac{3}{5}$ to $7\frac{1}{5}$ times the rateable value of the house, and the new figure will apply to tenant-occupied as well as to owner-occupied houses.

The payments will continue to be limited to the amount required to bring the value determined on the present statutory formula up to the market value of the house. The apportionment of the payment between landlord and tenant will continue to be a matter for the local authority.

MORE IMPROVEMENT

23. Not nearly enough improvement work has been done in Scotland. The grants which private owners may be given are of two kinds, standard grants which are available as of right in support of the cost of providing certain basic amenities and discretionary grants which cover a wider range of work.

The numbers of grants in recent years were -

<table>
<thead>
<tr>
<th>Year</th>
<th>Discretionary grants</th>
<th>Standard grants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>2,390</td>
<td>1,566</td>
<td>3,956</td>
</tr>
<tr>
<td>1963</td>
<td>2,430</td>
<td>1,421</td>
<td>3,851</td>
</tr>
<tr>
<td>1964</td>
<td>2,515</td>
<td>1,428</td>
<td>3,943</td>
</tr>
<tr>
<td>1965</td>
<td>2,366</td>
<td>1,391</td>
<td>3,757</td>
</tr>
<tr>
<td>1966</td>
<td>2,621</td>
<td>1,164</td>
<td>3,785</td>
</tr>
<tr>
<td>1967</td>
<td>2,390</td>
<td>1,213</td>
<td>3,603</td>
</tr>
</tbody>
</table>
The numbers of grants paid to local authorities in respect of improvements to houses which they own were:

<table>
<thead>
<tr>
<th>Year</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>427</td>
</tr>
<tr>
<td>1963</td>
<td>207</td>
</tr>
<tr>
<td>1964</td>
<td>819</td>
</tr>
<tr>
<td>1965</td>
<td>2,504</td>
</tr>
<tr>
<td>1966</td>
<td>3,404</td>
</tr>
<tr>
<td>1967</td>
<td>3,679</td>
</tr>
</tbody>
</table>

Much of this work by local authorities was of a limited kind, designed to provide facilities, in particular electric power circuits, which were lacking in the older subsidised houses. Large sectors of the older housing stock in Scotland are entirely unaffected by present grant-aided improvement activity.

24. One reason for the limited use of improvements grants is that the maximum amounts which can be paid are too low. The Government propose that the normal maximum level of discretionary grant should be raised from £500 to £1,200 and that it should in future be possible to include in grant-aided improvement work certain items which have in the past been ineligible. Grants will continue to be restricted to half the actual cost. It is proposed to increase the ceiling for the standard improvement grant to £200 and to revise the costs of the individual items as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Now</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Amenity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bath</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Wash basin</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Hot and cold water to bath</td>
<td>35</td>
<td>45</td>
</tr>
<tr>
<td>Hot and cold water to wash basin</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Hot and cold water to sink</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>W.C.</td>
<td>40</td>
<td>50</td>
</tr>
<tr>
<td>Food store</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Sink</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>155</td>
<td>200</td>
</tr>
</tbody>
</table>

25. The problems posed by improvement differ from one area to another and it is right that the assistance which local authorities can give should be appropriate to the needs that arise. Local authorities will therefore be given discretion, subject to any directions which the Secretary of State may give, to waive some of the existing conditions for grant. Among those to be
olved might be those relating to the estimated "life" of the houses to be improved and the standard of improvement to be achieved, the requirement that all the missing "basic amenities" must be provided at once if a standard grant is to be paid and the requirement that grant cannot be paid if the work has been started before the owner applies. On the other hand, authorities will be given power to impose a time limit within which any approved work must be done.

26. If there is to be a major increase in improvement activity it will be necessary to ensure that landlords have a reasonable incentive in the form of an increased rent in return for the expenditure which they incur. In the first place, the rent regulation provisions of the Rent Act 1965 will be extended to apply to houses which are improved with grant assistance, even if they were previously subject to controlled tenancies. It will follow that the rent to be charged for these houses will be the "fair rent" for which the machinery of the 1965 Act provides. These provisions will replace the present provisions under which in certain cases (for instance, for conversions) the local authority which pays the grant fixes the maximum rent which may subsequently be charged.

27. In the case of grants to local authorities it is proposed that the maximum eligible cost should be raised from £1,400 to £2,500. This new figure will also apply when housing associations, for whom there may be increased scope in improvement work, make approved arrangements with a local authority.

IMPROVEMENT AREAS

28. In order to make progress with new improvement policies it will be necessary to replace the rather cumbersome provisions of Part IV of the Housing (Scotland) Act 1966. Under the revised powers referred to in paragraph 18, local authorities will be able to designate improvement areas. The aim in these areas will be to help and persuade owners to improve their property and to help them also by improving the environment. In the view of the Government the voluntary principle must be the guiding one in all this and the powers of compulsory purchase, which local authorities will require to have,
should only be used as a last resort. It will be essential for the local authority to consider the wishes of the people in the area and to explain its plans fully to them.

29. The Government propose a new grant of 50% on approved expenditure by local authorities on works and land acquisition for improving the environment of an area, for example by providing children's play spaces or planting trees. The grant-aided expenditure would be limited to £100 per house in the area.

**OTHER MATTERS**

**Patching**

30. The Cullingworth sub-committee strongly recommended that in those areas with the worst housing problems a major programme of "patching" should be put in hand at once. What they had in mind was that some means must be found of improving without delay the worst conditions in which people will be obliged to live for a number of years. Very little patching has been done in Scotland since grant for it was introduced in 1954. The reasons for this are not to be found in any dissatisfaction with the amount of the patching grant, but rather in the fact that patching relates, by statutory definition, to houses which are unfit, and accordingly that carrying out the patching work involves the local authorities in acquiring and managing slum property. The Government think it right that local authorities should undertake patching work on those houses which are suffering from substantial disrepair but must be kept in use. For this purpose it is proposed to continue to give grants related to the cost of acquisition of such houses and of keeping them in use for a limited time.

**Repairs**

31. Much of the older housing stock has suffered because necessary repair work has been neglected over a long period. Local authorities have powers, scattered through a number of different statutes, which enable them to enforce, subject to appeal to the Sheriff, works of repair which they consider to be necessary. These powers, however, do not come into play until the house has deteriorated so far as to be injurious or dangerous to health, unfit or dangerous. If the general condition of the housing stock is not to be
subject to further serious deterioration, and if the cost of future policies for dealing with the older housing stock is to be kept within reasonable bounds, it will be necessary to strengthen the powers of local authorities so that they may intervene effectively before deterioration goes too far. The effects of the storm of 14th/15th January 1968 emphasise the need for such powers. This can be done, without detracting from the rights of owners of houses, by redefining the powers of the local authorities in such a way that they can act whenever there is substantial disrepair. The forthcoming legislation will include powers designed to have this effect.

Control of Houses in Defined Areas

32. Local authorities often complain that, after they have rehoused a family from a house which they propose to close, a second family moves in before the closing order becomes effective and the local authority then feel obliged to rehouse the second family also. Part of the remedy for this difficulty no doubt lies in the allocation policies of local authorities; but in order to strengthen their powers in relation to houses in advance of statutory closure procedure it is intended to give them a measure of control over the occupation or sale of houses in areas which have been defined for action. Legislation might, for instance, provide that after a certain stage such houses could only be relet to tenants approved by the local authority or sold with the consent of the authority.

SUMMARY OF PROPOSALS

33. The Government's main specific proposals are that -

(a) there should be emphasis on the need to plan the treatment of whole areas of old houses, and a new standard of tolerability should be introduced for the purpose of defining the areas (paragraphs 16-18);  

(b) the compensation payable to owner-occupiers whose houses are required to be cleared, and the well-maintained payments in respect of other houses, should be increased (paragraph 22);  

(c) the maximum amounts of improvement grants should be increased and some changes should be made in the rules governing payment (paragraphs 24-27);
(d) the rents of houses improved with grant should go over to the "fair rent" system (paragraph 26);

(e) new statutory provisions affecting area improvement should be introduced (paragraphs 28 and 29);

(f) local authorities should be given extended powers to compel owners to repair houses (paragraph 35).
Addendum to White Paper
"The Older Houses in Scotland: A Plan of Action"

The maximum extra costs to which the proposals in the White Paper will lead are estimated to be -

\[
\begin{array}{cccccc}
\hline
\text{Nil} & \text{Nil} & 1.8 & 2.5 & 3.1 \\
\end{array}
\]

The proposals will involve a gradual change in the use of manpower among local authorities. There is likely to be little more trained manpower available; indeed the availability of qualified sanitary inspectors, architects, surveyors and other professional officers will be the main limiting factor in securing an expansion of the type of work concerned.

