C(68) 81 - Legislative Programme 1968-69. Memorandum by the Lord Privy Seal

82 - Administrative Structure of the Medical and Related Services in England and Wales. Memorandum by the Minister of Health

83 - Supplementary Statement on Defence Policy 1968. Note by the Secretary of State for Defence

84 - Bristol - West Dock. Memorandum by the Minister of Transport


86 - Public Schools Commission: First Report. Note by the Secretary of State for Education and Science

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

88 - Report of the Interdepartmental Committee on Local Authority and Allied Personal Social Services. Joint Memorandum by the Secretary of State for the Home Department, the Secretary of State for Education and Science, the Minister of Housing and Local Government and the Minister of Health

89 - Location of the Inland Revenue Schedule E Computer Centre for Southern England. Memorandum by the Chancellor of the Exchequer

90 - Concorde. Memorandum by the Minister of Technology

91 - European Airbus. Memorandum by the Minister of Technology

92 - United Kingdom/United States Advanced Lift Engine Programme. Memorandum by the Minister of Technology

93 - Consequences of Cancellation of Various Aircraft Projects. Note by the Minister of Technology

94 - Location of the Inland Revenue Schedule E Computer Centre for Southern England. Memorandum by the Secretary of State for Economic Affairs

95 - Sonic Bangs. Note by the President of the Board of Trade and the Minister of Technology

96 - London Docks: Ships Clerks' Pay. Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

97 - Czechoslovakia. Note by the Deputy Secretary of the Cabinet

98

99 - Engineering: Manual Workers. Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

100 - A National Hydrocarbons Corporation. Memorandum by the Minister of Power
LEGISLATIVE PROGRAMME 1968-69

Memorandum by the Lord Privy Seal

The Future Legislation Committee, and subsequently the Parliamentary Committee, have considered proposals for the legislative programme for 1968-69. The Lists at Annex B have been prepared in the light of their discussions. The Bills have been provisionally classified under the following heads:

- **A1** - Essential Bills - that is, Bills which must be obtained by a specified date, e.g. because of the expiration of other measures.

- **A2** - Contingent Bills - that is, Bills which may become essential in the above sense.

- **B** - Main Programme Bills

- **C** - Bills in Reserve

- **B(S)** - Bills in the programme for the Scottish Grand Committee

- **S** - Bills suitable for the Second Reading Committee procedure

- **P** - Bills suitable for Private Members

- **D** - Bills which were put forward for the programme, but are unlikely to find a place in it.

The main programme has been divided into two: List B(i) contains Bills which it is proposed should have a firm place in the programme, most of which must be ready for introduction before Christmas, and List B(ii) contains Bills whose inclusion must depend on a decision, which cannot be taken until about the end of the year, on whether to introduce in the spring a Bill of medium length to implement some of the less controversial recommendations of the Royal Commission on Trade Unions and Employers' Organisations.
2. The lists are based on the assumption that we shall have 55 days available for legislation in the course of the Session. This figure is in turn based on the average for the last ten years which, with my proposed distribution of time in 1968-69, are shown below:

<table>
<thead>
<tr>
<th>No. of days</th>
<th>Average (1957-67)</th>
<th>Proposed (1968-69)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debate on the Address</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Supply and Consolidated Fund Bills</td>
<td>30</td>
<td>32*</td>
</tr>
<tr>
<td>Budget and Finance Bills</td>
<td>18 1/2</td>
<td>16</td>
</tr>
<tr>
<td>Private Members' Bills and Motions</td>
<td>20</td>
<td>22*</td>
</tr>
<tr>
<td>Adjournments at Recesses</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Contingencies, debates, Orders and Regulations, Opposed Private Business, etc.</td>
<td>26</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>56 1/2</td>
<td>55</td>
</tr>
</tbody>
</table>

(*Revised Standing Orders now provide an extra 2 days for Private Members' business and additional 2 days for Supply and Consolidated Fund Bills.)

This tentative breakdown assumes that the new Session starts on 29th October and that the Committee Stage of the Finance Bill will be taken on the floor of the House. If, as I hope, it is decided to send at least part of the Finance Bill upstairs, it should give us another three to five days.

3. Annex A indicates the amount of time expected to be available for legislation in each of the Parliamentary terms. Annex B gives estimates of the times which individual Bills may take on the floor of the House, with an indication of the terms of the Session in which the days will occur. The allotments of business between terms are based on averages over recent years. The individual figures are speculative, but the total of the estimates is likely to be close to the outcome with the exception of House of Lords and Representation of the People, where the greatest uncertainty lies. To meet comments made by my colleagues, I have allowed 6 days on the floor for each of these Bills (1 day for Second Reading; 3 days Committee; 2 days for Report and Third Reading), although the 1948 Representation of the People Bill took 11 days and the Parliament Bill, 1911 (which was perhaps less comparable) 22 days. Because of these Bills, and the possibility that we may want to introduce a medium length Industrial Relations Bill, the scope for other Bills is more than usually limited. The timetable assumes that, subject to their inclusion in the programme, Immigration, Administration of Justice, Law Reform (Miscellaneous), Town and Country Planning (Scotland), and all Second Reading Committee Bills will start in the House of Lords. It does not provide for a Ports Bill in 1968-69. If the Cabinet were to decide that such a Bill must go into the programme, then either Transport in London or Vehicles Registration and Drivers Licensing would have to be deferred to 1969-70, and the opportunity for introducing Bills in List B(ii) would also be reduced.
4. The A1, A2, B(i), Scottish Bills and Second Reading Committee Bills are likely to need 53 days. On the assumption that 55 are available, this leaves, apart from the Finance Bill which is provided for separately, 2 days for other legislation, including Industrial Relations: time could be found for more only by dropping other programme Bills. I have therefore considered what additional time could be made available for legislation if we –

(a) reduce the Christmas and Whitsun recesses to 3 weeks and 1 week, respectively;

(b) have an autumn spill-over of 2 weeks;

(c) send the Finance Bill to Standing Committee.

5. I have not made any addition to allow for time made available by sending the Finance Bill upstairs. The amount that could be saved is speculative and not likely to be large. It ought to be regarded as a reserve not to be allocated at this stage, since if we base our initial programme on short recesses we shall pre-empt most of the reserve capacity which a cut in the recesses otherwise provides; and we know from experience that some Bills which cannot now be clearly foreseen will inevitably have to be added to the programme during the Session.

6. The Select Committee on Procedure are expected to report this summer on changes in the terms of the Session. They may recommend a move from four terms to five or six, while retaining the present average Session of 160 or so days. If the House accepted these recommendations they could not be implemented until 1969-70 at the earliest because of the planning of the Party conferences; and I have accordingly based my calculations on a renewal of the current term time.

7. The additional time which would result would be available entirely for Government legislation and contingencies; the provision for Supply, Private Members' time, etc., would remain unchanged. However, of the additional time for legislation I have assumed a need of 3 days for Lords Amendments. This is more than the average. But it is related to the 5 days or so that we shall need this Session; this higher-than-average figure presumably arises because of the late introduction of Bills which has led to more Amendments in both Houses. If this tendency can be checked, less than 3 days may be needed for this purpose.

8. The total effect of these changes would, I estimate, be to provide 18 days more for legislation, of which it would be prudent to earmark 1 for non-legislative business and 3 for Lords Amendments. The net additional 14 legislative days are subject to the limitations indicated in the notes in Annex C. Briefly, the later in the Session they occur the less valuable they are for legislation other than short and minor Bills; their addition would not enable us to introduce a substantial Bill late in the Session. This is relevant to the timing of Merchant Shipping which I have been urged to include in the
programme for 1968-69. *Merchant Shipping* could not be ready until
the end of March, 1969, because drafting could not be started until
those Bills in List B(i) which must be introduced before Christmas
were ready. If an attempt were made to introduce this Bill late we
might find ourselves, notwithstanding a reduction in the Whitsun
recess and autumn over-spill, in similar difficulties to those which
have beset us with this Session's late Bills, and there could be no
question of including this Bill in the programme if both Industrial
Relations and Ports went in. Drafting might usefully begin early in
the New Year, however, in order that the Bill might be ready for
introduction at the outset of the 1969-70 Session. This would enable
provision to be made during the course of drafting for such of the
recommendations of the Committee on Trawler Safety under Admiral
Milner-Holland as the Government may decide to accept.

9. The Cabinet should be aware that among the Bills put forward
for next Session, but not included in the provisional programme, is
one on *Cigarette Advertising*, to which the Minister of Health attaches
importance. The purpose of the Bill is to give effect to the statement
which the Minister made in the House of Commons on 23rd October
(Official Report 23rd October, 1967, Cols. 1328-9) with the authority
of the Home Affairs Committee, that in view of the danger to health
from cigarette smoking and of the failure of the manufacturers to agree
to voluntary ending of coupon schemes and limitation of other forms
of sale promotion, "the Government have decided to introduce legislation
in due course to take power to ban coupon gift schemes, to forbid or
limit certain forms of cigarette advertising, and to limit expenditure
on advertising of cigarettes". The Minister of Health takes the view
that legislation ought not to be deferred beyond the 1968-69 Session,
and it may well be that if the Bill is not included in the programme the
industry ought to be informed that the Government have abandoned their
intention of legislating. An alternative might be to prepare a Bill to be
handed to a Private Member if one could be found willing to introduce
it, but the Government would have to declare its position on such a
Bill; it could not adopt an attitude of neutrality.

**Summary and Conclusion**

10. Against the Sessional average of 55 days for Government
legislation the following are expected to be required:-

<table>
<thead>
<tr>
<th>Bills</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1 Bills</td>
<td>5½</td>
</tr>
<tr>
<td>A2 Bills</td>
<td>6</td>
</tr>
<tr>
<td>B(i) Bills</td>
<td>37½</td>
</tr>
<tr>
<td>Scottish Bills</td>
<td>3</td>
</tr>
<tr>
<td>Second Reading Committee Bills</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>53</td>
</tr>
<tr>
<td><strong>Remainder</strong></td>
<td>2</td>
</tr>
</tbody>
</table>

Addition for legislation from:­

(i) Shorter Christmas Recess   ) 18 days
(ii) Shorter Whitsun Recess   )
(iii) Autumn Spill-over        )

Thus, there could be 20 days (including the 2 remaining above), of which
I might be needed for non-legislative business and 3 for Lords
Amendments.
11. Against these 16 days the following Bills may be said to have greatest claim:-

<table>
<thead>
<tr>
<th>Clauses</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism</td>
<td>20</td>
</tr>
<tr>
<td>Atomic Energy Authority [Amendment]</td>
<td>Short 1 1/2</td>
</tr>
<tr>
<td>Air Corporations</td>
<td>5</td>
</tr>
<tr>
<td>Industrial Development Act [Amendment]</td>
<td>15/20 2</td>
</tr>
<tr>
<td>Industrial Relations</td>
<td>? 3/2 (or, if introduced so late that all stages must be taken on the floor, 8)</td>
</tr>
<tr>
<td>Gas Industry</td>
<td>Short/Medium 2</td>
</tr>
<tr>
<td>Drugs</td>
<td>12 2</td>
</tr>
<tr>
<td>Mines and Quarries Act 1954 [Amendment] (as an alternative to Second Reading Committee procedure)</td>
<td>Short/Medium 1 1/2</td>
</tr>
</tbody>
</table>

12. I suggest that the Cabinet should -

(a) approve Lists A1 and A2, B(i), the Scottish List and the Second Reading Committee list, on the understanding that Second Reading Committee Bills will not take priority over main programme Bills for drafting and will be introduced on a "first come first served" basis;

(b) agreed that Ports should not be introduced in 1968-69;

(c) agree that we should plan provisionally for three weeks recess at Christmas, one week at Whitsun and a two week autumn spill-over;

(d) on this basis approve the inclusion in the programme of Tourism, Atomic Energy, Air Corporations, Industrial Development, and if judged desirable in the light of consultation on the Report of Royal Commission, Industrial Relations;

(e) agree that if Industrial Relations is not required in 1968-69, Gas Industry, Drugs and Mines and Quarries Act 1954 (Amendment) should be brought forward, and that Bills in (d) and (e) should be drafted as resources allow so as to be available for introduction when openings occur;

(f) agree that as drafting resources become available Merchant Shipping should be drafted with a view to introduction at the beginning of 1969-70.

70, Whitehall, S. W. 1.

17th June, 1967
## Break-down of Session of 160 Days

### Tuesday, 29th October to Friday, 20th December 1968 - 39 days

<table>
<thead>
<tr>
<th>Activity</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debate on the Address</td>
<td>6</td>
</tr>
<tr>
<td>Supply</td>
<td>5</td>
</tr>
<tr>
<td>Private Members' Bills and Motions</td>
<td>3 ½</td>
</tr>
<tr>
<td>Contingencies</td>
<td>6</td>
</tr>
<tr>
<td>Legislation</td>
<td>17 ½</td>
</tr>
<tr>
<td>Adjournment at Christmas</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39 days</strong></td>
</tr>
</tbody>
</table>

### Tuesday, 21st January 1969 to Thursday, 3rd April 1969 - 53 days

<table>
<thead>
<tr>
<th>Activity</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply; Winter and Spring Estimates</td>
<td>12</td>
</tr>
<tr>
<td>Contingencies (Defence, etc.)</td>
<td>8</td>
</tr>
<tr>
<td>Private Members' Bills, Motions and CF Bill</td>
<td>12 ½</td>
</tr>
<tr>
<td>Legislation</td>
<td>19 ½</td>
</tr>
<tr>
<td>Adjournment at Easter</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53 days</strong></td>
</tr>
</tbody>
</table>

### Tuesday, 15th April to Friday, 23rd May 1969 - 29 days

<table>
<thead>
<tr>
<th>Activity</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget debate</td>
<td>4</td>
</tr>
<tr>
<td>Finance Bill</td>
<td>4</td>
</tr>
<tr>
<td>Supply</td>
<td>3</td>
</tr>
<tr>
<td>Contingencies</td>
<td>3</td>
</tr>
<tr>
<td>Private Members' Bills and Motions</td>
<td>5 ½</td>
</tr>
<tr>
<td>Legislation</td>
<td>8 ½</td>
</tr>
<tr>
<td>Adjournment at Whitson</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29 days</strong></td>
</tr>
</tbody>
</table>

### Monday, 9th June to Thursday, 31st July 1969 - 39 days

<table>
<thead>
<tr>
<th>Activity</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Bill</td>
<td>8</td>
</tr>
<tr>
<td>Supply</td>
<td>9</td>
</tr>
<tr>
<td>Contingencies</td>
<td>8</td>
</tr>
<tr>
<td>Private Members' Bills, Motions and CF Bill</td>
<td>3 ½</td>
</tr>
<tr>
<td>Legislation</td>
<td>9 ½</td>
</tr>
<tr>
<td>Adjournment at Summer</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39 days</strong></td>
</tr>
</tbody>
</table>
Break-down of Session of 178 Days

**Tuesday, 29th October to Friday, 20th December 1968 - 39 days**

<table>
<thead>
<tr>
<th>Item</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debate on the Address</td>
<td>6</td>
</tr>
<tr>
<td>Supply</td>
<td>5</td>
</tr>
<tr>
<td>Private Members' Bills and Motions</td>
<td>3½</td>
</tr>
<tr>
<td>Contingencies</td>
<td>6</td>
</tr>
<tr>
<td>Legislation</td>
<td>17½</td>
</tr>
<tr>
<td>Adjournment at Christmas</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
</tr>
</tbody>
</table>

**Tuesday, 14th January 1969 to Thursday, 3rd April 1969 - 58 days**

<table>
<thead>
<tr>
<th>Item</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply; Winter and Spring Estimates</td>
<td>12</td>
</tr>
<tr>
<td>Contingencies (Defence, etc.)</td>
<td>8</td>
</tr>
<tr>
<td>Private Members' Bills, Motions and CF Bill</td>
<td>12½</td>
</tr>
<tr>
<td>Legislation</td>
<td>24½</td>
</tr>
<tr>
<td>Adjournment at Easter</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
</tr>
</tbody>
</table>

**Tuesday, 15th April to Friday, 23rd May 1969 - 29 days**

<table>
<thead>
<tr>
<th>Item</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget debate</td>
<td>4</td>
</tr>
<tr>
<td>Finance Bill</td>
<td>4</td>
</tr>
<tr>
<td>Supply</td>
<td>3</td>
</tr>
<tr>
<td>Contingencies</td>
<td>3</td>
</tr>
<tr>
<td>Private Members' Bills and Motions</td>
<td>5½</td>
</tr>
<tr>
<td>Legislation</td>
<td>8½</td>
</tr>
<tr>
<td>Adjournment at Whitsun</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>29</td>
</tr>
</tbody>
</table>

**Tuesday, 3rd June to Thursday, 31st July, 1969 - 43 days**

<table>
<thead>
<tr>
<th>Item</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Bill</td>
<td>8</td>
</tr>
<tr>
<td>Supply</td>
<td>9</td>
</tr>
<tr>
<td>Contingencies</td>
<td>4</td>
</tr>
<tr>
<td>Private Members' Bills, Motions and CF Bill</td>
<td>3</td>
</tr>
<tr>
<td>Legislation</td>
<td>17½</td>
</tr>
<tr>
<td>Adjournment at Summer</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
</tr>
</tbody>
</table>