As regards the building industry, the fairly specialised labour force which the new improvement effort will require may be drawn partly from those now involved in new house construction, but will come mainly from those now chiefly engaged in repair and maintenance work. The representatives of the building industry will be consulted in due course about how any necessary adjustment of the existing pattern can be achieved.
Memorandum by the Secretary of State for the Home Department

The Home Affairs Committee at their meeting today approved my proposals for the reform of the law and practice relating to children and young persons. These proposals preserve the essential principles of the White Paper "The Child, the Family and the Young Offender" (Cmnd. 2742) published in August, 1965, and at the same time meet the most important of the criticisms which it evoked. The main purpose will be to enable juvenile offenders to be dealt with outside the courts so far as possible, and to integrate the approved schools within a comprehensive system of residential establishments for children in the care of local authorities.

2. Although consideration of next Session's legislative programme has not yet been completed, I very much hope that the Children Bill will find a place in the main programme. It would be regarded as making a significant advance in the Government's programme of social legislation. I should like therefore to publish as soon as possible a White Paper setting out my proposals, in order to end the present uncertainty as to the Government's intentions, and as a firm basis for consultation on the details with interested organisations before the Bill is drafted. A draft of the White Paper is annexed; my proposals are summarised in paragraphs 49-54.

3. I seek the agreement of my colleagues to the early publication of the White Paper.

L. J. C.

Home Office, S. W. 1.

5th April, 1963
1. INTRODUCTORY

In August, 1965, the Government published a White Paper, "The Child, the Family and the Young Offender", in order to invite discussion of possible measures to support the family, forestall and reduce delinquency, and revise the law and practice relating to young offenders in England and Wales. The objectives and broad strategy of these proposals were widely welcomed. There was, however, less agreement about machinery, and especially about the proposal to establish family councils.

This Paper, which owes much to those who contributed to the discussion of the earlier proposals, sets out the reforms which the Government now proposes to introduce in the law for England and Wales relating to children and young persons.

The paper does not propose changes affecting those who commit offences after reaching the age of 17, or in the system of courts dealing with offenders both over and under 17. These are matters which will require further consideration in the light of the report of the Committee on the Age of Majority and other enquiries which are in progress.

The Government attaches great importance to the further development of the services concerned with the prevention and treatment of juvenile delinquency and with other similar problems affecting children and their families, and to the continued growth of co-operation between these services. The reforms outlined in this Paper are complementary to the co-operative development of these services, and nothing in the Paper prejudges the outcome of the Government's consideration of the Report of the Departmental Committee on local authority personal social services. The Government's aim has been to provide a setting for developments which can be given effect initially by the services as at present organised, and in due course by the services as they may be organised in the future.

Part II of this Paper discusses some general considerations which underlie the Government's specific proposals for additions to, or changes in, the present law. Parts III-V describe these proposals in broad terms and Appendices A to D set these out in more detail, and will form the basis for early consultations with representatives of those who will be responsible for operating the new system.

II. GENERAL

Juvenile delinquency has no single cause, manifestation or cure. Its origins are many, and the range of behaviour which it covers is equally wide. At some points it merges almost imperceptibly with behaviour which does not contravene the law. A child's behaviour is influenced by genetic, emotional and intellectual factors, his personality, and his family, school, neighbourhood and other social setting. It is probably a minority of children who grow up
without ever misbehaving in ways which may be contrary to the law. Frequently such behaviour is no more than an incident in the pattern of a child's normal development. But sometimes it is a response to unsatisfactory family or social circumstances, a result of boredom in and out of school, an indication of maladjustment or immaturity, or a symptom of a deviant, damaged or abnormal personality. Early recognition and full assessment are particularly important in these serious cases. Variety and flexibility in the measures that can be taken are equally important, if society is to deal effectively and appropriately with these manifold aspects of delinquency. These measures include supervision and support of the child in the family; the further development of the services working in the community; a variety of facilities for short-term and long-term care, treatment and control, including some which are highly specialised.

7. The social consequences of juvenile delinquency range from minor nuisance to considerable damage and suffering for the community. An important object of the criminal law is to protect society against such consequences: but the community also recognises the importance of caring for those who are too young to protect themselves. Over recent years there have been two quite distinct grounds for action by society in relation to young people: they have been moving steadily closer together. It has become increasingly clear that social control of harmful behaviour by the young, and social measures to help and protect the young, are not distinct and separate processes. The aims of protecting society from juvenile delinquency, and of helping children in trouble to grow up into mature and law-abiding persons, are complementary and not contradictory.

8. The criminal law, in its application to juvenile offenders, has for many years recognised the welfare of the individual as an important criterion, and has made provision for special forms of treatment. There has been for sixty years a separate system of juvenile courts, with less formal procedures than those of the adult courts. These courts are staffed by specially selected magistrates who have given much devoted attention to the problems of young people. Voluntary organisations have played a large part in providing residential and other facilities for children. The probation service has played a pioneering role, with the young as with adults, in developing the concepts of diagnosis and treatment, both in its statutory function and in giving informal help and advice. The approved schools have done much to develop the concept of social education based on an understanding of individual needs and circumstances. The institution of juvenile liaison officer schemes in some areas is an example of the distinctive contribution which the police are making in the juvenile field, as part of their primary duty of crime prevention. The children's departments of local authorities have made great strides in the twenty years of their existence; together with the educational and health services they are now closely involved in preventive work and in providing facilities for treatment.

9. The legislative proposals described in this Paper preserve for each of the services concerned an important role in co-operation with the others.

10. This legislation will establish a new legal basis for steady development over a period of time. The changes will be introduced gradually over a period of years. Sufficient trained staff and other resources are not available to permit all the changes to be introduced at once, or at any one time. It is important that the services concerned should not be asked to carry out new tasks before
they have the resources to do so. The preparation and subsequent implementation of area development plans and schemes of intermediate treatment (described in Part V) will in any event take time. Provision will accordingly be made for different days to be appointed for the commencement of different parts of the new system; these will not necessarily be the same in all parts of the country. The fixing of appointed days will be decided in consultation with the local authorities and other services, in the light of the resources available. In particular, it is likely that the new legal procedures described in Part III will be brought into operation in several stages, possibly starting with children aged ten and eleven only. Meanwhile, the new system of residential care will enable existing resources to be used more productively.

III. CHANGES IN LEGAL PROCEDURES

11. The response to "The Child, the Family and the Young Offender" indicated wide support for the aim that, so far as possible, juvenile offenders should be dealt with outside the courts with the agreement of their parents. There were many comments, however, that this could most effectively be done on an informal basis by social workers, rather than through family councils, and that the basic choice over the procedure to be adopted in each individual case should therefore lie between, on the one hand, court proceedings and, on the other, the provision of help and guidance on an entirely voluntary basis. The weight of opinion was in favour of retaining the seventeenth birthday as the upper age limit for the juvenile system, particularly for care, protection or control proceedings. There were also several suggestions that there should be different arrangements for younger and older juvenile offenders. The proposals in this Part give effect to these views.

12. These proposals also take account of the fact that the transition from the young child's dependence on his parents to the independence and responsibility of the young adult is a gradual process. For most, it reaches a critical phase when the child is thirteen or fourteen. The new legal procedures described in this Part will provide a graduated and flexible system which reflects this process. The procedure for children under 10 will remain as at present; there will be new provisions for those aged 10 and under 14, which will be added to those relating to children under 10; and new provisions also for those aged 14 and under 17 which will be added to those relating to the younger age groups. The procedure for offenders aged ten and under fourteen will narrow down the circumstances in which court proceedings are now possible. It represents a half-way stage between care, protection or control proceedings and prosecution. It is designed to encourage parents to fulfil the responsibilities which are properly theirs, and to ensure that the child's home background is considered before a decision is taken whether court proceedings should be instituted. Proceedings will remain possible where they are necessary for the protection of society or for the sake of the child. For offenders aged fourteen and under seventeen, prosecution will be available in defined circumstances, as well as the new procedure for offenders under fourteen. The procedure for those aged fourteen and under seventeen will provide machinery and criteria for deciding whether
the interests of society or of the young person require a prosecution or whether these interests can best be served in other ways.