**Monday, 13th October to Thursday, 23rd October 1969 - 9 days**

<table>
<thead>
<tr>
<th>Item</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingencies</td>
<td>5</td>
</tr>
<tr>
<td>Legislation</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
</tr>
</tbody>
</table>

Party Conference due to end on Saturday, 11th October.
### LEGISLATIVE PROGRAMME 1968-69

#### A1 - ESSENTIAL BILLS

#### (i) Bills likely to be ready at start of the Session

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (clauses)</th>
<th>Days and Terms</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expiring Laws Continuance</td>
<td>2</td>
<td>(a)1</td>
<td></td>
</tr>
<tr>
<td>Suspended Workers (Guarantee Provisions)</td>
<td>up to 10</td>
<td>(a)1 (b)½</td>
<td>4½</td>
</tr>
<tr>
<td>Decimal Currency</td>
<td>12-20</td>
<td>(a)1 (b)1</td>
<td></td>
</tr>
</tbody>
</table>

#### (ii) Other Bills for later introduction

<table>
<thead>
<tr>
<th>Finance</th>
<th>Not known</th>
<th>sep. provision</th>
<th>(c)4 (d)8</th>
</tr>
</thead>
</table>

### A2 - CONTINGENT BILLS

(Not all these will be necessary)

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (clauses)</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania (Consequential Provisions)</td>
<td>up to 6 ½</td>
<td></td>
</tr>
<tr>
<td>British North American Act (Amendment)</td>
<td>Not known ½</td>
<td></td>
</tr>
<tr>
<td>British Honduras Independence</td>
<td>6 ½</td>
<td></td>
</tr>
<tr>
<td>Southern Rhodesia (Constitution)</td>
<td>Not known 3</td>
<td>say, 6 ½</td>
</tr>
<tr>
<td>Extension of Army General Reserve</td>
<td>2 2</td>
<td></td>
</tr>
<tr>
<td>European Communities (Membership)</td>
<td>Not known 5</td>
<td></td>
</tr>
<tr>
<td>Overseas Aid</td>
<td>2 1½</td>
<td></td>
</tr>
<tr>
<td>Steel (Financial Provisions)</td>
<td>3 2</td>
<td></td>
</tr>
<tr>
<td>International Monetary Fund (General Arrangements to Borrow)</td>
<td>Not known 1½</td>
<td></td>
</tr>
<tr>
<td>Prices and Incomes</td>
<td>Not known 3</td>
<td></td>
</tr>
</tbody>
</table>

| Total c/fwd.                         | 10 ½ days        |       |

*If not enacted this Session*

(a) = Pre-Christmas term
(b) = " Easter "
(c) = " Whitsun "
(d) = " Summer "

*Terms adjustable*
### B - MAIN PROGRAMME BILLS

#### (i) Bills to be included whether or not Industrial Relations is also included

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (Clauses)</th>
<th>Days and Terms</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fisheries</td>
<td>15</td>
<td>2 (a)2</td>
<td></td>
</tr>
<tr>
<td>Immigration</td>
<td>about 15</td>
<td>2 1/2 (b)1 (c)1 1/2</td>
<td></td>
</tr>
<tr>
<td>Representation of the People</td>
<td>50</td>
<td>6 (a)5 (b)1</td>
<td></td>
</tr>
<tr>
<td>*Administration of Justice</td>
<td>Medium</td>
<td>2 (b)1 (a)1</td>
<td></td>
</tr>
<tr>
<td>*Law Reform (Miscellaneous)</td>
<td>Medium</td>
<td>2 (b)2</td>
<td></td>
</tr>
<tr>
<td>*Post Office (Status)</td>
<td>over 100</td>
<td>3 (a)1 (b)2</td>
<td></td>
</tr>
<tr>
<td>*Transport in London</td>
<td>about 30</td>
<td>2 (a)1 (b)1</td>
<td></td>
</tr>
<tr>
<td>*Vehicle and Drivers Licensing</td>
<td>40</td>
<td>1 1/2 (a)1 (b) 1/2</td>
<td></td>
</tr>
<tr>
<td>*Elastic Claims</td>
<td>4</td>
<td>1 1/2 (a)1 (b) 1/2</td>
<td>37 1/2</td>
</tr>
<tr>
<td>Children</td>
<td>34-40</td>
<td>2 1/2 (a)1 (b) 1/2</td>
<td></td>
</tr>
<tr>
<td>House of Lords</td>
<td>20</td>
<td>6 (a)1 (b)5</td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>Moderate</td>
<td>2 (a)1 (b)1</td>
<td></td>
</tr>
<tr>
<td>National Insurance (Up-rating)</td>
<td>about 7</td>
<td>1 1/2 (c)1 (d) 1/2</td>
<td></td>
</tr>
<tr>
<td>Civil Contingencies Fund/Financial Relations with Northern Ireland</td>
<td>8</td>
<td>1 1/2 (c)1 (d) 1/2</td>
<td></td>
</tr>
<tr>
<td>*Pensions (Increase)</td>
<td>6 or 7</td>
<td>1 1/2 (c)1 (d) 1/2</td>
<td></td>
</tr>
</tbody>
</table>

#### (ii) Bills to be introduced if time is available

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (Clauses)</th>
<th>Days and Terms</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism</td>
<td>20</td>
<td>2 (a)1 (d)1</td>
<td></td>
</tr>
<tr>
<td>Atomic Energy Authority Act (Amendment)</td>
<td>1 1/2 (c)1 (a) 1/2</td>
<td>(b)1</td>
<td></td>
</tr>
<tr>
<td>Air Corporations</td>
<td>5</td>
<td>2 (b)2</td>
<td></td>
</tr>
<tr>
<td>Industrial Development Act (Amendment)</td>
<td>15-20</td>
<td>2 (a)1 (d)1</td>
<td></td>
</tr>
<tr>
<td>*Industrial Relations</td>
<td>250</td>
<td>3/8 or, if the Bill is late and has to be taken on the floor, 7</td>
<td></td>
</tr>
</tbody>
</table>

#### C - BILLS IN RESERVE

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (Clauses)</th>
<th>Days and Terms</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas Industry</td>
<td>Short-Medium</td>
<td>2 (b)2</td>
<td></td>
</tr>
<tr>
<td>Drugs</td>
<td>12</td>
<td>2 (c)1 (d)1</td>
<td></td>
</tr>
<tr>
<td>Mines and Quarries Act 1954 (Amendment)</td>
<td>Short-Medium</td>
<td>1 1/2</td>
<td></td>
</tr>
<tr>
<td>Merchant Shipping</td>
<td>Short-Medium</td>
<td>3 1/2</td>
<td></td>
</tr>
</tbody>
</table>

* Deferred from 1967-68

# For introduction later in the Session

* Could be ready early

* Unlikely to be ready before March

---

**SECRET**
### S - SECOND READING COMMITTEE BILLS

#### PRIORITY LIST

(i) Bills likely to be ready at the start of the Session

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (Clauses)</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Genocide</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Smallholdings</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>School leaving date</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>National Theatre</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Medical Act 1956 (Amendment)</td>
<td>about 15</td>
<td></td>
</tr>
<tr>
<td>Juries</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Land Obligations</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Animals (Civil Liability)</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Petroleum Exploration (Safety)</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Mines and Quarries Act 1954 (Amendment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Resources Act 1963 (Amendment)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(ii) Other Bills for later introduction

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (Clauses)</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education for sub-normal Children</td>
<td>Short</td>
<td></td>
</tr>
<tr>
<td>Radiological Protection Service</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Redundant Churches</td>
<td>Short</td>
<td></td>
</tr>
<tr>
<td>Matrimonial Causes</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Nuclear Installations (Misc. Provisions)</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

#### B(S) - BILLS SUITABLE FOR SCOTTISH GRAND COMMITTEE

(i) Bills likely to be ready at the start of the Session

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (Clauses)</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town and Country Planning (Scotland)</td>
<td>80-90</td>
<td>80</td>
</tr>
<tr>
<td>Education (Scotland)</td>
<td>20-25</td>
<td>25</td>
</tr>
<tr>
<td>Electricity (Borrowing Powers) (Scotland)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(ii) Other Bills for later introduction

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (Clauses)</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law Reform (Halliday) (Scotland)</td>
<td>10-20</td>
<td>20</td>
</tr>
<tr>
<td>Housing (Scotland)</td>
<td>about 30</td>
<td></td>
</tr>
<tr>
<td>Sheriff Courts Reorganisation (Scotland)</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Gin Traps (Scotland)</td>
<td>about 5</td>
<td>3</td>
</tr>
<tr>
<td>Law Reform (Miscellaneous Provisions) (Scotland)</td>
<td>10-20</td>
<td></td>
</tr>
<tr>
<td>Slaughterhouses and Slaughter of Animals</td>
<td>10-15</td>
<td></td>
</tr>
<tr>
<td>*Building Standards</td>
<td>not known</td>
<td></td>
</tr>
</tbody>
</table>

*If not enacted this Session

* May be suitable for Private Member

Grand Total: 53 days
<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (clauses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meteorites</td>
<td>6 to 8</td>
</tr>
<tr>
<td>Human Tissues Act 1961 (Amendment)</td>
<td>under 10</td>
</tr>
<tr>
<td>Shops (Sunday Trading)</td>
<td>8</td>
</tr>
<tr>
<td>Sunday Entertainments</td>
<td>9</td>
</tr>
<tr>
<td>Seals</td>
<td>4</td>
</tr>
<tr>
<td>Caravan Sites</td>
<td>16</td>
</tr>
<tr>
<td>Public Health Act Nuisances</td>
<td>Short</td>
</tr>
<tr>
<td>Divorce Reform</td>
<td>12</td>
</tr>
<tr>
<td>Architects Registration</td>
<td>Short</td>
</tr>
<tr>
<td>Divorce (Scotland)</td>
<td>10</td>
</tr>
<tr>
<td>Young Offenders (Scotland)</td>
<td>3</td>
</tr>
<tr>
<td>Footpaths (Scotland)</td>
<td>4 to 5</td>
</tr>
<tr>
<td>Local Government (Expenditure on Special Purposes (Scotland)</td>
<td>2</td>
</tr>
<tr>
<td>Hire Purchase Agreement</td>
<td>about 3</td>
</tr>
<tr>
<td>Estate Agents</td>
<td>18 to 20</td>
</tr>
<tr>
<td>Employers' Liability (Defective Equipment)</td>
<td>2</td>
</tr>
<tr>
<td>Cigarette Advertising</td>
<td>5 to 10</td>
</tr>
</tbody>
</table>

If not enacted this Session
### Other Bills with No Place in the Programme

#### Bill

(i) Bills requiring Second Reading on the floor of the House of Commons

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (clauses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Territorial Army Property</td>
<td>Probably short</td>
</tr>
<tr>
<td>Cigarette Advertising</td>
<td>5 to 10</td>
</tr>
<tr>
<td>Fluoridation of Water Supplies</td>
<td>6</td>
</tr>
<tr>
<td>Pharmaceutical Industry Miscellaneous Provisions</td>
<td>Medium</td>
</tr>
<tr>
<td>Criminal Evidence</td>
<td>25</td>
</tr>
<tr>
<td>Local Authorities (Committees and Conduct of Business) [Seebohm and Maud]</td>
<td>12</td>
</tr>
<tr>
<td>Local Authorities (Goods and Services)</td>
<td>3</td>
</tr>
<tr>
<td>Caravan Sites (Security and Control of Charges)</td>
<td>30</td>
</tr>
<tr>
<td>Private Street Works</td>
<td>20</td>
</tr>
<tr>
<td>Oil Pollution</td>
<td>12 to 15</td>
</tr>
<tr>
<td>National Insurance (Miscellaneous Provisions)</td>
<td>6</td>
</tr>
<tr>
<td>Sale of Goods</td>
<td>4 to 6</td>
</tr>
<tr>
<td>Productivity</td>
<td>Short</td>
</tr>
<tr>
<td>Films</td>
<td>Fairly short</td>
</tr>
<tr>
<td>Channel Tunnel</td>
<td>50</td>
</tr>
<tr>
<td>Currency and Bank Notes</td>
<td>6 to 10</td>
</tr>
</tbody>
</table>

(ii) Possibly suitable for Second Reading Committee

<table>
<thead>
<tr>
<th>Bill</th>
<th>Length (clauses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilisers and Feedingstuffs</td>
<td>30</td>
</tr>
<tr>
<td>Diplomatic Privileges Amendment</td>
<td>2</td>
</tr>
<tr>
<td>Health Education Council</td>
<td>6</td>
</tr>
<tr>
<td>Registration (Births and Deaths)</td>
<td>25 to 30</td>
</tr>
<tr>
<td>Nurses</td>
<td>10</td>
</tr>
<tr>
<td>Fire Precautions</td>
<td>40</td>
</tr>
<tr>
<td>British Nationality</td>
<td>10</td>
</tr>
<tr>
<td>Criminal Law</td>
<td>10</td>
</tr>
<tr>
<td>Burials</td>
<td>55</td>
</tr>
<tr>
<td>Law of Property</td>
<td>Medium</td>
</tr>
<tr>
<td>Bankruptcy and Winding-up Investment Account</td>
<td>6</td>
</tr>
<tr>
<td>Industrial Copyright</td>
<td>15</td>
</tr>
<tr>
<td>Building Societies</td>
<td>20</td>
</tr>
<tr>
<td>Friendly and Industrial and Provident Societies</td>
<td>22</td>
</tr>
</tbody>
</table>

*If not enacted this Session.*

*Possibly suitable for Private Member.*

Suitability for Second Reading Committee procedure depends on outcome of negotiations.
NOTES ON THE USE OF TIME OBTAINED BY REDUCING THE CHRISTMAS AND WHITSUN RECESS AND BY ADDING AN AUTUMN SPILL-OVER

Christmas Recess

A week off the Christmas recess would result in an adjournment of 24 clear days - probably the shortest, if only marginally, Christmas recess ever. But I do not think that that matters particularly if it conforms to the report due from the Select Committee. The five days which the week would bring could all be taken for legislation subject to Bills being available. For example, they could not be used on Industrial Relations but they could go to such measures as Gas (two days) and Air Corporations (two days).

Whitsun Recess

On the assumption that the House would, as is usual, re-assemble on a Tuesday, a reduction from two weeks adjournment to one would provide a further four days for legislation. Here again, the use of the time would depend on the state of preparedness of Bills. For new Business, other than legislation to be taken on the floor or minor Bills, this term is of little value. Even a Bill of average size started in the Commons and to have its Committee stage upstairs, would have little hope of completing its stages in both Houses in the ten weeks available including the spill-over. Good use however could obviously be made of the time, providing suitable Business is ready, by advancing new Business from term 4 to term 3 and making balancing adjustments between terms. This procedure would not, however, be suitable for major Bills such as Merchant Shipping which clearly should be introduced no later than term 2.

Autumn spill-over

Experience shows that autumn spill-overs are little use for Government legislation in the Commons, excepting for the later stages of comparatively minor legislation or for Lords Amendments. It does, however, enable some of the provision for annual debates to be postponed and for more time to be taken on legislation before the summer adjournment. I mention this to show that sittings in the autumn do not mean that legislation can be left until the very end of the Session. It is perhaps

(8)
worth mentioning that these spill-overs, which occur about every other Session, have mainly arisen because of decisions to meet particular situations by emergency debates: examples of this are Suez, Rhodesia, Economic Situation. If the pattern of summer adjournments and Party Conferences is maintained in 1969 it might be found convenient to limit any autumn term to a fortnight. If so we might find it inconvenient to have organised Business filling the whole term with an opportunity should there be need, for an emergency debate.
1st July, 1968

CABINET

ADMINISTRATIVE STRUCTURE OF THE MEDICAL AND RELATED SERVICES IN ENGLAND AND WALES

Memorandum by the Minister of Health

I am now ready to publish a Green Paper on the Administrative Structure of the Medical and Related Services in England and Wales, the preparation of which I announced in the House on 6th November, 1967. A copy of the text is annexed.

2. The proposals in the Paper for possible changes in the administrative structure are entirely tentative. It is essentially a document for discussion. I have stated in the Foreword that the unusual form of publication, as a Green Paper, emphasises the Government's belief that the question of reorganisation in the health services is one to which the opinions of those interested and involved in the service should contribute, and that no decisions will be taken by the Government until the views expressed on behalf of the authorities concerned and of those providing the medical and related services have been considered.

3. One feature of the present structure that has been constantly criticised, particularly in our own Party, is the absence of any democratic or elected element in the existing hospital authorities. The Green Paper meets this by suggesting (in paragraph 59) that in the context of the Area Board solution a proportion, say 40 per cent, of the membership should comprise members of the local authorities nominated by them. Such an arrangement would in my view effectively meet the criticisms I have mentioned.

4. The draft Green Paper has been discussed by the Ministerial Committee on Social Services and the revised draft annexed meets most of the points which my colleagues raised, in particular the majority view that some saving for the position of local authorities was needed so that the possibility of placing comprehensive health services under local authority management is left open at this stage.