Juvenile courts and magistrates

7. These proposals mean the retention of the juvenile courts. Provision will be made for the Lord Chancellor (in the County Palatine of Lancaster the Chancellor of the Duchy) to appoint juvenile court panels in all parts of the country, as he already does in Inner London, when the necessary arrangements can be made. At present, juvenile court panels in other areas are appointed by the justices. This may involve invidious choices, and difficulties of selection in those areas where the bench is large and its individual members are not closely acquainted with many of their colleagues. After the enactment of legislation it will be necessary to revise the statutory rules relating to proceedings in juvenile courts, in the light of the new legal procedures. The opportunity will be taken to conduct a general review of the detailed procedure and practice of juvenile courts, in consultation with representatives of those involved in their day to day work, with the object of making any changes that will assist in the achievement of the aims set out in this Paper. The conclusions of this review will be reflected in the revised rules, and will be circulated to courts for guidance so far as they relate to matters of practice. Further steps will also be taken to promote the amalgamation of juvenile court panels where this is desirable.

The new legal procedure relating to offenders aged ten and under fourteen.

14. The commission of an offence by a child of this age will cease to be, by itself, a sufficient ground for bringing him before a court. Where proceedings are necessary, these will be brought under the care, protection or control procedure, which will be widened as follows. Under the present law, contained in section 2 of the Children and Young Persons Act 1963, a child is in need of care, protection or control if it is established that:

(a) (i) he is not receiving such care, protection and guidance as a good parent may reasonably be expected to give, and

(ii) any one of a number of conditions is satisfied (e.g., he is falling into bad associations or is exposed to moral danger, or the lack of care, protection or guidance is likely to cause him unnecessary suffering or seriously to affect his health or proper development); OR

(b) he is beyond the control of his parent or guardian.

This definition will be amended by adding, to the conditions mentioned at (a)(ii), that the child has committed an offence. This means that proceedings on account of an offence will be possible only if the test at (a)(i) can also be satisfied or if the offence, either by itself or together with other factors, indicates that the child is beyond the control of his parents.

15. Where a ground for proceedings is the alleged commission of an offence, either the police or the local authority will be able to bring the proceedings. Except in cases of urgency, they will consult together before deciding whether to do so. If the child denies having committed the offence, it will be necessary to prove
this in the same way as at present. It will normally be for the police to bring forward the necessary evidence. If the court is not satisfied that the child committed the offence, that will be the end of the proceedings. If the offence is admitted or proved, evidence will then be brought forward by the local authority or the police, in the same way as in existing care, protection or control proceedings, that the child is not receiving such care, protection or guidance as a good parent may reasonably be expected to give, or is beyond control. The courses open to the court if it is also satisfied on the latter point will be the same as in care, protection or control proceedings brought on any other grounds, and are set out in the summary in paragraph 54.

Restrictions on the prosecution of offenders aged fourteen and under seventeen

46. Prosecution of an offender of this age (except on a charge of murder) will be possible only on the authority of a summons or warrant issued by a juvenile court magistrate. The magistrate will be empowered to grant an application for a summons or warrant only if one or more prescribed criteria are satisfied. Any person who proposes to make such an application will be required to inform the local authority in advance. The procedure for dealing with the application will be similar to existing procedure. Before the magistrate takes his decision, however, he will hear the views which the local children's department and the police have formed after consulting each other about the case. The proposed criteria for prosecution are set out, and the procedure is described in more detail, in Appendix A. These criteria are intended to cover all those situations in which prosecution may be necessary, and court proceedings would normally be taken in cases where one or more of the criteria were satisfied; but there will be no legal obligation on the police to make an application for process, or on the magistrate to grant it, in all such cases.

17. Under this scheme, the normal course of events, where the police identify an offender aged fourteen and under seventeen, the offence is not denied, and something more than an oral warning on the spot seems to be required, will be as follows. The police will consult the children's department. Available information about the young person's background will be considered, and further enquiries made if necessary. In some cases it will be agreed that no question of court proceedings need arise. If informal action seems likely to be helpful, this will then be taken. In some cases the enquiries may show that care, protection or control proceedings would be more appropriate than a prosecution. Such proceedings will then be initiated. The remaining cases will be put to a magistrate to decide whether one of the statutory criteria for prosecution is satisfied and, if so, whether there should be a prosecution.

Co-operation between services

48. One major effect of the proposals described in this Part will be to encourage and strengthen consultation and co-operation between the juvenile court magistrates, the police, the children's department and the probation service. The regular discussion of individual cases will be valuable in enabling magistrates, police and social workers to appreciate different aspects of the problems.
of delinquency. It will be suggested to local authorities, chief officers of police, juvenile court panels and probation committees that they should arrange periodic meetings, at which each are represented, to review the operation of the new procedures in their area and to discuss how each can make the most effective contribution; and that others who are concerned, such as teachers, might also be invited to attend such meetings. The changes will increase the scope for social casework by the local authority under section 1 of the Act of 1963. Informal warnings, and formal cautions, of offenders by the police will continue. It will also be possible to continue and extend the work of police juvenile liaison schemes in areas where it is agreed that police participation in preventive work is valuable. The courts will continue to provide the safeguard of judicial procedures in cases where allegations are denied or compulsion is exercised.

Minor and consequential changes

15. The more important minor and consequential changes are described in Appendix B. These affect police powers, remands, and the definition of "in need of care, protection or control".
IV CHANGES AFFECTING TREATMENT

AIM

20. The aim of the changes described in this Part is to increase the effectiveness of the measures available to deal with juvenile delinquency. Effectiveness means helping children whose behaviour is unacceptable to grow up, to develop personal relationships and to accept their responsibilities towards their fellows, so that they become mature members of society; in some cases it also means firm control of anti-social behaviour. In order to achieve this aim, it is necessary to develop further our facilities for observation and assessment, and to increase the variety of facilities for continuing treatment, both residential and non-residential. Increased flexibility is needed so as to make it easier to vary the treatment when changed circumstances or fuller diagnosis suggest the need for a different approach. Organisational changes are also desirable so as to provide a setting for closer co-operation between the services concerned.

21. Three main changes in the powers of the juvenile court will be made for this purpose. First, the approved school order will be abolished: an order for the compulsory removal of a child from home will in all cases take the form of committal to the care of the local authority. Second, provision will be made for the development of new forms of treatment, intermediate between supervision in the home and committal to care. Third, all supervision of children under fourteen will be by the local authority. The first change was proposed in "The Child, the Family and the Young Offender", and was widely supported. The third is a modification of a proposal in that White Paper. The second is new. These three changes are described in more detail in paragraphs 22-32; paragraphs 22-23 set out the powers of the higher courts which will remain.

Powers of the higher courts to deal with serious offences

22. The proposal in "The Child, the Family and the Young Offender" that the right to claim trial by jury should be abolished for persons up to sixteen, except those charged with homicide, met with almost unanimous agreement. In view of the decision to retain an upper age of seventeen for the juvenile court, this right will be abolished up to that age, but with an additional exception. Section 53(2) of the Children and Young Persons Act 1933 gives the superior courts power to order a young person found guilty of a grave offence to be detained in a place directed by the Secretary of State for a period specified by the court. This power will be retained. In practice it is exercised at present mainly in relation to young persons aged sixteen who commit very serious offences, often involving violence. The effect will be that, where a young person is charged with an offence punishable in an adult by imprisonment for fourteen years or more, and the juvenile court considers that the exercise of this power would be warranted if he were found guilty, the court will commit him for trial by a higher court. If he is found guilty, the higher court will have power to order his detention under section 53(2) of the 1933 Act, in addition to all the powers available to a juvenile court.

23. At present young persons of fifteen and sixteen may be committed to quarter sessions, and sent to borstal by quarter sessions, if no other method of dealing with them is appropriate. Power will be retained for the present to commit to borstal young people of this age for whom committal to, or a continuation in, care would be unsuitable. This power will be discontinued when new arrangements have been made for treating,
where necessary under conditions of security, children and young persons whose behaviour presents serious problems.

Supervision

At present children and young persons who have committed an offence may be placed on probation and are supervised by probation officers. Those found in need of care, protection or control may be placed under the supervision of a probation officer, the local authority or any other person. Under the new arrangements, the supervision of a child under fourteen found to be in need of care, protection or control will be by the local authority; in cases where the probation service was already working with the child's family, arrangements could be made for the probation officer concerned to supervise the child. For young persons aged fourteen and under seventeen, supervision following both criminal proceedings and care, protection or control proceedings will be by the local authority or by a probation officer (but not, as at present, by any other person) as decided by the court. This means that the association of the probation service with young persons aged fourteen and under seventeen will be preserved. Supervision will be for a specified period of not more than three years.