5. I should like to publish the Green Paper as soon as possible to enable consultations to begin. I shall settle the actual date of publication after further consultation with the Lord President of the Council and in the light of the arrangements for publishing the Seebohm Report. I propose to announce the publication by means of a Written Answer.

K.R.

Ministry of Health, S.E.1.
28th June, 1968
DRAFT GREEN PAPER

Administrative Structure of the Medical and Related Services in England and Wales

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The main functions of area authorities

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Public Health

Other Medical and Related Services

Voluntary Services

Social Care

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Internal Organisation

Statutory Framework for Area Boards

Role of the Minister in relation to Area Boards

Dealing with complaints

Staff and Training

Financial Aspects

Logistics

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28th June, 1968.
FOREWORD

The Aims and Nature of the Green Paper

(i) In November 1967 I announced that I was making a careful examination of the administrative structure of the medical and related services for which I am responsible. In this Green Paper I put forward some tentative proposals for England and Wales as a basis for wide public discussion and consultation with representative bodies. The Secretary of State for Scotland is carrying out a separate review of the structure of the National Health Service in Scotland.

(ii) In announcing my review, I commented that it had been wise to avoid making too early adjustments in the structure of the National Health Service which came into operation in 1948. It was a framework well suited to the immediate needs, in particular to the reorganisation of hospital and specialist services. That phase, however, is past. It seems that the organisation of medical and related services, in the community and in the hospitals, has now progressed almost as far as is possible within the present divided administrative structure. The response to my announcement showed widespread recognition that the time has come for that structure as a whole to be radically reconsidered.

(iii) The proposals in this Green Paper for a new administrative structure are entirely tentative. The unusual form of publication, as a Green Paper, emphasises the Government's belief that the question of long term reorganisation in the health services is one to which the opinions of those interested and involved in the future of this great enterprise should contribute. No decisions will therefore be taken by the Government until representatives of the authorities concerned and of those providing the medical and related services have been consulted and proper account has been taken of their views. Thought will also have to be given to other services which are the
concern of other Government Departments but which are closely related to those for which I am responsible at the Ministry of Health. Moreover, any conclusions on the future organisation of health services must take account of the recommendations of the Seebohm Committee on the Local Authority and Allied Personal Social Services and of the Royal Commission on Local Government in England. The Report of the Royal Commission on Medical Education is also relevant.

(iv) The paramount requirement is that all the different kinds of care and treatment that an individual may need at different times, whether separately or in combination, should be readily available to him. This requires the closest collaboration between the doctors, nurses and other workers who give him their help. It also requires close collaboration between those who provide and administer the various services to which all these workers belong. The importance of this collaboration is widely acknowledged and I know of many suggestions - at conferences, and in reports and articles - for the best means of furthering it. The discussions I have had with the Long Term Study Group, whom I invited in July, 1965 to help me with broad surveys of the future, have also helped me to formulate my proposals. As a result of all these things I have decided that the central theme of this Green Paper must be the unified administration of the medical and related services in an area by one authority, in place of the multiplicity of authorities concerned in the present arrangements.

(v) Great advantages would flow from this unification of administration, whatever the precise form of the area authority

Cmnd. 3569. H.M.S.O., April, 1968.
may be. One form which will fall to be considered is that in each area a new type of local authority, such as may be created after the Royal Commission on Local Government has reported, might itself constitute a suitable committee for this purpose. If this were to happen a problem would then arise in relation to financing the integrated services which would need to be considered. Another form to be considered is that special new local boards might be set up, including members of the local authorities nominated by them, but responsible directly to the Minister. In order to illustrate as clearly as possible what these new bodies—called 'Area Boards'—would involve this Green Paper deliberately sets out to give, in Chapter 3, the kind of details on which discussion would be helpful. But let me make it clear that this is simply as a basis for discussion and does not imply that any decisions have been reached as between this form of area authority and another.

(vi) Whatever principles are finally decided upon for the reorganisation of the medical and related services, special consideration will have to be given to their application in Wales taking account among other factors of the stage reached in the evolution of Welsh local authorities.

(vii) I wish also to emphasise that if, after discussion, the decision is to make changes in the administrative structure, and to promote legislation whether on the lines here described or otherwise, the representatives of the staff will be fully consulted before the changes are put into force.
(viii) To sum up, my aim is to reach a clear view, based on full debate, of what administrative structure will best fit these vital national services in England and Wales for the challenges of the 1970s and 1980s. There has been widespread discussion of this subject for several years. This Green Paper is intended to focus the debate as the time for important and far-reaching decisions draws near.
Chapter 1

THE NEED FOR CHANGE

Existing Administrative Structure

1. The promotion of a comprehensive health service was the principal aim of the legislation which established the National Health Service. The pattern of local administration introduced for this purpose has remained virtually unaltered since 1948. Similarly the administration of the welfare services for which the Minister is responsible was settled in 1948. The broad features of the structure may be briefly stated.

Hospitals

2. Hospital authorities are numerous. The higher management, on behalf of the Minister, is in the hands of 14 Regional Hospital Boards in England and a Hospital Board in Wales. Day to day management and control is with 330 Hospital Management Committees. The management of teaching hospitals is separately vested, under the Minister, in 36 Board of Governors, 26 of which are in London. Appointments to Hospital Boards are made by the Minister; Management Committees are appointed by the Regional Boards.

Health Services in the Community

3. Health care in the local community is a divided responsibility. Medical care is for the most part provided by family doctors. These doctors, as well as dentists, opticians and pharmacists, are in contract with Executive Councils. The members of the 134 Councils are appointed by the Minister, by the local health authorities and by the professions.

4. The 175 local health authorities (1) provide general supportive services. These cover medical, dental and other services for mothers and young children in ante-natal, post-natal and child health clinics; domiciliary midwifery; home nursing and health visiting; vaccination and immunisation; home help; the ambulance service; services for the mentally ill and the mentally handicapped including training centres and hostels; family planning; health education; the provision of nursing items; recuperative care; chiropody; and other measures for the prevention of illness, or the care and after-care of those who are ill. Many local authorities have health centres at which by arrangement with Executive Councils and Hospital Boards a range of services are provided. Some services are provided by arrangement with voluntary organisations.

Welfare Services

5. Local authorities provide welfare services under the National Assistance Act, 1948. (1) These consist of residential services for the elderly, infirm and handicapped, temporary accommodation for the homeless and welfare services for the elderly and handicapped. Many of those who need these social services also need the services of doctors, nurses and other health workers, though perhaps only from time to time.
A variety of administrative arrangements exist: in most authorities there is a separate welfare committee and chief welfare officer; in about one third there are joint health and welfare committees, though in some of these the departmental organisation is separate.

Other Services

6. Local authorities have other functions, perhaps less personal but no less important and requiring medical and related professional skills. These functions include food hygiene and the prevention of spread of infectious diseases (mainly functions of County Borough and District Councils) and the registration of nurseries, of nursing homes, and of homes for the disabled, the elderly and the mentally disordered (carried out by County and County Borough Councils). Certain authorities are responsible for health control at seaports and others at airports.

The 'tripartite' structure

7. The three main groups of services - under Executive Councils, hospital authorities and local authorities - are often referred to as the 'tripartite' structure, but this is a simplification. Hospital authorities themselves are of three kinds and their interrelations are complex. The major local authorities are both local health authorities and local welfare authorities, and some important health functions are carried out by other local authorities. There are two systems of finance: the hospital and Executive Council services are financed (apart from receipts from charges) from taxes and the National Health Service contribution; the local authority health and welfare services on the other hand are paid for (again apart from receipts from charges) from rates, though with substantial Exchequer help through the rate support grant. The numbers and size of the main authorities are given below (2).

Footnotes

(1) Local health and welfare authorities are the county councils, county borough councils, the London borough councils, and the Common Council of the City of London. Some 30 borough and district councils also carry out certain personal health and welfare functions by delegation. Borough and district councils also have welfare functions in providing meals and recreation for old people. In London, the ambulance service is a function of the Greater London Council.

(2) See below.
Footnote to paragraph 7

Regional Hospital Boards (and Welsh Hospital Board)

<table>
<thead>
<tr>
<th>Population:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>under 2 million</td>
<td>3</td>
</tr>
<tr>
<td>2-3 million</td>
<td>3</td>
</tr>
<tr>
<td>3-4 million</td>
<td>5</td>
</tr>
<tr>
<td>over 4 million</td>
<td>4</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Board of Governors of Teaching Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Hospital Management Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beds</td>
</tr>
<tr>
<td>1 - 500</td>
</tr>
<tr>
<td>501 - 1,000</td>
</tr>
<tr>
<td>1,001 - 1,500</td>
</tr>
<tr>
<td>1,501 - 2,000</td>
</tr>
<tr>
<td>over 2,000</td>
</tr>
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<td>Population:</td>
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<th>Local Authorities with Welfare Functions under the National Assistance Act</th>
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<td>As for local health authorities.</td>
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*Excludes authorities with delegated functions.*
Footnote to paragraph 7

Regional Hospital Boards (and Welsh Hospital Board)

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Board of Governors of Teaching Hospitals

Hospital Management Committees

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Local Health Authorities

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Local Authorities with Welfare Functions under the National Assistance Act

As for local health authorities.

Executive Councills

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\*Excludes authorities with delegated functions.
Present Performance and Future Challenge

8. Within the framework laid down by the existing legislation, services have been developed and strengthened, and new patterns of care introduced. In the general medical services, group practice has been considerably extended and in many places there is now a confident move towards practice from health centres. Local authorities are steadily developing and improving their health services, though over the country as a whole the published development plans of local authorities show wide variations between different areas in standards of service, both actual and planned. A major achievement of the planning of the hospital service has been to provide specialist care more evenly over the country, with improved facilities and the building up, and better location, of specialist staffs. A very large programme of hospital renewal - one of the largest building programmes in the whole public sector - is now under way, and its results are increasingly evident; by the 1970s annual expenditure on new hospital building should be well above £100 million. This momentum needs to be maintained in all three branches of the services.

9. Within the 'tripartite' structure the authorities seek to co-ordinate the provision of services. Hospitals, with their elaborate and expensive clinical facilities, are most effectively planned and used if full account is taken of the other health and welfare facilities and of the plans for developing them. The value of area planning is increasingly understood. The association of local authority staff with general medical practice is rapidly extending. In some places there are novel schemes requiring close co-operation; for example, area plans are being drawn up for several New Town and similar developments.

10. The increasing efforts devoted to trying to secure proper collaboration, and the obstacles to their success, are both evidence that the administrative structure itself may be inadequate to meet new challenges. Although it has allowed high standards of service to be achieved and maintained locally, the present signs of stress seem likely to grow.

11. The number of separate authorities in the present administrative structure is nearly 700. They vary widely in size, resources, opportunity and scope. Moreover the different types of authority draw on different sources of funds and this delays and complicates attempts to co-ordinate services. There are different relationships between the Ministry, on the one hand, and the local authorities, the Executive Councils and the hospital authorities on the other. The development of the hospitals as a national service has led to an increasing demand by the hospital authorities themselves for guidance from the Department on general principles, but this has often proved difficult to formulate in terms of a divided service. Consultation and co-ordination between separate local administrative bodies, however willing, is bound to be time consuming and the effort may be disproportionate to the return.

12. Nor are the respective roles of Regional Hospital Boards and Hospital Management Committees sufficiently clear. The problems of staffing a national hospital service with over 350 employing authorities are formidable. Also, the interest which Regional Hospital Boards have increasingly taken in the performance of management functions by Hospital Management Committees, though not outside their statutory powers, may go
beyond what was envisaged when the structure was established. Their primary task as originally conceived was planning and co-ordinating development; their intervention in matters of management has grown out of their responsibility for allocating financial resources, but is sometimes unwelcome. Confused responsibilities tend to create unsatisfactory relationships.

13. The next two decades will offer great challenges. The task of achieving good standards of service in all areas must be pressed forward. At the same time the patterns of care must be continuously adapted to advances in medical, nursing and scientific methods. The services throughout the country must be alert to create and exploit new opportunities in treatment and prevention. The large resources of capital and skilled manpower involved need to be organised and managed with high efficiency at all levels. The broad national policies and priorities need to cover the whole field of medical and related services; it would appear that they could be better drawn and better carried out if those locally responsible were themselves dealing with a wide range of services and were not confined to planning for one part of the field only.

14. It is particularly important to employ the men and women in all parts of the service wisely and well, without duplication of tasks and without confusion of function. Staff for highly specialised work must not be wastefully dispersed.

15. All this calls for foresight and planning, as well as day to day management, of a high order. It would seem right that those making plans for the future and those managing the present arrangements should be more closely linked. A highly dispersed administration appears less well fitted to achieve the objectives with the resources available than would be a smaller number of strongly staffed management authorities. Wide areas and considerable population are desirable as the basis for effective and continuing studies of need and for improving the use of resources both in the deployment of staffs and the planning of accommodation and facilities. "Statistical and other sources of information now delineate the community's need in depth and detail never possible before. This sharper perception of problems of planning and of evaluation of medical care services demands a higher efficiency than that of which the existing machinery is capable." *

16. The present administrative structure is not adapted to meeting these exacting requirements. It limits the range of those responsible for planning future progress to their own segment of the service. Again, some of the hospital regions are perhaps too large; the Hospital Management Groups, on the other hand, are more or less limited to day to day work and their catchments seldom coincide with the areas of the local health authorities or the Executive Councils. In evaluating and improving methods of care those professionally responsible may often be ready to cross or even to ignore, as far as they can, the existing administrative boundaries. But this is not enough. The structure ought positively to encourage more integrated services and patterns of care. The present structure inhibits this and is widely regarded within the service as both frustrating and uneconomical. Resources are not used as effectively as they could be, and this is especially true of

staff. In his Annual Report for 1966, a year which he called a 'turning point', the Chief Medical Officer outlined some recent improvements in medical services and their organisation. He wrote:

"The changes we need are beginning to occur on a considerable scale, largely unheralded and as a result of spontaneous local action. But they could proceed much more quickly if we chose our methods and deliberately deployed our resources to this end. Money is needed for this, but more money spent in the old way is not the answer. Manpower is more limiting than lack of money, and efficient use of what we have is essential."

This opinion appears to be widely shared among those working in all quarters of the services. Many are not happy with their present "terms of reference" and would welcome the opportunities which a new administrative structure would offer.

Chapter 2

THE SCOPE OF NEW AUTHORITIES

A Single Authority for Medical and Related Services in each Area

43. In the light of what has been said, it is believed that a new administrative structure is required. The authorities of the future should have wide scope to bring together the related services and plan boldly for new patterns of care. A further aim should be a drastic reduction in the number of administrative units. The new bodies should bear the direct responsibility for using resources, including manpower, efficiently and effectively. They should deal with the needs of fairly large areas and dispose of substantial blocks of resources to meet them. They should combine the management and evaluation of today's work with the planning and preparation of tomorrow's.

44. The central Government must necessarily have an important guiding role; but it should not attempt itself to undertake the tasks of management in the field. Indeed, the Ministry of Health's role should be to formulate and state the broad strategy, to define the goals and to see that resources of all kinds are fairly allotted and common policies and priorities pursued in the interest of the whole community. Without this framework, local administration would lack the necessary direction and purpose. Tactical execution of these strategies would, however, be a local task; and if it is to be done well, the responsibility for administering comprehensive services in each area should lie squarely upon an area authority.

20. It is therefore proposed that there should be a single authority in each area and that these area authorities should replace and undertake the functions of the Executive Councils, Regional Hospital Boards, Boards of Governors and Hospital Management Committees, and, as discussed below, should be responsible for some important functions now in the hands of the present local authorities. This chapter examines the possible scope of such an organisation, and it will, of course, be understood from the Foreword to this Green Paper that references to establishing new area authorities for the medical and related services do not imply what form the new authorities might take; for example, whether they would be the reorganised local authorities operating through suitably constituted committees, or Area Boards as described in Chapter 3.

The Main Functions of Area Authorities

Comprehensive Care

21. The principal object in setting up a new area authority for health services would be to give it comprehensive scope for co-ordinating the policy and operation of a wide range of services; for planning the efficient use of complementary resources; and for striking the right balance between care in the community and hospital care.

Services at present administered by Executive Councils

22. The advantages that would follow the administration of these services by a new comprehensive authority are outlined in paragraphs 33 to 37.

Hospital and Specialist Services

23. The new area authority might appropriately carry out functions similar to those of all the existing hospital authorities, subject to points discussed later in this Green Paper. Thus there would be a single tier of administration for all hospitals in the health service, less remote from the individual hospitals than the present Regional Hospital Boards. The existing division of administrative responsibility for, on the one hand, day to day control and, on the other major planning would come to an end.
The community health services at present provided by the major local authorities need to be considered together with the hospital and general practitioner services. The next six paragraphs discuss arguments in favour of the new area authority undertaking these community health services. There are however links, and a continuing need for close collaboration, between local health services and other local services in particular those concerned with public health, environmental services, and social care which are discussed in later paragraphs. The arguments in favour of a fully unified administration of the health services must therefore be looked at alongside the need for co-ordination over a wider field, and in the light of the recommendations of the Seebohm Committee and of the Royal Commission on Local Government in England. The aim should be to reduce the problem of co-ordination of different services to the smallest practicable dimensions and to arrange that the geographical areas of administration of the health services, if not the same as, coincide as far as possible with any new local government areas.