Intermediate forms of treatment

Existing forms of treatment available to the juvenile courts distinguish sharply between those which involve complete removal from home and those which do not. The juvenile courts have very difficult decisions to make in judging whether circumstances require the drastic step of taking a child away from his parents and his home. The view has often been expressed that some form or forms of intermediate treatment should be available to the courts, allowing the child to remain in his own home but bringing him into contact with a different environment. The junior attendance centres go some way towards meeting this need, but the time spent by an individual offender in an attendance centre is short (up to 24 hours at most, spread over a number of Saturdays), and it has not been possible to provide centres outside the more populous areas. The junior detention centre involves removal from home which, although relatively brief, is sudden and complete. A new legal and administrative framework will therefore be established for the development of a variety of forms of intermediate treatment for children and young persons placed under supervision by the juvenile courts. One object is to make possible the use for this purpose of facilities not provided expressly for those who have been before the courts. These new methods of treatment will be linked to supervision, but a straightforward supervision order will remain possible. The new framework is outlined in paragraphs 26-29. Further details are given in Appendix C.

26. Intermediate treatment will fall into two categories. The first will involve temporary residence, attendance or participation, for a period or periods totalling not more than one month during each year of supervision. The court will fix the actual period, within this maximum. The supervisor (i.e., the local authority or probation officer) will decide on the particular place to be attended or activity to be undertaken, selecting the most appropriate of the facilities available under the local scheme mentioned in paragraph 28. These powers will be capable of use in a wide variety of ways. Possible instances are attendance for a number of evenings, or week-end afternoons, or entire week-ends, at a place for training, treatment or recreation; or taking part for a specified total of hours or days in some organised work project, or social service, or adventure training. There are many other possibilities. The aim
will be to bring the young person into contact with a new environment, and to secure his participation in some constructive activity.

27. The second category will involve residence at a specified place for a fixed period of not more than three months, beginning within the first year of supervision. Again the actual length of the period of residence will be set by the court, within the statutory maximum. Its timing and nature will be decided by the supervisor, who will be responsible for selecting the most appropriate of the facilities available under the local scheme. This type of treatment will be available for use where the basic need is for help and supervision in the home, but a short period away from home also seems desirable. It will, for example, enable a child or young person to be placed for a short time in a home or hostel, or with relatives who are willing to receive him, while help is offered in remedying a difficult family situation. It will also be suitable for use in cases where the child himself needs some form of short-term treatment in a residential establishment or the kind of residential experience now being provided by a number of local education authorities.

28. It will be the responsibility of the local authorities, acting through the Joint Planning Committee described in Part V of this Paper, to prepare schemes setting out the range of intermediate treatments which they propose to make available, whether directly or by arrangement with voluntary bodies. Representatives of the juvenile court justices and of the police and probation services in each area will be associated with the planning committee in preparing these schemes. The facilities included in each scheme will have to come within general categories authorised by the Secretary of State, or to be approved expressly by him; the local authorities and other services will be consulted about the types of facilities to be authorised. Except so far as facilities are provided by local authorities solely or primarily for the purposes of a scheme, the extent to which, and the conditions on which, any facility is made available for this purpose will be a matter for agreement between the Joint Planning Committee and the authority, body or person responsible for that facility. Each scheme will be notified to the Secretary of State, and by him to the courts in the area concerned.

29. Once a scheme has been so notified, the new powers relating to intermediate forms of treatment will become available to those courts. When adequate facilities for attendance or participation are provided under a scheme the existing powers of those courts to make junior attendance centre orders will lapse. Similarly, when adequate facilities for short term residence are provided under a scheme, existing powers to commit to a junior detention centre will lapse. These new forms of treatment will be built up gradually, and the initial scheme will be amended and added to as this is done. In the meantime, the Government will continue to maintain junior attendance centres and junior detention centres, and will be ready to discuss with local authorities ways in which these facilities might be incorporated within new schemes of supervision or residence. In particular, it is important that the valuable work of police officers in the junior attendance centres should not be lost.

Residential treatment

30. The abolition of the approved school order means that children and young persons who would now be committed to approved schools will come into the care of the local authority in whose area they live. The basic duty of local authorities towards children in their care will remain that of providing the care,
protection, guidance or treatment which they consider appropriate in the interests of each child. This duty will include restoring the child to his home as soon as practicable and desirable, having regard to the need to protect society while children and young persons whose behaviour is difficult to control are undergoing treatment. The Secretary of State will have a reserve power to give directions to a local authority in any case where he is satisfied that a particular form of control is necessary for the protection of society.

31. Local authorities will be responsible for developing a comprehensive system of residential care and treatment for the children received or committed into their care who are not boarded out with foster parents. A considerable variety of provision will be needed within this system, which will be described for legal purposes as the public system of community homes for children and young persons. The needs of the great majority of children will be met by homes which, as now, will care for them as nearly as possible in the same way as a good family, making use of the education, health, and other services which are generally available. It will remain the aim to secure that as many as possible of the children in residential care use these services. This will become easier as the movement towards closer coordination between these services gathers momentum. Even in the long term, however, there will remain a substantial minority of children whose needs cannot be met in this way. There will thus be a continuing need for some establishments providing education and treatment on the premises. In some cases this will be with the limited aim of preparing for an early return to the use of the normal services. In others the first priority will be a therapeutic approach to social education. Some of these children, particularly those whose behaviour is most difficult, will also need control in secure conditions, or very specialised forms of treatment.

32. These proposals will not diminish the need for residential facilities. In particular, the retention of the seventeenth birthday as the upper age limit for the juvenile courts means that all the existing approved schools, including the senior schools, will probably be required for the accommodation of children and young persons in care. The schools will retain an important role within the new system of community homes, in continuing to provide for the needs of both offenders and non-offenders.

33. Centres for observation and assessment will form an essential part of the system. They will provide facilities on both a residential and a day-attendance basis for children remanded or subject to interim orders by the courts, and will advise on the treatment of children in care, so that decisions can be soundly based on the best possible diagnosis of the child's needs and circumstances. Observation centres will not be distinguished in law, however, from other community homes. The present legal distinctions between remand homes, reception centres, children's homes and approved schools impose unnecessary restrictions on making the best use of these resources.

34. A young person who is now committed to an approved school at the age of sixteen is liable to be detained up to his nineteenth birthday. Comittal to the care of a local authority ends at the eighteenth birthday. A period of little over one year may not be sufficient for the treatment of a young person who is nearly seventeen when committed to care. Accordingly, where a young person has already reached the age of sixteen, committal to care will be until the nineteenth birthday. Provision will also be made for a young person to be retained in care up to
his age, even if he came into care before reaching the age of sixteen, if he has been admitted to a special establishment for the treatment in secure conditions of very disturbed and difficult young people. The right to apply at any time for the revocation of an order committing to care will remain.
5. The public system of community homes for children in the care of local authorities will be an integrated system; "community home" will be the common legal description for a wide range of establishments meeting the needs which are now served by local authority children's homes and hostels, reception and remand centres, local authority and voluntary approved schools, and some voluntary children's homes which regularly accommodate children in care. The Government attaches great importance to the further development of partnership between public and voluntary bodies in meeting these needs, and the public system will therefore include both local authority and voluntary homes.

The machinery for developing the public system of community homes, and the new forms of partnership which will enable local authorities and voluntary bodies to work together in catering for children in care, are described in this Part and in Appendix D.

The new system will have to strike a reasonable balance between two sets of considerations. On the one hand, there is a need for close links between community homes and the communities they serve. Many children in residential care are still members of families, with deep roots in a local environment to which they will one day return. Success in treatment therefore depends, in part, on helping the family as well as the child; it also depends on the extent to which the staff of the home understand the child's family and social environment. These requirements are difficult to meet unless homes are provided on a genuinely local basis, with close links between the staff of the home and the field staff of the local authority. On the other hand, many of the facilities required are too specialised to be provided on a wholly local basis, and some must be planned nationally. Every authority will wish to make the fullest possible provision to meet its own needs, and should also be able to participate in the planning, provision and management of those facilities which must be shared with neighbouring authorities.

7. The powers and duties of children authorities will accordingly be extended. To enable each authority to fulfil its duties towards the children in its care, set out in paragraph 30, its duties will also include:

(a) the preparation, in co-operation with the other authorities in a joint planning area designated by the Secretary of State, of

(i) a comprehensive plan for the development of a full range of residential facilities for children and young persons in care, and of facilities for observation and assessment; and

(ii) a scheme specifying the facilities to be made available for the intermediate forms of treatment described in Part IV;

(b) the provision, or assistance with the provision, of the facilities specified in the development plan and scheme of intermediate treatment.
Joint Planning Committees

3. Joint Planning Committees will be established, covering areas approved by the Secretary of State after consultation with the local authorities. The aim will be to respect existing arrangements for co-operation between authorities and, wherever possible, to secure a sensible relationship between the areas of the new Joint Planning Committees and those of other relevant services, particularly police, special education, hospitals and probation. The Committees will be appointed by the participating authorities. The authorities' education and health committees will also be represented, and the probation and other statutory services will be consulted as necessary. Officials of central Government Departments concerned with child care, education and health will assist the Committees in their work, particularly by identifying needs for which provision must be made on a national basis.