Taking the main branches of care in turn, firstly, home nursing and health visiting and other health services which the present local health authorities provide for the prevention of illness, care, and after-care require increasingly to be provided alongside and in close association with general medical care by the family doctor. These services, together with the establishment of health centres, could appropriately be the responsibility of the new area authority.

Secondly, the pattern of maternity care is changing and there is an urgent need to organise comprehensive services which take into account the high proportion of hospital confinements and the possibilities of earlier discharge from hospital. The auxiliary midwifery services, with their close connections both with the general practitioner and with the hospital maternity and specialist services, would also naturally fall to be administered by the new area authority.

Thirdly, the report of the Sheldon Committee refers to the continuing need for a preventive service to safeguard the health of children and expresses the view that in the long term this 'Child Health Service' will be part of a family health service provided by family doctors working in groups from purpose-built family health centres. At the same time the Committee has advised that the organisation of the Child Health Service calls for a highly trained medical administrator. If the present local health authority services for mothers and young children became part of a comprehensive service administered by a new area authority, this would provide a good framework for implementing the recommendations of the Committee.

Fourthly, the organisation and management of the health care of the long-term sick, including disabled persons requiring medical and nursing care, and of the elderly and the mentally disordered is at present the responsibility of general practitioners, hospital authorities and local health authorities. In total these patients require the services of a very substantial proportion of the available

*Report of Sub-Committee on Child Welfare Centres
H.M.S.O. 1967 page 35.*
staffs, both in hospitals and in the community. The effective
development of comprehensive services for them requires that all
aspects of their health care should be the responsibility of a
single authority and this would be among the new area authority's
most challenging tasks.

29. Fifthly, programmes of vaccination and immunisation, and the
organisation of family planning clinics and of health education
require to be closely integrated with the services already mentioned
and developed alongside them.

30. Finally, the chief task of the ambulance service is to carry
patients to and from hospital, mainly for pre-arranged routine
journeys. To bring this service under an area authority which
would also be responsible for the planning and management of the
hospitals, might be expected to result in a closer operational
relationship between these services and so secure the most effective
use and disposition of ambulances.

31. When these considerations are taken together there is clearly
a very strong case for the new area authority to take responsibility
for all the health functions of the present local health
authorities. This would enable the personal health services now
given by general practitioners and by doctors working in public
health departments to be improved by integration - a process
already started, but requiring to be developed faster. It would
promote the organisation of effective teams, with supporting staff,
to provide services based upon group practice and upon health
centres.

32. Medical Officers of Health would then be able, as officers of
the area authority, to extend their role as community physicians
specialists in community medicine. Their duties would include the
epidemiological evaluation of the standards of health in each area.
The need for this work is becoming more and more obvious, and it
might best be developed and put to its fullest use if care
in the community and in hospital were provided by a single
authority. The inclusion of responsibilities for the prevention
of communicable disease and for environmental hygiene would
complement and strengthen this side of the authority's work, and
is considered later (in paragraphs 43-48).

General Medical and Dental Practice and the Ophthalmic
and Pharmaceutical Services

33. If new area authorities replaced Executive Councils, they
would be able to enter into contracts with medical and dental
practitioners, pharmacists and opticians for the provision of
general medical, general dental, general ophthalmic and
pharmaceutical services. The setting up of new area authorities
need not of itself involve changes in the terms of contracts or
in the procedure by which they are at present negotiated and
determined. Structural changes of this kind would not have any
bearing on the method and level of remuneration, nor would there
be any question of giving the new authorities power which would
trench upon the contractors' individual clinical independence.

34. A change to a new area authority would not imply a material
change as regards professional committees, representing the
medical and dental practitioners, opticians and pharmacists,
which, reshaped to cover each new area, could be given the same statutory recognition as now and be formally consulted by the new area authorities as they are by the present Executive Councils. Nor need any change be involved in the role of Service Committees which enquire into questions relating to a contractor’s compliance with his terms of service.

35. A change in local administration need not affect the relevant central authorities, such as the National Health Service Tribunal. The Dental Estimates Board could continue to regulate matters relating to the treatment of dental patients and the remuneration of dentists, and the pricing of prescriptions could continue to be carried out by a body corresponding to the present Joint Pricing Committee. No change would be implied in the work of the Medical Practices Committee which could continue to receive information periodically from the new area authorities to enable it to judge the adequacy of medical services in practice areas, and to have regard to this in carrying out its functions in relation to the distribution of doctors.

36. If new comprehensive authorities replaced Executive Councils, more thought could be given than is at present possible to the orderly development of the general medical services in relation to the other services. This would give the family doctor greater scope to play his part within the health services. He would be in contract with the authority responsible for the other community care services and for the hospitals, with both of which he is in daily touch; a formal administrative link would supplement and improve the existing operational liaison. This would make it easier to arrange and carry through arrangements for mutual support. For example, the new area authorities would be able to promote schemes, where these do not yet exist, for the association of health visitors, home nurses and others with general medical practice, and would also be responsible for health centres. This new combination of responsibilities should result in a better balanced service, in which community facilities, including the family doctor service, and the hospitals would be developed with regard for each other’s needs and capacities and would provide for continuity of care. It would be right for the Minister to use his general strategic oversight to guide development towards securing the best balance between all areas and all activities without impairing local responsibility. The new arrangements would also have to ensure that the individual general practitioner would have all the support he needed by way of the provision of facilities for his work, without in any way interfering with his responsibility for his own patients.

37. Another valuable feature of the new arrangements would be that the new authorities would encourage co-operation between their other services and those provided by dentists, opticians and pharmacists. For example, those aspects of dental work which are of special priority — the treatment of expectant and nursing mothers and of children — would require authorities to co-ordinate the general dental services, the hospital dental services and those dental services which are at present provided by local health authorities all of which would appropriately become functions of the area authorities.
Clinical Teaching, Postgraduate Medical Education
Specialised Services and Research

38. No organisation for comprehensive health services would work satisfactorily unless it were closely integrated with provision for clinical teaching, for postgraduate medical education and for specialised services. Research too must be carried out into many aspects of the community, domiciliary and hospital services, bearing in mind that basic medical research is primarily the responsibility of the Universities and the Medical Research Council and that the role of the Ministry and the National Health Service is complementary.

39. Postgraduate medical education has in recent years been promoted by the setting up of a regional organisation to supervise it locally and by the establishment of postgraduate education centres for doctors and other professional staff. Future arrangements for their development will require joint action by the Universities, the professional colleges and the Government and the recommendations of the Royal Commission on Medical Education are at present being considered.

40. Clinical teaching and research are carried out both in hospitals at present managed by Hospital Management Committees under Regional Hospital Boards, and more particularly in hospitals designated by the Minister as "teaching hospitals" and managed by Boards of Governors responsible directly to him. The teaching hospitals form an essential part of the health service by providing both local district services and some forms of specialised treatment over a wider area; by conducting research and development; and by bearing responsibility for training many grades of staff required throughout the service. There are thus very strong reasons for including them within the main pattern of administration, so that their general and specialised resources can be planned to the best advantage and integrated with the rest of the service. These hospitals are of great importance, both regionally and nationally, and stand in a special relation to the Universities. Provided appropriate arrangements were made in respect of this, they would be suitably placed under the responsibility of the new area authority in whose area they are located.

*A further category of "university hospital" is provided for in the Health Services and Public Health Bill.*
In accordance with the new authority's area plans teaching (or university) hospitals would play their part in the provision of medical and related care in their districts, in close association with the community services. At the same time their specialised services would be available to meet requirements for a wide area, in some cases stretching far beyond the immediate area served by the authority. Arrangements would have to be made between authorities and in collaboration with universities to co-ordinate the provision of specialised facilities required over several areas, and to provide authorities with advice on clinical research.

Arrangements would also be needed for postgraduate medical education. These might take the form of a postgraduate education committee with strong representation from the university and the professional colleges, as well as representation from each of the several area authorities concerned, which would be in a position to guide the development of postgraduate medical education and its integration with the needs of the service.

Public Health

Close links between the personal health services and certain aspects of public health work are essential to prevent and control communicable disease. Responsibilities should be clear so that there is continuous and effective surveillance in the community of the incidence of communicable disease, and of the safety and cleanliness of foods; and that suspicious circumstances are promptly investigated, skilful and thorough medical assessments made, and firm measures taken to prevent, limit and control the spread of disease.
The drawing of the precise dividing line between the public health functions of a new area authority and the related functions of local authorities would have to await decisions on the future organisation of local government. Any proposals would then need to be discussed in detail between the various authorities, the professional and other bodies, and the Government Departments concerned.

If the area authorities were felt to be the appropriate means of deploying in a single organisation all the medical and related skills involved in public health activity, the doctors concerned would be well placed to work in close collaboration with general practitioners and hospitals, and also with the Public Health Laboratory Service. They would require supporting staff, who might include public health inspectors, and would need to be able to take any necessary action on behalf of their authority in good time, and have suitable legal powers to do so, including authority to mobilise assistance in dealing with any serious outbreaks.

Environmental Services

It is also important to have proper links between the medical and the environmental services such as water supply, refuse disposal, sewerage, clean air, housing and prevention of nuisances. The appropriate officers of the new area authority might have a specific duty to give advice on the medical aspects to the local authorities and other bodies concerned; and the local authorities and other bodies a corresponding duty to seek it, and to provide any information and assistance required for this purpose. This would make it unnecessary for the authorities responsible for environmental services to employ their own medical staff, and would achieve economy of medical manpower. The responsibilities of the new area authorities, local authorities and others for the exchange of information would of course need to be defined.

If the responsibilities of the new area authorities suggested in the two preceding paragraphs were coupled with responsibilities for community health functions as described in paras. 25-32, the present functions and powers of Medical Officers of Health would be wholly concentrated within the new organisation and they would have the opportunity to develop their important role, and the skills of their staff, in this wider framework.

Port Health

The primary object of a health service at seaports and airports is to prevent the importation of dangerous infectious diseases or unsafe food into the country. Local responsibility for this service could therefore appropriately be placed on the new area authorities. Their officers would undertake inspection of imported food for possible danger to health, and they would also carry out the medical examination of immigrants. In London, and elsewhere if the need arose, a single port health authority might cover the areas of more than one of the new authorities.
Other Medical and Related Services

49. It would be for consideration whether the new authorities should become responsible locally for any other medical and related services, besides those mentioned.

Voluntary Services

50. The new area authorities, like the local authorities today, would make arrangements with voluntary organisations and give them financial and other assistance for the provision and promotion of services within the general scope of the authorities' responsibilities. There would still be ample opportunity for voluntary effort and Leagues of Friends and similar groups could extend their activities to support the full range of the comprehensive services.

Social Care

51. No review of the administrative structure required for medical and related services could be complete which did not take account of the social work services also. It is true that different considerations apply to the provision and organisation of the two groups of services, but it is also true that in varying degrees according to the service concerned they need to be planned and operated in close association with each other.

52. These problems are of crucial importance; it would, however, be premature to seek to resolve them at the present stage. The nature of their solution must turn on the recommendations of the Seebohm Committee and of the Royal Commission on Local Government no less than on the consideration of the proposals made in this Green Paper.
Chapter 3

ASPECTS OF ORGANISATION

AREA BOARDS

Introduction

53. This chapter describes what the arrangements might be if the new area authorities were to be specially constituted Area Boards, responsible directly to the Minister. It is necessary to describe this possibility in some detail so that it may be examined and discussed. As stated in the foreword, however, this does not imply that any conclusion has been reached between this possibility and the establishment in each area of a suitably constituted committee of the new type of local authority that may be established when the recommendations of the Royal Commission on Local Government have been received and considered. In the latter case the arrangements would depend, among other things, on the form of local government itself, although many of the principles embodied in the suggested detail of Area Boards, aimed at securing the integration of the comprehensive services, might still be appropriate - for example those mentioned in paragraph 60. While the general pattern of local authority administration today is well known, there may be changes after the Royal Commission on Local Government has reported and it would not be appropriate to try to anticipate these in detailed discussion in this Green Paper.

Number of Area Boards

54. In discussing the number of specially constituted Area Boards that would be required in England and Wales there are several factors to take into account. Each Board should have full scope for the efficient and imaginative development of comprehensive services. Each must be able to employ the expert skills necessary for their planning and operation. Each should be sufficiently removed from day to day operations to take a wide view of their efficiency and requirements, and to allow the professional staff and officers who manage units of the service to get on with their jobs. An Area should also group together a number of localities each of which should be large enough to provide a reasonable, natural and coherent working frame for the usual range of community health and general practitioner services, and contain its own focus of hospital services at a district general hospital (or several hospitals jointly providing this service for the locality). These considerations suggest that each Board should cover quite a large area and serve a substantial population, and that the total number of Boards should not be large - perhaps about forty or fifty. Keeping the number of authorities fairly small would mean fewer boundaries between them and thus minimise overlapping of services: it would also assist the flow of information, ideas and policies between authorities, and between the authorities and the Ministry.

Footnote

* If these bodies were responsible for health services but no other service they might appropriately be called Area Health Boards. In this Green Paper they are simply called 'Area Boards'.

20.
55. Another important factor affecting both the number of areas, and their shape and size, would be the eventual pattern of areas for local government. There would be advantages in having a broadly similar pattern, and in dividing the country between Area Boards attention would have to be paid not simply to the nature of the health services and the pattern of those services on the ground but also to the boundaries of the new local government areas unless these were clearly unsuited to the needs of the health services.

56. Because of geographical features, population densities and other factors it is likely that the Areas would vary considerably in size. If there were about forty the average population might be near to one million and a quarter though several Areas might have less than three-quarters of a million and a few as many as 2 or 3 million.

Membership

57. The members of Area Boards would have the highly responsible and exacting task of making sound policy decisions to secure the efficient allocation and management of resources, in the light of their knowledge of the needs of the service and of local affairs. Experience of the administration of the existing services has proved the worth of having as members of such authorities persons who are willing to serve in a voluntary capacity and to make these policy decisions. If this were the form of administration for Area Boards, it would mean a considerable reduction in the actual number of persons required to serve, since the present Executive Councils, Hospital Boards, Boards of Governors and Hospital Management Committees would all be replaced by the smaller number of comprehensive authorities. This reduction in numbers, however, would not imply any criticism of the work of the many present voluntary members within their current terms of reference.

58. It is suggested that Area Boards should be small, generally of about fifteen or sixteen members, including the Chairman. This would make for efficient consideration of the important aspects of policy with which members should be concerned. It should also make it easier to establish a clear distinction between the role of board members in directing the service and that of officers in running it. The advantages of maintaining this distinction have been pointed out in the context of local government and are applicable to the administration of the health services. The replacement in each area of several Hospital Management Committees by the single Area Board should, as regards hospital management, make this distinction easier to draw.

59. To allow participation in the administration of locally elected persons with experience of local affairs, it would seem important that local authorities should nominate, from among their own membership, a proportion of the members of the Area Board. Further, in order to bring direct experience of the practical problems of the services and to assist with the task of remodelling patterns of care, some members with broad professional knowledge of medical and related services would also be needed, though it would not be desirable for these to be nominated to represent special interests. With a total membership of sixteen, a possible arrangement for consideration might be for the Minister to choose and appoint the Chairman and nine members, four of whom would be persons qualified in one or other of the professions working in those services, and appoint the remaining six on the nomination of the local authorities, (while in areas...
containing medical schools he might appoint on the nomination of universities one or two additional members). On such a basis members might be appointed to serve for a term of years; those nominated by a local authority, however, being replaced on ceasing to be a member of that authority. In general, it might be desirable to provide for flexibility in the size and composition of the membership of Boards, and room should be left for evolution.

Internal Organisation

60. The Area Board would require a type of internal organisation appropriate to its comprehensive role. It would have to be something much more than a roof beneath which separate parts of the service such as the hospitals on the one hand and community services on the other could lead distinct and largely unco-ordinated lives. It would also need to prevent any tendency for one element in the service to dominate and distort its policies. With this in mind, its first main task would be to weld together the services as a whole in both forward planning and day to day operation. At the outset it would concentrate on securing better co-ordination between the various elements but in time should find that the boundaries between them become less distinct and no longer a barrier to the better use of manpower and other resources.

61. To promote integration there would be a clean break from the present divisions: committees would not for instance be set up to deal with particular services in the area such as 'hospital services' or 'general practitioner services'. Any standing committees appointed by the Area Board should cover all parts of the service. They should be few and should be kept small in the interests of efficiency. A single committee might deal with all the planning and operation of services. This committee would need wider professional participation than would the Board itself. In order to draw on further experience and in particular professional experience, it would be desirable to arrange for the co-option to committees of people not themselves members of the Board. Committees would also be expected to bring in for consultation other professionally qualified persons as necessary when particular professional subjects were to be considered, either by the full committee or by a part of it.
The principle of promoting integration should similarly be applied in the constitution of any advisory body or bodies which might be established in each area, so that they would be able to advise the Area Board as far as possible on the whole range of services.