9. The initial task of the Joint Planning Committees will be to prepare and submit for the Secretary of State's approval comprehensive development plans for a system of community homes in their areas. The plans will be based on an analysis of the needs of children and young persons in care, distinguishing between those which require the provision of a variety of establishments provided for that purpose, and those which can be met by placing children in foster homes, normal boarding schools, boarding special schools or independent establishments. The plans will also specify the proposed future functions of existing homes and approved schools, both local authority and voluntary, which will provide facilities within the public system. There will be full consultation with those responsible for voluntary establishments, with a view to reaching an agreed definition of the future role of the home or school. Finally, the plan will set out proposals for filling any gaps in the available facilities. Once the plan has been approved, it will be for each local authority, body of managers or voluntary organisation to carry out their part of the plan.

10. The second task of the Committees will be to prepare schemes of intermediate treatment (see paragraph 28). It will also be open to the members of any Joint Planning Committee, if they so wish, to make use of the Committee for the discussion or planning of other matters of mutual concern in the child care field, such as training or research. The Joint Planning Committees will have a continuing responsibility to review progress, to arrange for the evaluation of experimental developments, and to keep development plans and schemes of intermediate treatment up to date.

11. It will be open to Joint Planning Committees to propose a role for existing homes or approved schools outside the new system of community homes. For example, most existing approved schools will probably continue to specialise in social education, but a few might become boarding special schools or even ordinary boarding schools operating under the Education Acts. It will also be open to Committees to specify needs which seem to require a national approach. While the Government hopes that each Joint Planning Committee will be able to meet, within its own system, the great majority of needs, including secure accommodation for very disturbed children and young persons who do not require or are not susceptible to hospital treatment, it may be thought that some of the long-term provision for such children should be the subject of
This will be a matter for discussion when Joint Planning Committees are established. The Secretary of State will be given reserve powers to provide, maintain or assist community homes needed for highly specialised purposes.

Voluntary establishments

1. The new categories of community home available within the public system are described in Appendix D. The details will be subject of early discussions with representatives of the local authorities and of voluntary homes and approved schools. The method of deciding the role and status of voluntary establishments within the public system will be as follows.

2. The Joint Planning Committees will discuss with the managers of voluntary approved schools the future role and status of each establishment within the new system. It will also be open to a Committee to agree with the managers of a voluntary home registered under section 29 of the Children Act 1948 that the home should provide regular facilities within the public system. When agreement has been reached on the future role of each establishment, and the area development plan has been approved by the Secretary of State, formal steps will be taken to establish the new status of the voluntary home or school. Arrangements will be made to safeguard the interests of the staff, and of the managers of voluntary establishments, during the period of transition to the new system.

3. There may be some cases where the new functions of the home or school are appropriate to the public educational system. In such cases the choices of status will be those available under the Education Acts, and the agreement both of the local education authority and of the Secretary of State for Education and Science will be needed before the change is made. The managers or governors will, however, be asked to reserve, over a period of at least seven years, a substantial but diminishing number of the places in the school for the use of children and young persons in care of local authorities who have been ascertained as in need of special education. These transitional arrangements will be needed to protect children authorities from the risk of a loss of existing facilities before they have had time to make other arrangements.

4. Voluntary organisations which wish to continue, or to establish, children's homes operating outside the public system will remain free to do so, subject to the existing statutory provisions as to registration, inspection and otherwise. These homes will be known as registered voluntary homes. Voluntary homes participating in the public system will no longer need to be registered. Registered voluntary homes will remain free to accommodate children in local authority care on terms agreed between the local authority concerned and the managers of the home. Any standing arrangements for doing so may be specified in the plans of Joint Planning Committees.

5. The intention is to enable the voluntary approved schools to be within the public system on a basis acceptable to their managers and to the responsible local authorities; the managers of voluntary homes on whom authorities rely for the accommodation of children in their care will have a similar opportunity. If in any instance a voluntary approved school cannot find an agreed role and status within the new system, it will be open to the managers...
The Advisory Council on Child Care is being reconstituted so as to become the central forum for the co-operative planning and discussion of research, development and training in child care, as for ensuring that the results of research and development are widely known. The membership of the new Council will include members nominated by the local authority and other associations and by voluntary bodies, and university and other members selected by the Secretary of State, under an independent chairman appointed by him. The Council will have a Research and Development Committee, which will discuss research and development in child care and help in co-ordinating effort in this field and disseminating the results. The Children's Inspectorate of the Home Office will continue to exercise its existing statutory functions, but greater emphasis will be laid on advisory rather than regulative functions; it will be the responsibility of the local authorities or managers to ensure observance of the statutory rules governing the conduct of community homes. Inspectors will take part in the work of Joint Planning Committees and will form a link between the Home Office, local authorities and voluntary organisations as part of the co-operative effort to foster the spread of new knowledge and techniques in the care of children. The Development Group in the Home Office Children's Department will also be closely concerned in stimulating development. This Group was established recently to co-operate with those concerned with practical developments in the field and in associated research, the Home Office Research Unit will assist in the evaluation of new developments and of the new procedures and treatments described earlier in this Paper, as part of its functions in the fields of child care and juvenile delinquency.

The functions of local authorities under these proposals will form part of their child care functions. They will be financed through rate support grant in the same way as local authority child care functions are financed at present; the expenditure being taken into account in determining the amount of grant. Local authorities will thus assume a share of financial responsibility for those forms of treatment which will eventually replace junior attendance centres, junior detention centres and borstal for those under seventeen. Detailed discussions will be held with the local authority associations on the precise financial implications.

There are many influences on the behaviour of children, and that of the family is particularly important. Much misbehaviour by children is part of the process of growing up, but some has more deep-seated causes. Action by society to deal with children in...
guable should take account of each child's family and wider social background, and should be designed where possible to support the child in the family, encouraging and helping parents to fulfil their responsibilities and preserving the child's links with his local community. The measures available should be varied and flexible, so that the action taken in each case can reflect the circumstances which gave rise to it and can be altered as the circumstances alter. The use of formal procedures should be reserved for situations where this is necessary in the interests of the child or of society. Firm and consistent discipline is, however, a normal and necessary part of a child's upbringing. Children may require control as well as help, if they are to overcome their problems and to become mature citizens; and society may have to provide this control, for its own protection and for the sake of the child, where the parents are unable to do so. The proposals in this Paper, which are summarised in the following paragraphs, are intended to promote these aims, providing a comprehensive yet flexible legal framework for the development of work with children in trouble over the coming years.

Juvenile courts

4. Juvenile courts will be retained and their existing jurisdiction and age limits will be preserved. The Lord Chancellor will make appointments to juvenile court panels elsewhere in the country, as he already does in Inner London. The practice, procedure and areas of juvenile courts will be reviewed.

Changes in legal procedures

5. (a) **Children aged ten and under fourteen**

The prosecution of children of this age will cease, and action to deal with offenders and to help their parents will be taken, where possible, on a voluntary basis. If a child commits an offence and his parents are not providing adequate care, protection and guidance, or the offence indicates that he is beyond parental control, it will be possible to bring him before a juvenile court as in need of care, protection or control.

(b) **Young persons aged fourteen and under seventeen**

To enable young persons to be dealt with so far as possible on a voluntary basis without recourse to the courts, it will be provided that prosecution will be possible only if one or more prescribed criteria are satisfied, and only on the authority of a magistrate. The care, protection or control procedure, extended as mentioned at (a), will apply up to the seventeenth birthday.

Changes in the powers of the courts

2. (a) **Probation orders will cease to be legally distinct from supervision orders.** Supervision of children under fourteen will be by the local authority, and of young persons aged fourteen and under seventeen by the local authority or a probation officer.

(b) Provision will be made for new forms of intermediate treatment, for use in conjunction with supervision, to be developed by local authorities. These will in due course replace junior attendance centres and junior detention centres.
(c) Children and young persons requiring continuing treatment away from home will be placed in the care of local authorities. The separate approved school order will cease to exist, and borstal for those under seventeen will in due course be replaced.

Children in the care of local authorities

3. (a) Local authorities will be responsible for developing a comprehensive system of community homes for children, which will be planned by joint committees of authorities, and in consultation with voluntary bodies wishing to participate and with other statutory services concerned. Development plans drawn up by these committees will be subject to the approval of the Secretary of State, who will have a reserve power to arrange for the provision of homes to meet any rational needs which local authorities are unable to cater for.

(b) The statutory framework for the work of the Joint Planning Committees will provide for a partnership between public and voluntary effort. In particular it will provide a range of possibilities within which the existing voluntary approved schools may be expected to find an appropriate place in the system of public provision. It will also be made possible for voluntary children's homes to become more closely associated with this system if they and the relevant planning committee wish.

Summary of legal procedures and powers

4. When the changes in legal procedures described in Part III, and the changes in the powers of the courts described in Part IV, have all come into operation, the position will be as summarised in this chart.
Nature of legal or informal action available

<table>
<thead>
<tr>
<th>Age of child</th>
<th>Juvenile Courts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under ten</td>
<td>In care, protection or control proceedings (on any ground, all ages up to seventeen):</td>
</tr>
<tr>
<td></td>
<td>Care, protection or control proceedings (with amendment described in Appendix B).</td>
</tr>
<tr>
<td>Under fourteen and under seventeen</td>
<td>Committal to care of local authority.</td>
</tr>
<tr>
<td></td>
<td>Supervision, with or without intermediate treatment.</td>
</tr>
<tr>
<td>Under fourteen and under seventeen</td>
<td>Hospital or guardianship order under Mental Health Act.</td>
</tr>
<tr>
<td></td>
<td>Binding over parents.</td>
</tr>
<tr>
<td>At fourteen and under seventeen</td>
<td>In criminal proceedings: same orders as in care, protection or control proceedings; and</td>
</tr>
<tr>
<td></td>
<td>Absolute or conditional discharge.</td>
</tr>
<tr>
<td></td>
<td>Fine up to £50.</td>
</tr>
<tr>
<td></td>
<td>Payment of damages or compensation.</td>
</tr>
<tr>
<td></td>
<td>Detention centre or attendance centre (until intermediate treatments are available).</td>
</tr>
</tbody>
</table>

Social casework by local authority.
Informal action by other services.
Extended care, protection or control proceedings described in paragraphs 12-13.
Caution or other informal police action.
Same as children under ten; and
Extended care, protection or control proceedings described in paragraphs 12-13.
Same as children under fourteen; and prosecution if authorised under the scheme described in paragraphs 14-15 and Appendix A.
Restrictions on the Prosecution of Young Persons Aged Fourteen and Under Seventeen

1. The following provisions will be enacted by statute:

   (a) Where a young person is alleged to have committed an offence, criminal proceedings may be taken only on account of the seriousness of the offence or of some other prescribed circumstance.

   (b) The sole procedure for instituting a prosecution against a young person (except in the case of homicide) will be by applying for a summons or a warrant to a member of the juvenile court panel, sitting in private, who will be under a duty to consider whether any of the prescribed circumstances is satisfied and, if not, to refuse the application.

   (c) It will be open to the magistrate to decline to issue process if, having regard to all the circumstances, he considers that, although one of the prescribed circumstances is satisfied, the case can appropriately be dealt with without recourse to prosecution.

2. Statutory Regulations will:

   (1) Prescribe the circumstances in which it will be possible for criminal proceedings to be taken for an alleged offence, possibly on the following lines:

       (a) the offence is homicide or some other serious offence;

       (b) the offence is of a type causing much public concern;

       (c) the young person appears not to be in need of sustained support or treatment, but the nature of the offence and his home circumstances suggest that a court appearance and a simple deterrent (e.g. a fine) would be appropriate;

       (d) the known circumstances of the young person or his family indicate that action without the backing of a court order would not be likely to succeed;

       (e) the offence is a traffic offence carrying a likelihood of disqualification from driving or endorsement of the licence that will remain effective after he has reached the minimum age for holding a driving licence;

       (f) help or treatment on a voluntary basis would not be feasible because the young person does not reside in England and Wales or has no fixed abode;
(g) the offence was committed in company with some other person, whether over or under seventeen, who is to be prosecuted.

(2) Require an intending prosecutor of a young person to inform the local authority before applying for a summons or warrant.

(3) Confer on the local authority a right to be heard by a magistrate considering an application for a summons or warrant.

(4) Require the magistrate to take into account whether the local authority, or some other social agency, is already engaged or proposes to engage in preventive work with the young person or his family and to consider the advice of the agency concerned.

(5) Empower the magistrate (a) to require the attendance of local authority or police representatives, if either or both are not present;

(b) to adjourn the application, either for this purpose or so that further inquiries can be made by the local authority or a probation officer, or by the police.

(6) Provide that a magistrate issuing a summons or warrant in respect of a young person shall not be a member of the court hearing the case.

3. The detailed administration of this scheme will depend to some extent on local arrangements, but will be broadly as described below. (This scheme relates only to cases where the ground on which action is being considered is the commission of an offence. It will not affect existing arrangements for taking care, protection or control proceedings on other grounds, or for help to be given to children and families by children's departments and other services.)

(1) (a) The possibility of action on a voluntary basis will be considered only where the initial investigations by the police indicate that the offence is not denied. Where it becomes known at any stage that the child or his parents deny the offence he is alleged to have committed, it will be for the police to decide in the ordinary way whether to apply for a summons or warrant if one of the statutory criteria is satisfied, or to take no action.

(b) In cases where the police do not now prosecute, but either take no action or issue an informal warning, there will be no change.

(c) Where it seems clear that, according to the prescribed criteria, there is bound to be a prosecution (e.g., in a case of grave crime) the police will apply for a summons or warrant, first informing the children's department of the local authority; in cases of homicide it will remain possible for the police to charge the alleged offender in the same way as at present, informing the children's department.
(2) In cases not dealt with as in (1) the first step will be consultation between the police and the children's department. This will include, so far as they think it necessary, assembling and considering the available information about the child and his background (e.g., from his teachers), consulting any others known to be involved already with the child or his family (e.g., the probation service), and a home visit if this seems required before the children's department can decide whether voluntary action with the family would be worth attempting.

(3) (a) If, after this consultation, it is agreed that voluntary action without the support of a court order should be tried or continued, or that a formal caution would be appropriate, or that no action is necessary, the case will be dealt with accordingly and there will be no application for process.

(b) If the police and the children's department agree that it is a case for prosecution or for care, protection or control proceedings, process will be applied for accordingly.

(c) Cases not falling clearly under paragraphs 3(1)(b) to 3(3)(b) will be referred to the magistrate for a decision, by the police applying for a summons.

(4) Where an application for process is made, the magistrate will consider it in accordance with the provisions set out in paragraphs 1 and 2(4) and (5) of this Appendix. He will take into account all the information given by the police, the children's department and the probation officer where he is concerned with the case and will be free to ask them questions and to discuss the circumstances and possible courses of action with them before taking his decision.

(5) If voluntary action is tried but the young person or his parents do not in the event prove to be cooperative, no further action will be taken unless fresh grounds for court proceedings arise. If the young person offends again paragraph 2(1)(d) will then apply, and it will be possible to apply for a summons or warrant if prosecution seems the appropriate form of court proceedings.
Minor and consequential changes

Minor and consequential changes

APPENDIX B

Power will still be required for the police to take immediate preventive action where a child under fourteen is found committing an offence. In relation to an offender aged ten and under fourteen, they will be given powers to take him to a place of safety in all circumstances in which they would have power to arrest without warrant an offender of fourteen or over.

In relation to an offender aged ten and under fourteen, they will be given powers to take him to a place of safety in all circumstances in which they would have power to arrest without warrant an offender of fourteen or over.

The existing power of the police to take to a place of safety, without reference to a magistrate, a child or young person thought to be in need of care, protection or control will be reformulated. It will be made clear that this power may properly be exercised in situations where the protection of the child or young person clearly requires his immediate removal from the place where he is found, although the police are not in a position to establish straightaway whether it will be necessary to bring him before a court.

Where a young person aged fourteen and under seventeen is arrested for an offence but not released on bail, the case will be referred to a magistrate within 72 hours. The magistrate will have power to remand on bail, or to the care of the local authority, pending a decision whether court proceedings should be taken.