53. The organisation of the Area Board's headquarters should also be such as would ensure the comprehensive planning and management of services. The desirable form of organisation seems to be a functional one. There might be four or five major departments:

1. Planning and operation of services: maintenance and development of unified services; planning of new capital projects; research and statistics; and liaison with the services of other authorities.

2. Staff: personnel and staffing matters; establishments; training; recruitment; careers; and contracts for service - with special emphasis on securing the optimum use of staff throughout the service.

3. Logistics: supply; construction and maintenance of building and engineering services and equipment; and transport.

4. Finance: estimates; accounts; costing and cost/effectiveness analysis.

5. Secretariat: including headquarters and senior establishment work; management services; and public relations. (Possibly in smaller Areas this could be combined with the Staff Department at (2) above.)

64. The role of the headquarters departments is seen as mainly the planning and general direction of services. Each department would be staffed by administrative and professional officers, all responsible to its directing head, who might in some cases be a professional officer and in some cases an administrative officer. The principal criterion for appointment to directing posts would be management ability.

The Executive and Senior Officers

65. With this form of organisation the senior officers of the Area Board appointed as 'directors' of the four or five functional departments would together make up a small executive. This executive would meet frequently and be collectively responsible to the Board for advising it on its objectives and policies, for organising the services of the Area, for executing the Board's policies and for maintaining the standard of services.

66. The Chief Administrative Officer would have as his principal task the co-ordination of the work of the directors and he would preside at the meetings of the Executive. He would be the Board's principal adviser on all non-professional matters and would also be director of the secretariat department. It would be for consideration whether in some areas he should combine this with the post of head of the Staff department, with suitable administrative support.
67. The Chief Medical Officer, also with access to the Board, would be its principal adviser on all medical professional matters and would be director of the "Planning and operation of services" department. He would be the professional head of all headquarters medical staff of the Board in the sense that a doctor in any of the Board's headquarters departments would be entitled to refer to him any matter of major professional importance.

68. A member of each profession employed in the headquarters departments would be designated as chief officer of that profession, whom the other members of the profession employed in the departments could consult on matters of major professional importance, and who could put a professional view to the Executive or, in appropriate cases, to the Board itself.

Local Administration

69. No two Area Boards would be likely to be faced with identical problems of internal administration. Within broad guidelines, each would need to develop an organisation suited to its circumstances, and be prepared to adjust this from time to time and to distribute functions to its officers as changing conditions required. It would need to lay down clear lines of responsibility so that, for example, responsible officers at outlying hospitals or clinics would have the advice and control of superior officers whenever this was necessary. Supporting functions such as the provision of supplies, laundry, the maintenance of buildings and equipment, transport, the payment and recruitment of staff and financial procedures would be carried out in the most efficient way, on an area, district or unit basis.

70. The staff locally in charge should be given as much personal responsibility as practicable. In particular, officers responsible for hospital services at the level of the major individual hospitals and groups of hospitals providing district general services would continue to carry substantial responsibilities.

71. The new comprehensive Boards would be required to develop arrangements for securing integration of the separate services within each of the several operational districts which each Area would contain. The services in each district incorporating health centres and all other facilities as well as a hospital, or several hospitals, providing district general services, would be the basic bricks in each Board's administrative arrangements. Day to day coordination of these services would fall upon the senior staff working within them: for example, the Chairman of the hospital medical advisory committee or its equivalent, the hospital administrator, the community physician and - though not themselves 'staff' - the general practitioners. To assist them there could be assigned to districts officers with a general responsibility for helping to co-ordinate services and for keeping the headquarters in touch with local developments.

Statutory Framework for Area Boards

Flexibility

72. The main framework of the new administrative structure would be embodied in legislation but it would be very desirable that so far as possible within this framework there should be flexibility and room for new approaches. This opportunity has been lacking in the pattern of administration under the existing law. The legislation...
which would be required to set up specially constituted Area Boards might, subject to the decisions of Parliament, have the following aims.

(a) The Minister would have a general statutory duty to promote the development of comprehensive health services for the people of England and Wales and for that purpose to provide or to secure the provision of services.

(b) The Minister would have a specific statutory duty to provide throughout England and Wales, to such extent as he considers necessary and reasonable, accommodation and services, including hospital and specialist services and community health services. In addition to this requirement to provide services, the Minister would be required to arrange the provision of certain other community services, including general medical, dental, ophthalmic and pharmaceutical services.

(c) For these purposes the Minister would be required to set up Area Boards, to exercise on his behalf functions with respect of the administration, management and control of the services in accordance with regulations and with such directions as might be given by him. It would be a specific statutory duty of the Boards, in accordance with regulations, to make arrangements with medical and dental practitioners, opticians and pharmacists, for the provision of general medical, dental, optical and pharmaceutical services. The responsibilities and powers of Boards and their officers in relation to public health, food hygiene and safety, and environmental hygiene would be provided for.

Role of the Minister in relation to Area Boards

73. The Minister should not intervene in the detailed management of the services by the Area Boards (although he would have powers to do so as a last resort) since this would detract from the Boards' sense of responsibility and would also leave him less free to concentrate on his own central directing tasks. While the Minister would have a general power to give directions on any aspect of the service, it is suggested that as far as possible he should use these powers, not to settle particular matters, but to lay down general principles. Thus he might define from time to time the matters in which Boards would be required to follow standards of good practice formulated centrally, and perhaps specify certain specialised services the development of which would require his specific approval.

74. Securing the co-ordination of services administered by the separate Area Boards would be a part of the Minister's responsibility and he could when appropriate use his powers to take specific action or ensure that it was taken by the Boards. For example, it would be necessary for groups comprising two or three Boards to make joint arrangements for the discharge of certain of their functions and if need be the Minister would
use his powers to bring this about. The Minister would also be able to provide services direct, where these were more appropriately provided on a national basis.

75. The Minister would on many matters probably prefer to proceed by issuing guidance, e.g. on standards, and it would always be open to Boards to seek it. For this relationship to work well there would need to be a full and steady flow of information and ideas between the Boards and the Ministry, covering all aspects of the service, and there should be opportunities for the exchange of professional and other staff.

76. An important example of existing services which would need to be further developed, partly by joint arrangement of several Area Boards and partly by the Minister direct, would be operational research, and such statistical and related information services as were essential for efficient management by the new Boards and for a proper understanding of their activities.

77. If it were decided to set up Area Boards the appropriate administrative arrangements for the Special Hospitals at Broadmoor, Rampton and Moss Side, which are at present administered directly by the Minister, could be reconsidered.

**Dealing with Complaints**

78. If Area Boards were set up they would be expected, as the responsible local managers of the services, to deal promptly with complaints from members of the public about the services provided for them or their relatives. When appropriate, as it might well be in serious cases, they would be able to investigate the complaint formally, as the present hospital authorities do, if necessary setting up an independent enquiry for the purpose.

79. There might nevertheless be cases where the member of the public who made a complaint to an Area Board was dissatisfied with their reply or the action taken, and wished to seek an independent view. Alternative ways of approaching this problem could be considered. For instance, if it had been decided to set up Area Boards with comprehensive responsibilities covering the full range of health services to the patient, consideration might be given to bringing the relevant activities of the Boards within the ambit of the Parliamentary Commissioner for Administration in order that he could enquire into matters referred by Members of Parliament within his own terms of reference.

80. An alternative possibility for consideration is that there should be available a person, not appointed by either the Area Board or the Minister, but perhaps by the Privy Council, who could be asked directly by the complainant to look into the matter locally, and who after due enquiry would report to the Board on whether there was any further action which, in his view, the Board should take. Such an independent person might perhaps on the analogy of the Parliamentary Commissioner for Administration be called a 'Health Commissioner'. Normally the Board would be expected to accept and implement the Health Commissioner's recommendation, but in the event of this not being done the matter might be referred to the Minister who would then have the responsibility for deciding, after considering the Commissioner's report, what action should be taken. The Minister himself would be answerable to Parliament and
arrangements would be needed so that the Commissioner could make known to the public and Parliament cases where his recommendations were not accepted.

81. So that each part of the country was covered by a Health Commissioner familiar with the local circumstances there might need to be more than one. It might be desirable for a national Commissioner to exercise a general oversight of the working of the arrangements and thus to ensure a common standard of practice in the investigation of complaints throughout the country.

82. Many types of personal and individual complaints would be open to investigation by the Health Commissioners. The boundaries of their jurisdiction would however need careful definition. For example they would not intervene in an issue such as an allegation of negligence which could more properly be pursued in the courts, or take up matters between the Board and its employees. The Health Commissioners would not be concerned with clinical matters to a greater degree than an ad hoc board of enquiry set up under existing arrangements by a hospital authority or by the Minister; or than the Service Committees which deal with allegations that a general medical or dental practitioner, optician or pharmacist has failed to comply with his terms of service. The Health Commissioner's relationship, if any, with Service Committees would also need to be considered.

Staff and Training

83. Area Boards would be the employing authorities for all their staff. The importance of staffing and personnel matters would be recognised if, as has been suggested above, a "Staff Department" were to be one of the main functional divisions within the organisation of each Board.
84. Rates of pay and conditions of service would continue to be settled through national machinery. Certain aspects of manpower would also have to be centrally supervised. This is because it is essential to secure on the one hand a balanced development of services over the country as a whole and on the other a satisfactory career structure; these must be among the most important of all objectives in the successful management of a national service. In recent years, for example, the balanced development and career structure of specialist medical staffing in hospitals have been dealt with under special arrangements, and this must continue to be so. Arrangements for postgraduate education have been mentioned in paragraph 42.

85. At national level it is also suggested that it might be desirable for a body to be created to carry out for as wide a range of staff as possible functions similar to those now undertaken by the National Staff Committee for administrative and clerical staffs in the hospital service, and by the National Nursing Staff Committee. Its functions would be to improve methods of planning careers, to assist in organising non-professional training, and to develop selection and appointments procedures.

86. In general, the devising and supervision of training programmes would need to be handled on a wider geographical basis than a single area.

87. Steps would also have to be taken well in advance of making any final change to a new administrative structure to prepare staff for their prospective roles. In particular training for management in a unified service should be an early priority.

88. Before any changes in the administrative structure were implemented, there would be full consultation with all staff concerned, on their effects on the staff themselves, for example on any superannuation questions which might arise. The Government would also consult with the appropriate bodies regarding any consequential changes in the administration of the training of professional staff.

Financial Aspects

89. The services administered by the existing hospital authorities and Executive Councils are financed by the central government and if these were transferred to specially constituted Area Boards responsible to the Minister, this basis of finance would be continued. This would be a straightforward change so far as central government finance is concerned but it would be necessary to consider arrangements for the distribution and management of the Hospital Endowment Fund and Trust Funds held by hospital authorities.

90. If Area Boards were set up, it is assumed that the central government would take responsibility for any services transferred to them from the local authorities and that the assets and liabilities of authorities in respect of services transferred would be transferred to the Minister. There would be important financial issues to be considered in such a transfer. Current expenditure on local authority health services is approximately £40 million a year and is increasing. At present it forms part of the relevant expenditure of local authorities taken into account in determining the level of the Rate Support Grant. If the central government were to assume direct financial responsibility for some or all these
services it would be necessary to take the changed circumstances fully into account in the financial transactions between central and local government.

91. Part of the present revenue expenditure on the local health services is the servicing of loans raised by local authorities to finance capital works. No compensation would be payable for assets transferred but the central government would assume responsibility for outstanding loans and would provide direct finance for further capital development.

92. At present total expenditure on the health services in England and Wales amounts to approximately £1,400 million a year. It is to be expected that if Area Boards were set up the Government would make financial resources available to them in accordance with their range of functions and requirements and in the light of competing claims, as they do at present in the case of the centrally financed health services. The sums required would be the subject of Estimates presented to Parliament and the Votes would be accounted for in the usual way; the Minister would be answerable to Parliament as he is at present in respect of the centrally financed health services. The accounts of Boards would be audited by auditors appointed by the Minister, and the Comptroller and Auditor General would have access to them and report upon them. Since the Area Boards would be administering services on behalf of the Minister, using central funds, the financial transactions of the Boards would be subject to Regulations made by the Minister (for example, as to general financial control and the setting up by Boards of Finance Committees and the responsibilities of these Committees and of Chief Financial Officers).

93. A transfer to Area Boards of responsibility for administering the various services should not of itself have any very appreciable effect on the level of expenditure on health and welfare services taken as a whole. (A temporary increase in central government expenditure would, however, be expected from the change in the method of financing capital works mentioned in paragraph 91).

94. Integration of the services and more efficient use of resources, including staff, should, once the new arrangements had become established, ensure a substantial improvement in the effectiveness with which the finance made available for the services was used. The Minister would have in mind the need to develop services as a balanced and coherent programme, with the community services being given proper scope. Within the limits set by the Minister in such national policies, it would be within the discretion of Area Boards to use the funds allocated to them in accordance with their assessment of local requirements.

Logistics

95. "Logistics" is a term used to indicate a number of the very important activities which would be required to support Area Boards' comprehensive health services. Chief among them would be the provision of buildings, in accordance with the Area's development plans, the supply of equipment and stores, transport and maintenance services. The detailed arrangements for these supporting functions would require careful consideration. As regards the proposals to set up Area Boards the following points should be kept in mind.
To provide and equip new premises for the services administered by the Area Boards and to improve and maintain existing buildings, plant and equipment, three main activities would be required:

(a) to draw up the capital programmes,
(b) to plan, design construct and commission the new buildings,
(c) to maintain what is already in use.

Capital Programming

The starting point for the Board's comprehensive capital programme would be the hospital building programme established under the present arrangements, and the long-term plans of local authorities for the development of health centres and other services. Steps for implementing these programmes would already have been planned for several years ahead - e.g. up to ten years in the case of hospital programmes. Within a nationally determined and carefully balanced overall plan, these programmes would be periodically reviewed and rolled forward by the Area Boards, who would decide on the steps for implementing them, in accordance with the resources made available to them for this purpose. In the case of the largest hospital projects, however, where the sums involved were very substantial in relation to a single Board's resources, decisions on priorities would have to be made centrally, since this would involve choosing between very large schemes in different areas, and affect the balance of the programmes as a whole.

Design, Construction and Maintenance

Area Boards would be building authorities and would themselves plan, contract for and supervise both the maintenance of existing premises and services and the provision of new buildings, subject to any necessary approval by the Ministry and guidance on standards. For some of this work they would probably commission outside firms of consultants. Boards would be as self-sufficient as possible, but in the case of some large projects the capacity of a single Board's office might be too small to provide suitably skilled project teams. The grouping of Boards for building purposes in consortia employing the architectural, engineering and other professional staff concerned, might well therefore be desirable.

Supplies

The existing arrangements for the provision of hospital supplies are in the process of being strengthened by extending the supply functions of Regional Hospital Boards and establishing a new central organisation at the Ministry. The establishment of Area Boards would require adjustments of this machinery and a definition of the respective roles of the Area Board's supply team and the central organisation, so as to secure the most efficient supply arrangements not only for hospitals, but for all the appropriate parts of the service. Collaboration between a number of Areas for certain supply purposes would probably be necessary.

Consideration would be given to placing on Area Boards some of the functions of the Ministry in relation to the provision of artificial limbs and appliances.
Ambulances and Transport

101. The Area Boards would operate ambulance and other transport required in connection with their services. There would be arrangements on a wider basis for the training of staff and perhaps for major vehicle repairs.

Land

102. To the extent that it was decided that services at present provided by local authorities should be administered by Area Boards, it would be necessary for the Boards to take into their use the properties concerned. In respect of this and other property they would exercise all necessary powers on behalf of the Minister, in whom the property would formally vest and who would have any necessary powers of compulsory purchase, as is the case at present with property for the hospital service.

Arrangements in London

103. Special consideration would have to be given to the application of the principles of this Green Paper to the London Area where the services are unique in size and complexity and where the local government pattern is set for the foreseeable future. Care must be taken to provide a structure that will assist the integration of all parts of the service, continue the development of a rational deployment of hospital services (including provision for clinical teaching and research) and allow the smooth progress of the community services for which the London Boroughs are now responsible. On the basis, discussed in paragraphs 21 to 32, that area authorities should have responsibility for comprehensive health services both in hospitals and the community, and if these were to be Area Boards, there would appear to be at least two broad alternatives that merit consideration:

(a) To establish five Boards to cover the whole of Greater London, each Board including the area of two or more Inner London Boroughs and of several outer London Boroughs. Populations would be about 1½-1½ million. This kind of arrangement would accord generally with the recommendations of the Royal Commission on Medical Education.

(b) To establish two Area Boards for the Inner London Boroughs, and four Area Boards for the rest. Populations would be about 1-1½ million.

104. On any arrangements, provision would need to be made for close collaboration between Boards within the Metropolitan area, and also with Boards in the adjacent home counties e.g. for ambulance services.
CABINET

SUPPLEMENTARY STATEMENT ON DEFENCE POLICY 1968

Note by the Secretary of State for Defence

I circulate herewith for the approval of my colleagues the draft supplementary statement of Defence Policy 1968, revised in the light of the conclusions of the Defence and Oversea Policy Committee on 28th June, 1968.

D. W. H.

Ministry of Defence, S.W.1.