Adjustments will be made in the powers of the courts to remand children and young persons in custody, and to make interim orders. The existing law specifies in detail the precise circumstances in which children and young persons of particular ages may be committed to particular types of institution. These provisions will be replaced by a provision that all remands (otherwise than on bail) of young persons aged fourteen and under seventeen shall be to the care of the local authority, and all interim orders for children under seventeen shall commit to the temporary care of the local authority. The developments outlined in Part V will, in time, make it possible to accommodate all these children and young persons (apart from those accommodated in hospitals) in establishments provided or managed by local authorities. In the meantime, the Government will continue to provide remand centres or other establishments for those young persons aged fourteen and under seventeen whose behaviour is such that they cannot be contained satisfactorily in local authority establishments.

Amended definition of "in need of care, protection or control"

As explained in paragraph 14 of this paper, one of the tests in section 2 of the Children and Young Persons Act 1963 is that the child is not receiving such care, protection and guidance as a good parent may reasonably be expected to give. This test will be clarified so as to make it clear that the court may properly consider not only the care, protection and guidance given direct by the child's parents, but also whether the parents are securing for him any care, protection or guidance which they are not themselves able to give but which a good parent might reasonably be expected to secure for his child. This amendment will apply to all children up to the age of seventeen.
APPENDIX C

Intermediate forms of Treatment

1. The form of the proposals described in paragraphs 25-29 and this Appendix reflects several important general considerations which were discussed in the Report "Non-Residential Treatment of Offenders Under Twenty-one" made in 1962 by the Advisory Council on the Treatment of Offenders. One such consideration is that, where possible, a child or young person under supervision should be treated as a member of his local community and in association with others of his own age, and treatment of this nature should not be restricted to groups of delinquents alone. It is important therefore to make the best co-operative use of all available local resources and services, both statutory and voluntary, in providing suitable facilities for this purpose. These will vary from one area to another, and the basic responsibility for their provision should be local rather than central. A second consideration is that any form of intermediate treatment is likely to be less beneficial if forced upon an unwilling recipient. Voluntary bodies may prefer not to offer facilities to those who make use of them only under compulsion and who might disturb other users. But, while willing acceptance of a child or young person of an intermediate form of treatment will always be desirable, this may not always manifest itself immediately. Much of the potential benefit of the new scheme would be lost if its use were confined to cases where it was freely accepted right from the start. Thirdly, the need for continuing diagnosis and flexibility of response, described earlier in this paper, applies in all situations where a child or young person is receiving continuing treatment. This means that there must be some scope for the supervisor to decide, within limits fixed by the law or by the court, the precise nature and timing of intermediate treatment.

2. A court which, in addition to placing a child or young person under supervision, makes use of the new powers described in paragraphs 25-29 will normally have received reports on him and his background which indicate that one of the available forms of intermediate treatment is likely to be beneficial. He may already have expressed his willingness to co-operate, and there may be little difficulty in selecting the most appropriate form of treatment. In other cases he may be unwilling or uncertain in greater or less degree, or the selection of the appropriate treatment may require a more extensive investigation of the circumstances than had been possible before the court's decision. This closer familiarity with the child or young person and his background may even indicate on occasion that none of the available forms of intermediate treatment would be appropriate. In such a case the supervisor would be free to continue the supervision alone without additional treatment. Unless this is so, the supervisor will, as part of his general duty to help the child or young person and his family, try to secure their acceptance of the treatment which he selects. There is likely to remain a minority of cases where the supervisor is unable to do so. The chances of a successful outcome following the use of compulsion may then be small. Equally there will be cases where the child or young person and his parents co-operate for a time and then cease to do so. In such situations it will be for the supervisor to decide, according to his assessment...
of the situation at the time and of the likely outcome of the
courses of action open to him, whether to make use of the power
of compulsion available to him under the order of the court,
with the sanction of bringing the child or young person again
before the court if he refuses to comply.
APPENDIX D

The public system of community homes for children and young persons

I. There will be three categories of community home:-

Local authority homes
Assisted voluntary homes
Controlled voluntary homes

The sole purpose of these legal descriptions will be to distinguish the various categories of homes, which will be subject to different statutory provisions. The actual title of each individual home will be for the local authority or managers to decide.

Local authority homes

2. Homes provided and maintained by local authorities, including existing local authority approved schools, will be known as local authority homes. It will be for local authorities to make arrangements for their management.

3. It will also be made possible for a voluntary approved school or a voluntary children's home registered under section 29 of the Children Act 1948, to become a local authority home. It will then be transferred, as a going concern, to the local authority specified for the purpose in an area development plan.

Voluntary homes

4. These will be community homes provided, maintained and managed by a partnership between public and voluntary effort. Their functions and status will be those specified in an approved area development plan. In the case of what are new voluntary approved schools, it will be for the joint planning committee for the area in which the school is situated to initiate discussions with the school authorities about its future functions and status. In view of the uneven geographical distribution of approved schools, however, a school might eventually be included in the development plan of a neighbouring area. In the case of voluntary children's homes it will be open to the managers to make proposals to a joint planning committee, or for the committee to approach the managers, if they wish the home to be considered for inclusion within the public system. Neither will be under any obligation to make or accept such proposals. The role which each existing voluntary establishment plays under a development plan will depend upon the joint planning committee's agreement to this role, and the Secretary of State's approval of the plan.
5. Every assisted or controlled voluntary home will be conducted in accordance with its trust, supplemented by rules of management to be made by the Secretary of State. He will also make an instrument of management constituting the home's managing body, for the purposes of the public system of community homes, after consultation with the trustees or other representatives of the original foundation or voluntary body concerned and with the local authorities or authorities who are to be its major users. The premises or other assets will be vested in trustees or other representatives of the original foundation, to whom control and use will revert if at any time it ceases to form part of the public system. If the property is then sold, or is used for any purpose other than one approved by the Secretary of State, the trustees will be required to pay the Exchequer a sum equivalent to any value then attaching to the property as a result of the expenditure of public funds.

50 Responsibility for arranging for the assessment of the needs of children and young persons, and for deciding allocations to particular homes, transfers to other homes or forms of treatment and discharges from residential care will rest with the local authority having the child in its care. Where the home offers a variety of treatments it will also be the responsibility of the authority having the child in its care to decide, after considering the advice of the managers, the general character of the child's care, control or treatment. Other decisions about the treatment of a child while residing in a voluntary home will be taken by the managers or directing staff, within the framework of the general statutory rules and the rules of management for each home.

Assisted status

7. The provision, enlargement and maintenance of an assisted voluntary home will be the responsibility of the managers, who will charge fees for the use of facilities they provide for children in the care of local authorities. It will be eligible for Exchequer grant at the rate of 100% of the approved cost of any building work, or other provision on capital account, needed to fit it for the purpose defined for it in the development plan. The rate at which building work or other capital expenditure can be approved will depend on the country's economic circumstances.

8. The instrument of management will provide for two-thirds of the managers to be appointed by the trustees or other representatives of the original foundation. The particular responsibility of these foundation managers will be to ensure that the home is conducted in accordance with its trust deed or similar document. The remaining one-third of the managers (the representative managers) will normally be appointed by the local authorities or authorities which are its major users. In the case of homes serving national needs, representative managers may be appointed by the Secretary of State.
9. Rules of management will provide that the managers must at all times make available 50% of the places for children or young persons in the care of local authorities, and must accept any child who is recommended for that home by the observation centre or other agency locally responsible for observation and assessment. They may also be required to make available a further 25% of places, on the same conditions, after reasonable notice has been given by the local authority or authorities represented on the managing body. It will be open to them to accept as many local authority placements as they wish. Beyond the 50% of reserved places, or the 75% if the option to increase is exercised, the managers’ consent to the acceptance of any particular child will be required.

10. When considering proposals in development plans, the Secretary of State will normally be prepared to accord assisted status only to homes which have the support of an organisation larger than their own managing body (e.g. a religious community or charitable foundation).

Controlled status

11. The arrangements will be generally similar to those described in paragraphs 7 to 9, but with the following three specific differences. First, financial responsibility on both capital and current account will be wholly assumed by the local authorities defined for this purpose in the relevant area development plan. Secondly, the instrument of management will provide for two-thirds of the managers to be representative managers, and one-third foundation managers. Thirdly, the Rules of Management will require 90% of the places to be available for children in the care of local authorities, should the authorities wish to take them up.

General

12. All community homes within the public system will be subject to inspection by members of the Home Office Children’s Inspectorate. Minimum standards of accommodation, and general principles for their conduct, will be prescribed by statutory rules. The Secretary of State will have power to determine any dispute between a local authority and the managers of an assisted or controlled voluntary home, including disputes about the fees charged to local authorities.
At the European space conference held in Rome in July, 1967, Ministers agreed to the creation of an advisory committee to "elaborate proposals for a joint space policy and programmes in the framework of such a policy". The committee, chaired by M. Causse of France, has now produced its report and it is planned to take decisions on it at a Ministerial European space conference in Bonn in July. This meeting will be preceded by a meeting of Alternates on 23rd April, and Dr. Stoltenberg, the German Minister of Science, who will be chairman of the Bonn conference, has invited his colleagues from the most important countries including the United Kingdom to a Ministerial pre-conference meeting in Bonn on 29th April.