2nd July, 1968
In its Statement on Public Expenditure (Cmd 3515) on 16th January, 1968, the Government made it clear that "it is not only in our own interests but in those of our friends and allies for this country to strengthen its economic base quickly and decisively. There is no military strength, whether for Britain or for our alliances, except on the basis of economic strength; and it is on this basis that we can best ensure the security of this country. We therefore intend to make to the alliances of which we are members a contribution related to our economic capability whilst recognising that our security lies fundamentally in Europe and must be based on the North Atlantic Alliance."

2. It therefore decided that, apart from those needed to meet certain residual obligations to dependent territories, particularly Hong Kong, Britain's defence forces should by the end of 1971 be concentrated in and on Europe. The total number of men now in the forces would consequently be reduced by some 20%, and substantial savings would be made in defence spending. In spite of the growing cost of modern weapons-systems, defence expenditure in 1969/70 would be cut below the already reduced level planned for 1968/69. By 1972/73 the effects of our withdrawal and the rundown would enable the defence budget to be cut by a further £210-260m.

3. The 1969/70 target is £2254m, which is the equivalent, at 1968 prices, of the £2140m shown in the table appended to Cmd 3515 (which was expressed in 1967 prices); ...
prices); it thus reflects the £110M cut announced in para 24 of that paper. The current forecast for 1972/73 is £2014M at 1968 prices which, allowing again for pay and price changes, is within the range of defence budget targets set in Cmd 3515. Similarly, our forecasts for the period between 1969/70 and 1972/73 are inside the limits laid down in January. The Government is confident that it will keep within these forecasts.

4. Since publishing the Statement on the Defence Estimates 1968 (Cmd 3540) the Government has concentrated on four major areas of defence policy affected by its decisions of 16th January, 1968, with the following results:

a. It has prepared plans for withdrawing British forces from their bases in the Persian Gulf and South East Asia by the end of 1971 and has consulted the Governments in the areas concerned about means of developing a new basis for peace and stability after British forces have left.

b. It has decided what initial improvements it can offer in Britain's contribution to NATO as a result.

c. It is producing a more detailed programme for reshaping the organisation and equipment of the forces up to 1972/73 so as to meet the targets for financial and manpower reductions announced on 16th January, 1968.

d. It has made progress in defining the character of our forces in the European area when the withdrawal and rundown are complete.
5. On 1st April, 1968, the total of those working in or for the forces in Malaysia, Singapore and Brunei, including ships' companies on sea service in the Far East Fleet, numbered 73,000. It included about 31,000 UK Service men, 8,000 Gurkhas, 5,000 locally enlisted service personnel, over 1,000 UK based civilians and 28,000 locally engaged civilians. The size of these forces is a measure of the task which confronts us in bringing back our own personnel to Britain and of the problems that will consequently confront the local governments.

6. We have prepared an outline plan for the phased rundown and withdrawal of these personnel and for the release of our local base establishments and facilities, and have begun to implement its first stages; as already announced, the Brigade of Gurkhas will be run down to 6,000 by the end of 1971. In planning the rundown, we have sought to make immediate savings of expenditure while ensuring that our forces in the area remain able to meet their commitments. We have also sought to minimise the social, family and personal difficulties that inevitably accompany so large a redeployment, to allow time for Malaysia and Singapore to adjust their economies, and to permit the evolution of a new pattern for security in the area.

7. We have agreed with the local trade unions on the arrangements which will apply to local civilians who are made redundant as a result of our withdrawal.

8. We have announced an offer of aid to Malaysia and Singapore to help in offsetting the effects of our withdrawal and have undertaken to hand over, free of charge, those Service lands and fixed assets which the two governments wish to use for economic or defence purposes. We hope by this means .....
means to make a substantial contribution to plans for the economic development and defence of Malaysia and Singapore. The value of the installations to be handed over, and of the equipment to be transferred with them, will be reported to Parliament at the appropriate time.

9. One of the most important assets to be transferred is the Singapore naval dockyard, which will be handed over to the Singapore Government towards the end of this year to be converted for commercial ship repairing. Messrs Swan Hunter have been appointed managing agents for the company which is being formed by the Singapore Government to run the dockyard after transfer.

10. The dockyard buildings and installed dockyard equipment will be handed over to the Singapore Government free of charge. These facilities, which cover an area of some 130 acres, will include the large King George VI graving dock, five floating docks, berths, cranes, and numerous workshops. Machine tools and other equipment needed for the continued operation of the dockyard will also be transferred. We are discussing with the Singapore Government and the managing agents precisely what will be required. The net book value of assets transferred is expected to be approximately £3.5M.

11. When the transfer takes place, the labour force of locally engaged civilians now employed in the dockyard will be available for re-employment by the new Company. It is expected that over 3,500 workers will be offered jobs. Some naval officers and United Kingdom civilians now occupying management and supervisory posts in the dockyard will be invited to serve in the new company on secondment during its initial stages. The dockyard will continue for some years to undertake repair work for the Royal Navy, thus easing the transition to commercial work.

12. Firm foundations for new defence arrangements were laid
by the Five Power Conference held in Kuala Lumpur on 10th and
11th June, 1968 at the invitation of the Prime Minister of
Malaysia. In particular, Malaysia and Singapore declared that
they regarded the defence of their two countries as indivisible,
that they would work together, and that they would do their
utmost for their own defence while welcoming co-operation
and assistance from the other three Commonwealth countries.
The communique that was issued after the conference is printed
as Annex A to this Statement.

13. In view of the distance between Hong Kong and the United
Kingdom, our withdrawal from Singapore and Malaysia will
require certain increases to the forces in Hong Kong, and
some support facilities previously provided in Malaysia and
Singapore will have now to be located in the Colony itself.

14. We have explained the implications of our withdrawal to
our SEATO allies and have informed them of the changes we are
making in our force contributions to SEATO’s contingency plans
during our withdrawal. When we have completed the withdrawal,
we shall not declare forces to these contingency plans,
although we shall remain members of the Organisation.
III

THE PERSIAN GULF

15. The withdrawal of our forces from the Persian Gulf will mean bringing back by the end of 1971 some 6,000 men, the majority of whom are on unaccompanied tours of duty. They are at present concentrated in two main areas. At Bahrein, apart from the various headquarters, there are the Royal Naval base, about half the army forces, the main communications centre, and the RAF's ground-attack, fighter reconnaissance and transport aircraft. The aircraft are based at Muharraq, which is also an important civil airport. At Sharjah the tactical transport and maritime aircraft are located on the airfield and the rest of the army forces are stationed nearby.

16. In parallel with the withdrawal of our forces, we wish to see a steady evolution in the local arrangements for defence and co-operation. We have already come to an agreement with the State of Kuwait for the future termination of the 1961 Agreement, which imposes a specific defence commitment on us. We still have special treaty relationships not only with Bahrein and Sharjah, where our forces are based, but also with all the Trucial States and Qatar, under which we are responsible for their external defence and for the conduct of their foreign policy. These States appreciate the importance of using the intervening period to work out arrangements whereby they can emerge successfully into unqualified independence in close co-operation with one another and with the support of their larger neighbours. We welcome the initial negotiations that have already taken place between them. When the outcome of their negotiations is clearer, discussions about the disposal of our installations will be opened with the Persian Gulf States.
17. Our decision to withdraw British forces from South East Persian Asia and the Gulf by the end of 1971 and to concentrate our defence effort in Europe has made it possible for Britain to offer immediate increases in the availability of some of her forces to NATO. In deciding what additional forces should be offered and how we propose to deploy them, we must take account of the views of our allies and of the way in which NATO is now revising its strategic thinking, partly in response to our arguments.

Mutual force reductions

18. At their meeting in May of this year the NATO Defence Ministers agreed that the overall capability of NATO should not be further reduced except as part of a pattern of mutual force reductions balanced in scope and timing. NATO Ministers have approved the report of the Special Group which, among other things, laid down certain basic principles to guide the Alliance in studying the possibility of balanced East/West force reductions as part of a longer term process to improve relations and reduce tension. Such measures of arms control, if they could be introduced without loss of security, would create a better climate in which to approach Europe's major political problems and would release resources for more productive economic ends.

19. Several types of possible force reduction agreements are under intensive study within NATO, and such factors as the nationality and type of forces, the geographical areas and the degree of verification which would be appropriate in various situations are all being examined. At their recent meeting in Reykjavik, the NATO Foreign Ministers called on the Soviet Union and other East European countries to join with NATO in trying to secure progress in this field.

/Britain ...
Britain attaches the greatest importance to the efforts which the Alliance is making to extend the détente. Neither Britain nor the Alliance can, however, advance very far in this direction alone. Moreover, careful preparation is needed to ensure that any measures which are eventually agreed do not reduce the security of the Alliance as a whole. The pursuit of détente and the maintenance of a credible Western deterrent are not contradictory but complementary. NATO must both keep sufficient military strength to sustain the confidence on which progress towards a détente depends and must develop a strategy which is not only appropriate to the world in 1968 but can also be adapted to meet future possible forms of mutual arms reduction without loss of security to the Alliance.

NATO's conventional capability

20. NATO defence planning must pay special attention to possible situations below the level which would provoke a strategic nuclear response. With active encouragement from Britain, the Alliance has recently been concentrating on such situations. As reported in Chapter I of the Statement on the Defence Estimates, 1968 (Cmd 3540), NATO strategy now places a greater emphasis on maximizing the conventional capability of such forces as the allied Governments are willing to provide. That is why last year NATO decided to plan to use earlier in a conventional role combat aircraft which have a dual capability but have hitherto been reserved for nuclear operations.

Anti-ballistic Missiles

21. NATO now recognizes that, while it must keep developments in the anti-ballistic missile under constant review, there is at present no case for establishing an anti-ballistic missile system in Western Europe. No system now conceivable could prevent unacceptable damage by nuclear missiles ....
missiles in Western Europe, particularly since an attack would be accompanied by heavy bombing from manned aircraft. The cost of developing any anti-ballistic missile system would be much greater than the expense to which the Soviet Union would be put in improving its offensive capability sufficiently to neutralise it. The problems of organising the collective command and control of a nuclear anti-ballistic missile system would, since it must be used within seconds of an impending attack, be extremely formidable.

**The Solidarity of the Alliance**

22. Provided the present range of military forces available to the Alliance as a whole is kept effective, it should be sufficient to deter an attack at any level by a rational enemy. The will and solidarity of the Alliance are, therefore, the key to its security. In Central Europe, this solidarity is guaranteed by the fact that forces of many allied countries are serving side by side under one Commander. On the flanks, the best safeguard of NATO's political solidarity is its ability rapidly to move in a multi-national force to assist the local powers in resisting attack. For this purpose the Alliance must maintain substantial naval, air and land forces, which can be quickly deployed on the flanks in case of need. Here the Allied Command Europe Mobile Force and the Standing Naval Force Atlantic have a special role. As a consequence of the recent increase in Soviet activity at sea, NATO is attaching more importance to maritime reconnaissance in the Mediterranean.

**Britain's Military Contribution to NATO**

23. The importance of the change in defence policy which the Government decided in January 1968 will be reflected in an increase in Britain's military support for NATO.

Hitherto, our allies in NATO have acknowledged the contribution to world peace and stability, which our forces outside ....
outside Europe have made and they have judged our contribution to NATO accordingly. But, as we withdraw our forces from their stations overseas and concentrate them in Europe, we shall need to make a larger contribution to the Alliance. 24. As already announced, we have decided to keep a small naval force in the Mediterranean. We have also decided to earmark/assignment to NATO the whole of 3 Division (consisting of 3 brigades), 16 Parachute Brigade (less one battalion) and 22 Special Air Service regiment. All these are now based in the United Kingdom as part of the new Army Strategic Command. The ground-attack squadrons and short-range transport aircraft of No. 38 Group RAF will be similarly earmarked. Together with 3 Division and the parachute force, they will form a mobile task force. Two Royal Navy commando ships with their embarked Royal Marine Commandos and two assault ships with other Commandos will also be committed. A commando ship and a Royal Marine Commando will take part in NATO exercises in the Mediterranean next year. We are earmarking an Armoured Reconnaissance Squadron now requested by SACEUR to form part of the land element of the Allied Command Europe Mobile Force, and are taking steps to improve both the short-range and the strategic air mobility of this force. Air lift for the Army units mentioned will be provided by transport aircraft of Air Support Command. These additional contributions, which will lead to a closer association of our land, sea and air forces with the rest of NATO have been welcomed by our allies.

25. Nearly all these improvements in our contribution to NATO take effect immediately. Under standard NATO procedure, countries commit forces firmly to NATO for only one year ahead but indicate their plans for the subsequent four years. We are therefore informing NATO also that, compared with the forward plans which we submitted last year, and in addition
to the changes already announced, we can now offer the following further contributions:

a. from 1969, a squadron of Shackleton long range maritime reconnaissance aircraft, later to be re-equipped with Nimrods, will be transferred to Malta from the UK.

b. from 1970, a guided missile destroyer will be added to the frigate force in the Mediterranean, and for part of that year one commando ship with a UK based Royal Marine Commando Group embarked will also be stationed there;

c. from 1970, the UK-based Rapier air defence units of the Royal Air Force, and from 1971, the Phantom aircraft, which under previous plans would have been sent to the Persian Gulf and Far East, will be committed to NATO.

Moreover, we shall be confirming to NATO that all Buccaneer Mark 2 and Phantom aircraft that enter service with the Royal Air Force over the period 1969 to 1972 will be committed to the Alliance.
COMBAT FORCES

26. The Statement on the Defence Estimates 1968 (Command 3540), Chapter IV gave details of the planned combat forces of the three Services. The following paragraphs record progress and decisions taken in the last few months.

Nuclear Strategic Forces

27. HMS RESOLUTION has successfully concluded the test firing of Polaris missiles off Cape Kennedy and is now fully operational.

European Theatre Ground Forces

28. The move of one brigade to the United Kingdom has now been completed. The brigade will take part in a NATO exercise this Autumn in order to demonstrate its ability to redeploy quickly.

Royal Navy General Purpose Combat Forces

29. Aircraft Carriers. The refit of HMS ARK ROYAL is in hand. The first Fleet Air Arm PHANTOMs have been delivered.

Cruisers. HMS BLAKE, the first of the TIGER Class cruisers to be converted for the operation of large helicopters as a lead in to the new class of cruisers, will be commissioned for service in her new role at the end of this financial year.

30. Frigates and Destroyers. The older frigates and destroyers are now being phased out earlier; and there have been reductions in the planned rate of new construction. Meanwhile, orders for two more of the LEANDER class, which will be the last, have been placed. A new ship is being designed commercially which will incorporate the latest developments in frigate construction, including all gas turbine propulsion and operate with a much smaller complement than the LEANDER class. This ship will be ordered as soon as its design has been satisfactorily completed, and it will lead into the new class of frigates announced in the Supplementary Statement on Defence Policy 1967 (Cmnd 3357).
to follow the LEANDER class.

34. An order for the first of the new class of destroyers equipped with the SEA DART guided missile will also be placed as soon as the design is ready. These ships will carry a modified version of the system, which will go to sea first in HMS BRISTOL, now under construction. The other main weapon system in HMS BRISTOL, the IKARA quick reaction long-range anti-submarine weapon, will also be fitted in a number of the existing LEANDER class frigates to give them a greatly improved anti-submarine capability.

32. Submarines. Seven of the nuclear-powered Fleet submarines will be in service by the time that the carriers phase out in 1972. The reduction in the rate of submarine building announced in January means that the eighth submarine will now not be ordered before the end of the year.

Army General Purpose Combat Forces

33. The reduction of 17 major units announced in July 1967 will be completed by April 1970. By accelerating the cuts in our commitments, we shall make further reductions of 9 major units (or their equivalent) by September 1972: details of these further reductions are given in Annex B to this Statement. During this period it might prove necessary to reduce by a further major unit or the equivalent.

34. By the end of this period, the Army will be concentrating mainly on its primary role of defending the central region of Allied Command Europe. However, the units of Army Strategic Command will be available for other tasks such as additional support for Allied Command Europe, provision of a small, balanced force to take part in United Nations' peace-keeping operations, internal security in dependent territories, and assistance to allies in land operations outside the NATO area, when the Government so decides. ...
decides.

35. We shall continue to maintain a highly professional and highly trained Army. By the early 1970s it will have much new equipment. For example, it should be making extensive use of the SA-340 light helicopter; its light air-defence capability will be greatly improved by the introduction of the low-level surface-to-air missile RAPIER; a new light gun will be introduced into service; the CHIEFTAIN re-equipment programme will be completed; a new mortar-locating radar, CYMELINE, will be in service, and major advances are planned in night fighting equipment.

Royal Air Force General Purpose Combat Forces

36. Following the withdrawal of forces from the Persian Gulf and South East Asia, all RAF aircraft, except for a small force in Hong Kong, will be based in the European and Mediterranean areas. Tactical strike/reconnaissance, close support and air defence squadrons will be able to play a greater part in ensuring air superiority for the NATO forces. The newer aircraft - Buccaneers, Phantoms, Nimrods and Jaguars - will be equipped with the same dual capability as the existing V-Bombers, Canberras and Shackletons.

37. Steps are being taken to reduce the gap in our strike/reconnaissance capability following the cancellation of the F.111 and France's withdrawal from the Anglo/French project for a variable geometry aircraft. As an interim measure, we have decided to purchase a further 26 Buccaneers. This will enable us both to continue allocating this type of aircraft to SACLANT and to maintain our tactical strike/reconnaissance contribution to SACEUR, when the Canberras are phased out from Germany.

/38. ...
38. Studies are continuing in the Ministry of Defence and in industry to determine the performance characteristics needed in an advanced combat aircraft for service in the middle 1970s. We are discussing the operational requirement with Belgium, Canada, West Germany, Italy and the Netherlands in order to assess the possibilities of a collaborative project. All of these are NATO countries which need a new aircraft in the same timescale.

Air Mobility Forces

39. The strategic transport force will continue to be employed for routine movements, training overseas, and emergency reinforcements until completion of the withdrawals from the Far East and Persian Gulf, for which it will be needed in full. The size of the transport force can then be reduced by withdrawing the Argosies five years earlier than had been planned i.e., by the end of 1971. Thereafter, the principal roles of air mobility forces will be to move United Kingdom-based forces and reserves to Germany or to the flanks of NATO in an emergency, to support the overseas training of our forces, to provide logistic support for United Nations peace-keeping operations and to deploy forces overseas as, in MM's judgment, circumstances require.
VI
RESEARCH AND DEVELOPMENT

49. The Government carried out a comprehensive review of the research and development programme last year and announced last July (Cmnd 3357) that it expected to achieve a cut of about £30m. in the previously planned expenditure in 1970/71. It now expects to make a slightly larger reduction.

41. The number of staff employed on defence work in the research and development establishments of the Ministry of Technology and the Ministry of Defence will by 1970/71 be reduced by about 1,100 including about 300 qualified staff, compared with the numbers previously planned for that year; compared with the current numbers, the reductions will amount to about 600 and 200 respectively. Most of the savings will be achieved by cuts in the overall staff at the establishments. Some of those released will be transferred to work on the industrial applications of defence research and development.

42. There have been no changes in the major projects in the programme for 1968/69 as set out in Chapter VI of the Statement on the Defence Estimates, 1968 (Cmnd. 3540). It is too soon to forecast the trend of research and development after 1970/71, but the shift in emphasis in our defence policy towards Europe offers new opportunities for collaborating on major items of defence equipment and for rationalising our research and development effort.
VII

RESHAPING THE ORGANISATION AND SUPPORT OF THE FORCES

Logistic planning to implement the Government's decisions of last January has necessarily been concentrated in the first place on the withdrawal of our forces from South East Asia and the Persian Gulf. But we are at the same time beginning to reduce support facilities in the UK to fit the new strategy and the contraction of our forces. These are the first steps towards a radical longer term reduction and re-organisation of the UK base.

Withdrawal from Overseas

We do not expect that the withdrawals will create any major difficulties of transport or accommodation. The plans for acquiring houses and renovating barracks described in the Statement on the Defence Estimates 1968 (Cmd. 3540) are expected to meet our needs.

Reductions in Support in the UK

The UK base consists of a huge complex of large and small establishments and installations, built up by the Services over the years to meet their different needs, the changing requirements of strategy and developments in organisation. They comprise great capital assets; major changes, which must take account of military requirements, the best use of existing accommodation, the supply of local labour and the demands of regional planning, can only be made sensibly over a long period. The problems of long term re-organisation are aggravated by short term tasks created by our withdrawal from overseas, which involves the return of considerable stocks of equipment to the UK.

In spite of the extra commitments imposed by our withdrawal, all three Services will make some early economies. These are set out in the following paragraphs.

/The Royal Navy
The Royal Navy

Small naval depots at Dover, Harwich and Dalmuir will be closed this year, and two Hydrographic establishments will be combined. The phased closure of a research establishment at Harlow has begun and will be completed next year.

The Army

The work of reshaping the training organisation has begun. The two Schools of Artillery at Larkhill, and Manorbier are, for example, to be concentrated at Larkhill; the REME Apprentice Colleges at Arborfield and Carlisle are to be amalgamated and two RCT training regiments will be merged together. The Royal Engineers Support Group is reducing its stocks and closing a storage depot. The REME repair organisation in the UK is being trimmed by the reduction and amalgamation of repair workshops. The number of explosive storage depots is being cut by the reduction and redeployment of stocks. The RAOC support system is being re-organised; in future, units will rely more on direct issues from central holding points. The change will start to take effect later this year. The Army hopes by these and other measures to save about 1500 posts in the current year.

The Royal Air Force

The Royal Air Force has announced a major plan to reorganise its equipment supply depots. As a result No. 25 Maintenance Unit, Hartlebury will be closed, and accommodation stores for the three Services will be concentrated at No. 7 Maintenance Unit, Quedgeley. The saving in personnel costs alone will be rather more than £1M a year.
50. The Services have already set work in hand on other major and longer term changes. In some cases broad decisions have been taken; in other cases major investigations have begun.

The Royal Navy

51. The Royal Navy has already started a comprehensive investigation into the support which will be required for the future Fleet, including the naval dockyards, stores and armament depots and the naval air stations. It expects to close down about half of present naval air stations when fixed-wing flying ceases. The rationalisation of support arrangements for the Fleet Air Arm should produce further savings.

The Army

52. The reshaping of the training organisation will continue. In particular the number of infantry depots will be reduced. The system for the supply and maintenance of the Army's stores and equipment will also be further streamlined.

The Royal Air Force

53. A major study of the future requirements for deployment of the operational units in this country and of the training and support organisations is in hand. It is already clear that some 20 RAF stations of all kinds can be closed by the mid-1970s, although we cannot say at present which these will be.

Re-organisation of the Ministry of Defence

54. At the same time that we are planning a smaller UK base we are re-organising and cutting down the size of the Ministry of Defence. Here again, in the shorter term the withdrawals from South East Asia and the Persian Gulf and the re-organisations and changes in the UK base must make extra work. Nevertheless, we aim to make substantial

55. The changes in the higher organisation of the Ministry announced the Statement on the Defence Estimates, 1968 (Cmd. 3540) are well under way. The new staff organisation under the Chiefs of Staff is working well. On 1st April two functional Second Permanent Under-Secretaries of State replaced the three former single Service Second Permanent Under-Secretaries of State. New unified Finance and Civilian Management organisations have been established. A revised Defence Vote structure is being prepared for introduction by 1st April, 1970. Plans to set up unified Accounts and Contracts organisations are being worked out.
VIII
PERSONNEL

56. The January, 1968 decisions impose three major tasks on the Government in respect of the future manning of the Services. Sufficient men of the right quality must be recruited, if the Services are to be able to discharge their newly defined tasks in the 1970s. When reductions are carried out full account must be taken not only of the efficiency of the Services but also of the welfare of the individuals concerned; at the same time, skilled and semi-skilled men must be released for commerce and industry as fast as possible. Great attention must be paid to resettlement, so that the men so released can be employed most effectively.

Recruitment

57. After the rundown has been completed, the Services will offer secure and absorbing careers in work which is essential to the security of the country. Because they will be smaller, an even higher standard of efficiency will be required. This will demand good equipment, a continuous supply of officers and men of the highest quality, and the most modern management techniques at all levels. Thus the Services will be able to offer great opportunities to fit, able and adventurous young men in a wide variety of highly technical trades, operational skills and administrative functions. In order to maintain forces of the right age structure and experience, we shall still need about 35,000 recruits every year, a substantially higher rate of recruiting than we are achieving at present.

58. The Services are passing through a period of radical change. Even now, they are modern in outlook and efficient in operation. They are among the leaders of the country in technological development, methods of administration, and...
logistic organisation. The challenge which now faces them means that they must maintain and improve their position in the lead.

Rundown

59. The rundown to the new force levels announced in the Statement on Defence Policy 1967 (Cmd 3357) Supplementary is already well under way. Between April 1967 and April 1968, the strengths of United Kingdom uniformed officers and other ranks were reduced by the following:

- Royal Navy: 1930
- Army: 6852
- Royal Air Force: 3767

We expect that the overall uniformed strength of the three Services, compared with the levels in April 1967, will fall during the financial year 1973/1974 by rather more than 75,000 officers and men and that there will have been an additional reduction of 20,000 Gurkhas and locally-enlisted personnel. This will represent a reduction of about one quarter since the start of the Defence Review in 1965.

60. So far as possible, this reduction will be achieved by means of the normal outflow of men from the Services, and by some adjustment of recruitment and re-engagement in certain categories. Redundancy will be kept to the minimum. We shall take into account the need to preserve a balanced age, rank and trade structure, and to safeguard the career prospects of those now entering the Services.

61. The redundancy programme has now been in operation for over a year. Up to April 1968, about 1,000 officers and men left the Army and Royal Air Force under this scheme, in normal outflow of some addition to the 44,000 officers and men. In 1968/69, a further 4,000 officers and other ranks will be discharged from the Army and Royal Air Force with redundancy terms. The great majority of those so far made redundant have been volunteers. No-one will become redundant in the Royal Navy until .....
until the rundown of the carrier force begins to take effect.

Resettlement

62. It is in the national interest that the knowledge and ability of those leaving the Services should be used to the best advantage in civilian life. The Government recognises that servicemen should be helped to find scope for their skill and experience in a new career. We are, therefore, taking vigorous measures to expand and improve the Forces Resettlement Service. This involves the Ministry of Defence, the Department of Employment and Productivity, and various voluntary bodies, who together provide a comprehensive advisory, training and employment-finding service. In addition, the Secretary of State for Employment and Productivity will invite an eminent industrialist to act as Adviser on Forces Resettlement. He will keep under review the existing resettlement arrangements, suggest possible improvements, and enlist the co-operation of civilian employers and organisations in placing Servicemen in suitable employment. He will be assisted by the committee of officials described in the Statement on the Defence Estimates, 1968 (Cmd 3540), Chapter X.

Reserves

63. In April, 1967, the Army Emergency Reserve and the Territorial Army were reorganised into the Territorial and Army Volunteer Reserve. Category III of this Reserve was given a home defence role. On 16th January, 1968, it was announced that home defence would be put on a care and maintenance basis and that this would mean the disbandment of T & AVR III. There is, however, a continuing need for efficient volunteer reserve forces to support the Regular Army. The units for this purpose are at present in Categories I and II of the T & AVR, which are providing the country with more effective reserve forces than any since the end of
National Service. The Government intends to maintain this force at a size, level of training and standard of equipment appropriate to its role. The T & AVR is, however, only one section of the Army's Reserves which have now to be reviewed in the light of the decisions on the size, shape and commitments of the regular forces as outlined in this Statement. About 170,000 National Servicemen still have a liability for recall under the National Service Acts, but this legislation comes to an end on 30th June, 1969. The Government does not wish to renew this legislation if other means can be found of providing the specialists who are at present not available from any other source. A review is therefore being carried out to determine what changes might profitably be made in the training and other commitments of T & AVR I and II, and in the organisation of other sections of the Reserves in order to meet the new situation. This review will take a few months. While it is going on, T & AVR III units will remain in being on the present basis against the possibility that some modest expansion of the facilities and manpower for T & AVR I and II may be desirable and can be afforded. It is hoped to make a further announcement later in the year.

Civilian Manpower

64. In the Supplementary Statement on Defence Policy, 1967 (Cmd 3357), we said that by the mid-1970's there would be a reduction in civilian manpower of some 80,000. The Statement of Public Expenditure (Cmd 3515) made it clear that the reduction would be accelerated and that the aim would be to increase the forecast reduction of 80,000 civilians and to achieve this considerably earlier than previously planned. Both these aims will be fulfilled, and we expect the target figure to be reached in 1973-1974 and subsequently to be exceeded as the United Kingdom base is reorganised to meet the requirements of our forces based in and on Europe.
The Royal Defence College

65. In the Statement on the Defence Estimates 1968, (Cmd 3540) Chapter III, paragraph 9, we stated that recent economic developments and changes in the structure of the forces required a reconsideration of some aspects of the proposals previously announced for the Royal Defence College. We still intend that all the Service colleges should be federated into a single Royal Defence Academy which will exercise a central academic and administrative control. But we have concluded that the cost of setting up a Royal Defence College as a single establishment at Shrivenham to educate regular officers of the non-technical arms up to degree standard cannot be justified in the present economic climate.

66. It remains our aim, however, to offer young officers educational opportunities similar to those available outside the Services and to develop to the full extent the intellectual qualities increasingly demanded by a Service career. We propose to do this in two ways. First, we shall increase as far as possible the number of places available at universities for those officers who are able to reach the necessary standard. Secondly, for the remainder we intend to provide a foundation of academic training under the control of the Royal Defence Academy at existing Service Colleges. Among the officers trained at the College who are unable to gain a University place, there will probably be some who would benefit from further academic education up to degree standard. We are now investigating possible ways and means of continuing the academic training of such officers beyond the Foundation year.
IX

THE SERVICES IN THE SEVENTIES

67. Long-term planning is essential in defence. An advanced weapons-system may take up to ten years from its conception to enter service and in some cases may then have a further twenty years of operational life. If we are to have forces with the right balance of skills and ages, capable of giving a worthwhile return on their expensive training, we need a stable long-term programme for manpower and recruiting. To some extent the decision to concentrate Britain's forces in Europe has narrowed the area of choice and the scope for error in long-term defence planning. But substantial uncertainties remain, particularly in the fluidity of the international situation, the development of military technology, and the allocation of roles as between allies. In these circumstances, the Government must strike a balance between the best estimate it can now make of Britain's probable defence requirements and the degree of flexibility we can afford as an insurance against the inevitable fallibility of judgement.

Outside Europe

68. So long as Britain is responsible for dependent territories, she will have certain military obligations which will require her to station small elements of all three services overseas - for example in Hong Kong - and to reinforce them if necessary. She may also wish to co-operate in keeping the peace under United Nations' auspices or to support her friends. Thus, although the Government has decided to retain no special capability for major operations overseas, Britain must preserve some of the special military skills which might be needed there and must keep the ability to send her forces outside Europe if she judges it her duty or interest to do so. We plan to keep the use of Gan and Masirah in order to maintain a number of route options.
69. Though most of Britain's forces in the European theatre will be committed to NATO in one way or another and the normal consultation with NATO would be required before they were withdrawn for other purposes, this formal commitment is unlikely to prevent our sending appropriate forces overseas unless conditions in Western Europe made such deployment obviously undesirable. The forces that Britain might decide to make available overseas would depend on the nature of the operation concerned and the circumstances at the time, and on the political implications of temporarily reducing our NATO contribution for the duration of that operation. While it would conflict with Britain's now political priorities to deploy more than a relatively small part of her total strength outside Europe, we could, if in our judgment the situation so demanded, still provide a considerable force of all three Services. Indeed one purpose of the Five Power Commonwealth exercise proposed for the Far East in 1970 is to demonstrate that Britain is in fact able to deploy effectively substantial forces overseas.

70. Such forces could include a substantial number of naval ships, an amphibious force, several squadrons of combat aircraft of various types, and a land force of at least brigade group size. Deployment timings would obviously depend upon the precise circumstances but we could expect naval and air forces and lightly armed ground troops to be quickly on the scene, although it would obviously take longer to build up the support facilities and supplies required for a major operation. In general, we do not propose to maintain stockpiles of operational equipment and supplies outside Europe, though we may find it economical to hold small stocks of equipment for training or exercises in areas regularly used for these purposes. We already do this in some parts of the world.
71. It will be a necessary part of our policy that our forces should train overseas in peace time. Such training is already undertaken on a considerable scale in many parts of the world. It will be even more important to continue this for the following reasons. Our forces must remain experienced and efficient. We must overcome the limitations of, and familiarity with, the training areas in this country. We must preserve our present operational techniques and skill in different climates and terrains and our ability to assist in peace keeping overseas. Finally, we must give servicemen the opportunity to serve overseas, at least for short periods; this is, and always has been, one of the attractions of Service life and is of importance to the maintenance of voluntary recruiting. Where practicable, our military training overseas will be so arranged as to enable projects e.g. road construction, which are of direct benefit to the local peoples, to be carried out at the same time.

The role in Europe

72. In defence, as in every other field, the first and fundamental assumption on which the Government believes that Britain must base her future policy is the need for closer unity in Europe. By the end of 1971 the concentration of our forces in the NATO area will be used to strengthen not only the military power of the Alliance but also the political solidarity of the European members of NATO. Closer integration in defence between Britain and the European allies within the Atlantic Alliance is likely to be of equal benefit whether early progress can be made towards disarmament or not. It can also bring both military and economic advantages, through joint procurement of defence equipment. Moreover, so long as other elements in the European situation are unstable, anything which reinforces the stability of security relationships between the powers must strengthen peace.
It is difficult at present to determine in detail what forces Europe is likely to require for its security in the longer term or how they should be deployed. This will depend among other things on what progress can be made towards disarmament and on what contribution is made by Europe's trans-Atlantic allies. We cannot expect that the United States, with its heavy burden of defence commitments in other areas, will be able indefinitely to maintain at the present level its contribution to the defence of Europe on the ground. If Britain wishes to exercise the same influence as other European powers of similar resources in a Europe which is expected to become increasingly self-reliant, she must be prepared to continue contributing to its joint defence on a scale comparable with them.