2. The problem for the United Kingdom is that the Causse report sets out for decision at the Bonn Conference a continuing and expanding programme of European space projects which is inconsistent with United Kingdom policy. The programme includes a European Conference on Satellite Telecommunications (GETS) experimental project for satellite development; further development of the European Launcher Development Organisation (ELDO) launcher; and increased European Space Research Organisation (ESRO) scientific space activities. A Ministerial decision has already been taken, but not announced, that the United Kingdom is not to undertake further financial commitments to ELDO beyond the present ceiling; and the Secretary of State for Education and Science, advised by his Science Research Council, has recommended that support for ESRO should be kept to a minimum. On GETS, Ministers decided last year that we should not take part in the programme as it stood at that time. Since then the project has changed from a communications to a television relay satellite but it would still be based on the ELDO launcher.

3. The Ministerial Committee on the Approach to Europe have considered how and when these decisions on European space activities, which it is not suggested should be reopened, should be conveyed to our European partners so as to minimize the damage to our relations with Europe, and to convince them if possible that these decisions are consistent with our declared support for European technological collaboration.
4. It might be easier to convince the Europeans that our space
decisions were consistent with our declared policy if these decisions
could be presented at a general technological conference instead of the
Bonn conference which is concerned only with space activities. We could
then more readily explain - as the Prime Minister did in his Guildhall
speech last November - that in our view the purpose of European
technological collaboration is to create European-scale industries
capable of competing on equal terms with American industry, and not to
foster costly, prestigious projects for their own sake. The Ministerial
Committee have therefore considered whether we should seek to avoid
disclosing our decisions first at a space conference by requesting the
prior convention of a European technological conference on the lines which
the Belgian Government has recently proposed. The Committee have
concluded however that such a request would not be to our advantage. It
would simply confirm the existing suspicions of European Governments
that we did not intend to support the Causse report's recommendations,
and would involve the risk that a general technological conference would
be called before we were fully prepared for it. Accordingly the
Committee have concluded that we would be better advised to make our
decisions known at the earliest opportunity - and before the meeting of
Alternates on 23rd April - both to Dr. Stoltenberg and to the European
Foreign Ministers concerned. If we delayed telling the Europeans of
our decisions beyond the Ministerial meeting on 29th April, which has
been called to take stock of Government positions, and until the Bonn
space conference itself we should be charged - reasonably enough - with
wrecking the conference.

5. If we announce our decisions now - and I think we must - I must
emphasise the importance of demonstrating in more practical terms to
the Europeans what we are prepared to offer them by way of technological
collaboration. The Cabinet has already considered (CC(68) 15th Conclusions,
Minute 2) and endorsed proposals (C(68) 40 and 41) for the development of
such collaboration, particularly through the establishment of a
European Technological Centre and the encouragement of British industry
generally to develop links with other European industries which will lead
towards the creation of European-scale companies. We must be ready
now not merely to explain in general terms the way in which we think
European collaboration can be developed. We should also give Europe
a practical programme of action looking in particular to the establishment
of the European Technological Centre before the end of this year.

6. I invite my colleagues to endorse the decision of the Ministerial
Committee on the Approach to Europe that we should communicate our
space decisions to our European partners forthwith. I hope they will also
agree that we must have as soon as possible a practical programme of
 technological collaboration to offer them. I have arranged meanwhile for
the preparation, in consultation with the Ministers primarily concerned,
of messages to Dr. Stoltenberg and to Foreign Ministers explaining our
decisions in the context of our general aims for European technological
collaboration. The Lord President has undertaken to co-ordinate
arrangements for the domestic presentation of our space decisions and
policy at the same time as these are made known abroad.

M. S.

Foreign Office, S.W.1.

9th April, 1968
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M.S.

Foreign Office, S.W.1.
9th April, 1968
I think that my colleagues should be aware of the way in which pay negotiations in the vital areas of shipbuilding and engineering are developing.

Engineering - Manual Workers

2. The Confederation of Shipbuilding and Engineering Unions (CSEU) presented last year to the Engineering Employers Federation (EEF) a national claim, to be implemented after the expiry of their three-year agreement on 1st January, 1968, for a substantial increase in basic rates, a reduction of hours, extra holidays and other items. This occurred whilst the National Board for Prices and Incomes (NBPI) were carrying out a review of the three-year agreement: the NBPI recommended, in their Report No. 49 of December, 1967, that when the agreement came to be re-negotiated there should be no general increase in pay for manual workers, but that there should be an increase in minimum earnings levels on 1st July, 1968 and that, for the rest, the national agreement should be confined to establishing guidelines for domestic productivity based on the criteria of the NBPI's Report No. 36 on productivity agreements.

3. There have since been three meetings between the EEF and the CSEU, on 27th March, 10th April and 18th April. At each meeting the EEF stood firm on an offer that included no general increase, an increase in minimum earnings levels that was larger than that proposed by the NBPI but spread over three years, and an improvement in the industry's guaranteed week provisions. In return the EEF sought detailed written undertakings on measures to secure the more efficient use of manpower (including the use of modern techniques for evaluating methods of production), on guidelines for pay-cum-productivity negotiations at plant level, and on training.

4. In reply, the CSEU have demanded a general wage increase, much higher minimum earnings levels than those proposed by the EEF, an improvement in holidays, and a move towards equal pay, as a prerequisite for any negotiations on improvements in productivity. They are also threatening industrial action if their demands are not met. Their next move is to be considered at a meeting of Confederation executives on Wednesday, 1st May.
Shipbuilding - Manual Workers

5. The negotiations between the CSEU and the Shipbuilding and Repairers’ National Association (SRNA) have been proceeding more quickly than those in engineering, although they are very closely related - broadly speaking what happens in one is likely to follow in the other. It should be noted, incidentally, that whereas the CSEU is led by Mr. Hugh Scanlon in the engineering negotiations, Mr. Dan McGarvey leads on shipbuilding.

6. The two sides have met twice and at the second meeting, on 24th April, the SRNA went further in their offer than the EEF in that they offered improvements in minimum earnings levels comparable to those of the EEF; a modest improvement in holidays and a small general increase in May, 1969 and May, 1970 in return for detailed undertakings on the use of labour, training and the payment of increases at local level only in return for direct and measurable improvements in productivity. The CSEU are now considering this offer and will meet the SRNA again on 2nd May.

Draughtsmen

7. The Draughtsmen’s and Allied Technicians’ Association (DATA) submitted a national claim for very substantial increases in salaries, with a corresponding revision of the national scales, in June, 1966. This was taken no further because of the wages standstill, but the EEF made a smaller counter offer in July, 1967. The offer was rejected by DATA who then terminated their national agreement with the EEF from 1st September, 1967. Meanwhile DATA have pursued their original claim locally, and most firms are thought to have responded by paying at least the EEF counter offer; two firms who met DATA’s claims in full were referred to the NBPI under direction. I understand that the Board’s report will be published on 16th May.

8. Negotiations between the EEF and DATA reopened on 11th April and the former have made an offer which, while still falling short of DATA’s original claim, will be very difficult to reconcile with the White Paper on Productivity, Prices and Incomes Policy in 1968 and 1969 (Cmdnd. 3590); DATA have accepted the offer subject to the deletion of two of the productivity conditions (the use of work study and consultants) that the EEF are seeking as a quid pro quo. The EEF have not yet commented on DATA’s reply.

Future Action

9. These three sets of related negotiations have now reached a delicate stage. The EEF are almost certainly asking too much from the CSEU by way of productivity provisions for the money they are offering; on the other hand, the provisions themselves are essential if the industry is to make progress with rational productivity bargaining at plant level. I do not think - given the NBPI’s Report No. 49 and the criteria of the White Paper - we could countenance a general pay
increase in engineering this year; but I would be prepared to consider in engineering a package deal of the kind proposed by the SRNA for manual workers in shipbuilding and shiprepairing. As far as the draughtsmen are concerned, I find it very difficult to see how the EEF's offer could be justified against the White Paper and, although I intend to have discussions with the parties, a further reference of draughtsmen to the NBPI must be regarded as likely.

10. I am seeing the EEF and the CSEU separately on Wednesday, 1st May and I will be able, therefore, to bring my colleagues completely up to date at our meeting on the following day.

B.A.C.