It is, therefore, the Government's intention that Britain shall play her full part in the defence of Europe. Her all-regular Army, though smaller in size than some Continental armies, will provide the Alliance with ground forces of a professional skill and experience unmatched in Europe. Her air force will compare in size and quality with that of any other European power. With the transfer of the strategic nuclear role to the Royal Navy the primary role of the RAF will be, in conjunction with the air forces of our NATO allies to establish an air situation favourable to the conduct of operations by land or sea. Britain's Polaris force will be the only European contribution to the strategic nuclear deterrent from this side of the Atlantic; the British Navy as a whole will be by far the strongest navy in Europe—a contribution particularly appropriate for an island nation.
75. During the past decade, the future of the Services has been uncertain. The decision, however, to withdraw and our from our main bases overseas, improved methods of controlling the defence budget and of deciding what military equipment the forces will need have reduced the main uncertainties in our planning. The next few years will see a major redeployment in the Services. Once this has been completed, and our forces are based in and on Europe, the Services can look forward with increasing confidence to a more stable future. The Government believes that the Armed Forces offer a stimulating, worthwhile and enduring career. In the future, as in the past, they will make an indispensable contribution to the nation's security, and the peace of the world.
ANNEX A

FIVE POWER CONFERENCE AT KUALA LUMPUR - COMMUNIQUE

On 10th and 11th June, 1968, at the invitation of Y.T.M. Tunku Abdul Rahamn Putra, Prime Minister of Malaysia, delegations from the Governments of Australia, Malaysia, New Zealand, Singapore and the United Kingdom met in Kuala Lumpur to discuss defence problems arising from the decision to withdraw British forces from Malaysia and Singapore by 31st December, 1971. The following Ministers attended: for Australia, the Rt. Hon. P.M.C. Hasluck and the Hon. A Fairhall; for Malaysia, the Hon. Tun Abdul Rasak (Chairman of the Conference) and the Hon. Tun Tan Siew Sin; for New Zealand, the Rt. Hon. K.J. Holyoake and the Hon. D.S. Thomson; for Singapore, the Hon. Dr. Goh Keng Swee and the Hon. Mr. Lim Kim San; and for the United Kingdom, the Rt. Hon. D.W. Healey, and the Rt. Hon. G.M. Thomson.

2. Tunku Abdul Rahamn welcomed the visiting delegations and made a general statement on behalf of the Government of Malaysia.

3. The five countries concerned reaffirmed at the outset their continuing interest in the peace and stability of the area and declared their intention to maintain close co-operation among themselves. The discussions of the Conference proceeded on that basis.

4. The United Kingdom delegation described the planned programme for the rundown and withdrawal of British forces and drew attention to the substantial defence facilities and surplus non-operational equipment that would be made available free to Malaysia and Singapore for both defence and economic purposes. They also described in outline the form which their continuing interest might take after 1971.

5. A general exchange of views followed.
6. The representatives of Singapore and Malaysia declared that the defence of the two countries was indivisible and required close and continuing co-operation between them. This declaration was welcomed by the representatives of the other three Governments. All representatives at the Conference regarded it as an indispensable basis for future defence co-operation. The representatives of Malaysia and Singapore said that their Governments were resolved to do their utmost for their own defence and they would welcome the co-operation and assistance of the other three Governments.

7. The Conference went on to discuss some of the practical defence problems that would result from the British rundown including the assistance that Malaysia and Singapore would require in developing an effective joint defence system. In doing so they drew upon reports prepared by Advisory Working Groups, set up by the Commander-in-Chief, Far East, in which officers from the five countries had participated.

8. The Conference recognised that an integrated air defence system covering both Malaysia and Singapore was required and agreed that the Air Defence Advisory Working Group should study the form of the integrated control and management of such a system. They also discussed the elements which the system might comprise and the phasing of the necessary action and authorised further detailed examination by the Air Defence Advisory Working Group. The Singapore delegation outlined their Government's plans to raise an air force which would contribute to a joint air defence system; this would include a squadron of Hunter Mark 9 fighters to become operational prior to the completion of the British withdrawal. The Australian delegation
delegation indicated that as a contribution to an integrated air defence system, Australia would be prepared to provide a Royal Australian Air Force component based on Butterworth with elements deployed to Tengah; the arrangements to operate beyond 1971 would depend on decisions to be taken by the Australian Government on the part which Australia would play in the defence of the area after that date. The United Kingdom delegation stated that in addition to the part that would continue to be played by Royal Air Force elements of the system up to the time of their withdrawal, the United Kingdom Government would be prepared to make available the necessary ground facilities, including airfields, radar and communications facilities and ground-to-air defence equipment. They would also assist in the development of the new arrangements by providing training and, to the extent that this proved to be necessary and practicable, by the provision of specialist personnel on loan to the other Commonwealth Services concerned.

9. In the sphere of naval defence, the Conference noted the intentions of the Malaysian and Singapore Governments to develop forces which would co-operate effectively in coastal defence; the agreement of the Singapore Government that the Royal Malaysian Navy continue to use the Woodlands Naval Base and such other facilities in Singapore as might be agreed; and the intentions of both Governments to agree on arrangements for controlling after 1971 what are now known as the "Naval Base Waters". The Conference agreed that the Naval Advisory Working Group should make recommendations for the retention and operation of naval facilities in the area after 1971 in the light of the requirements of the Governments concerned.
10. Turning to army matters, the Conference agreed that it was desirable that there should be joint exercises in the area after 1971, and to facilitate this agreed in principle that there should be joint exercise planning machinery and a jungle warfare training school on a multinational basis. These matters would be further studied by the Army Advisory Working Group.

11. In the context of a discussion on the ability of the United Kingdom Government to deploy forces in the area after 1971, the Conference agreed that there should be a major exercise in 1970 in which all five countries would participate. They noted that British participation would include a major reinforcement exercise from the United Kingdom. It was further noted that the United Kingdom Government also intended to continue training and exercising British forces in the area after 1971.

12. The Malaysian delegation indicated that, in the light of the commitments and contributions by the other Governments, their Government would be prepared to consider additional contributions over and above the present strength of their Armed Forces which were already a substantial contribution to joint defence.

13. The Conference noted that a new understanding about the Anglo-Malaysian Defence Agreement would be necessary in due course. To this end, there would be joint consultations at a later stage.

14. The Australian and New Zealand delegations observed that their Governments would take into account the proceedings of the Conference in formulating their longer-term defence policies, and in deciding what part their forces would play in the collective defence and combined training arrangements.
arrangements which the Conference had discussed. Meanwhile they would continue to maintain forces in the area and to assist the Governments of Malaysia and Singapore in the development of their forces by means of assistance in training, personnel and defence aid.

15. Representatives regarded the Conference as having pointed the way to further co-operation of a practical kind. They reaffirmed their determination to live in harmony with the other countries of the region. They believed that their co-operative efforts in defence arrangements and in promoting economic and social development contributed to security and stability in South-East Asia.

16. The Ministers considered that the present Conference was only the first of joint Ministerial consultations among them on the questions arising out of British military withdrawal and on the larger questions of their continuing interest in the peace and stability of the area. They felt that their discussions had been extremely useful and agreed that they would meet again in the first half of 1969.

Kuala Lumpur
11th June, 1968.
ANNEX B

TO BE CIRCULATED TO MINISTERS ONLY

CABINET

BRISTOL - WEST DOCK

Memorandum by the Minister of Transport

At the meeting of the Ministerial Steering Committee on Economic Policy on 2nd July (SEP(68) 11th Meeting), opinion was evenly divided between, on the one hand, outright rejection now of the Bristol West Dock and, on the other, allowing Bristol Corporation to go ahead with the scheme but informing them that they would have to do so without any grant or loan from the Ministry of Transport and without access to the Public Works Loan Board. I was asked to summarise for the assistance of my colleagues the main considerations involved.

The Case for the Dock

2. The prospects for Bristol

(a) The existing City Docks and, to a lesser extent, that at Portishead are outdated and should be closed, the former as soon as possible. Avonmouth docks are limited in area; no major extension is practicable, and the entrance lock will not accommodate modern bulk carriers.

(b) The West Dock, on the other hand, would provide five new berths with ample backing-up land for port operations, and some adjacent areas suitable for industry. Its lock would admit vessels of up to 65,000 tons or so, large enough for the anticipated developments in grain, non-ferrous ore and petroleum product carriers.

(c) Without the West Dock the bulk-processing industries adjacent to Avonmouth and employing some 6,400 people would in the long run (10–20 years) be handicapped.

(d) While the port would be suitable for general cargo vessels in the foreseeable future, lack of space might cramp and limit the port's operation; while it might be expected to retain trade at broadly the present level except perhaps in the very long term, it would decline relative to other major ports.

(e) Labour relations at Bristol are good and the port has handled without trouble ships diverted to it as a result of strikes in Liverpool.

=-1-
3. Finance

On Bristol's higher assumptions as to traffic and assuming that certain other desirable changes will be delayed unless the West Dock is built, the return on the project may be estimated at over 9 per cent. In any case it was argued by Ministers supporting the scheme that discounted cash flow (D.C.F.) calculations are not appropriate to a project of this sort.

4. Regional Planning

(a) The South-West Economic Planning Council made this one of the three main planks in their strategy for the region.

(b) The Severnside study is still in progress, and might show that development in the same area would require further facilities for bulk imports.

(c) The development of certain industries will be handicapped in the long-term if the dock is not built.

5. Political considerations

It was urged at the meeting of the Ministerial Committee that rejection of the scheme, which would mean the end of Bristol as a port, would give rise to acute political difficulties. It would be regarded as an example of the "Whitehall knows best" attitude towards a project on which the people of Bristol were prepared to risk their own money. It would be a serious blow to regional planning and could lead to resignations from the Economic Planning Council. In these circumstances we might have difficulty in securing a majority in the House of Commons when the Bristol Corporation Bill came up for Second Reading; and we might in any case find it impossible to maintain our decision in the face of strong public and Parliamentary opposition.

The Case against the Dock

6. The project itself

(a) It is extremely expensive (£3 million per berth for nothing more than the dock and lock; actual cost per operating berth likely to vary from £3.5-£4.0 million upwards depending on type, as compared with £1.2-£3.0 million for fully equipped new deepwater berths in other ports).

(b) It can only pay off if there is adequate demand for it for deep-sea container services and bulk-importing industries located adjacent to it. The Port of Bristol Authority has assumed that such traffics will emerge, but have given no hard evidence of specific likely customers (other than Bristol City Line who are considering a North Atlantic container service).

(c) Avonmouth can cater, for the foreseeable future, for general cargo and retain the bulk of Bristol's existing traffic.
(d) There is surplus capacity for general cargo and small bulk carrier vessels in the South Wales ports, now just across the Severn Bridge and sharing a hinterland. The new Port Talbot harbour, which will be able to handle vessels of 100,000 dwt, upwards with room for additional berths, is under construction. The port facilities within the Severn Estuary should be planned as a whole; a decision to go ahead with the Bristol project now would prejudice future development in South Wales.

7. Finance

(a) The National Ports Council estimated the return on realistic assumptions at $2\frac{1}{2} - 4\frac{1}{2}$ per cent d.c.f., as against the normal 8 per cent minimum for low risk projects.

(b) Most port development projects currently approved and in use or under construction are expected to give substantially higher returns, largely in the bracket 10 per cent to 20 per cent, with tightly guaranteed returns in the lower brackets, and some projects giving substantially more than 20 per cent.

(c) The West Dock could thus be expected to involve a serious misuse of real resources.

(d) The cost will have in one way or another to be met from public funds and represents an addition to public borrowing and public expenditure, and to the public sector's claim on resources.

8. Regional development

(a) This sub-region is already growing faster than any other in the country and is substantially more prosperous than the areas of the South Wales ports with which it is in competition.

(b) The maximum number of existing jobs which might, in the very long term (10-20 years), be at risk, amounts to about one-quarter of the average annual increase in recent years.

(c) The Dock will only be any sort of a success if new and expanded bulk processing industries are attracted to the area, giving it a further general stimulus.

(d) While the South West Economic Planning Council may react adversely if the project is turned down, those concerned with economic development in other less prosperous areas of the country, and particularly Wales, will react even more adversely if projects in their regions of greater economic value are held up to make room for it.

(e) Looking to the longer term there is no reason to think that the Severnside study will propose a major development of bulk-processing industries on this site.
9. Public reaction

A decision to reject the proposal, while unpopular in Bristol and the South-West, would be welcomed in South Wales (and by the British Transport Docks Board). Of the four motions/amendments on the Order Paper, three - one supported by Opposition backbenchers, two by Government supporters - are against the project.

R.W.M.

Ministry of Transport, S.E.1.

3rd July, 1968
Memorandum by the Secretary of State for the Home Department

I attach the draft of a White Paper on the Review of Electoral Law. It sets out in summary form the Government's conclusions on the major issues raised by the report of the Speaker's Conference, in accordance with decisions already taken by the Cabinet (CC(68) 30th Conclusions, Minute 7). The conclusions of the Electoral Advisory Conference are set out in the Appendix. The White Paper covers Parliamentary elections only.

2. I should draw particular attention to two points:

(a) Party Labels on Nomination and Ballot Papers

The Ministerial Sub-Committee on Electoral Reform are considering what system of registration of Party labels would be needed to ensure that only accredited candidates could use the title of their Party, and that independent candidates could not use labels so closely resembling those of accredited candidates as to mislead the voters.

(b) Candidates' Deposits

The Cabinet approved the proposal to raise the deposit from £150 to £250, but I would ask my colleagues to reconsider this proposal. Since the increase is not high enough to deter frivolous candidates, it may cause controversy without bringing any significant advantage. I, therefore, invite my colleagues to agree to leave the figure at £150.

3. I seek the agreement of my colleagues to publish the White Paper (amended as to paragraph 2(b) above) at the end of July, with a view to a debate on the reform of Parliamentary election law in October.

L. J. C.

Home Office, S. W. 1.

5th July, 1968
In May 1965 Mr. Speaker announced his agreement to preside over a Conference on Electoral Law. He also announced that the Home Secretary, in agreement with the Secretary of State for Scotland, would be convening his Electoral Advisory Conference, a body consisting of representatives of Government Departments, electoral registration officers and acting returning officers and of the principal political parties. As part of the review of electoral law, the Electoral Advisory Conference has considered a number of detailed questions relating to parliamentary election procedure. Its meetings were attended by a representative returning officer and representative sheriff clerks and electoral registration officers from Scotland.

Both Conferences have now completed their work. The recommendations of the Speaker's Conference are consolidated in their final report published in February 1968 as Cmd. 3550. Annex A of the final report summarises the Conference's recommendations for changes in the law; and Annex B sets out matters on which they decided not to recommend any change in the law. Specific recommendations mentioned below are identified by references to the Annex in which they appear and their number within that Annex.

The Government have considered the recommendations of both Conferences. In view of the number and variety of the recommendations, the Government think it would be helpful if they were to indicate their own provisional conclusions on the major issues raised by the recommendations of the Speaker's Conference and the extent to which they do not agree with the recommendations both of the Speaker's Conference and of the Electoral Advisory Conference.

**SPARKER'S CONFERENCE**

1. **MAJOR ISSUES**

**FRANCHISE AND REGISTRATION**

Minimum age for voting (Recommendation A.1)

After giving full weight to the recommendation of the Speaker's Conference that the minimum age for voting should be twenty years, the Government have decided, having regard to their acceptance of the recommendation of the Latey Committee as to the age of majority, to recommend that the minimum age for voting should be reduced to eighteen years.

The Government accept that a person should be entitled to vote at an election held on or after the day on which he reaches voting age.

Frequency of publication of the electoral register

(Recommendation A.4)

The Government accept, primarily on economy grounds, the majority recommendation of the Speaker's Conference that there should continue to be one annual register, as at present.
CONDUCT OF ELECTIONS

Public opinion polls and betting odds (Recommendation A.31)

The Government are not convinced that the publication of opinion polls and betting odds within 72 hours of the poll unduly influences electors. It would be hard to suppress evasions of a prohibition on their publication, and the Government do not think therefore that the majority recommendation of the Speaker's Conference should be accepted.

Polling hours (Recommendation B.18)

In the interests of electors, the hours of polling at parliamentary elections, on which the Speaker's Conference had recommended no change, and which now end at 9 p.m., should be extended to 10 p.m.

Party labels on ballot papers (Recommendation B.25)

The Government think there is a strong case in principle — provided any necessary administrative machinery can be worked out — for party labels to be shown on nomination and ballot papers. Accordingly, they do not accept the recommendation of the Speaker's Conference that reference to a candidate's party on nomination papers and consequently on ballot papers should continue to be prohibited.

USE OF BROADCASTING

Exemptions from provisions relating to election expenses (Recommendation A.35)

The Government accept the recommendation of the Speaker's Conference that broadcasting should be exempted from the provisions relating to election expenses in section 63 of the Representation on the People Act 1949. They think, however, that a broadcast relating to a particular constituency should be exempt if all candidates agree to the broadcast, even though some of them do not wish to take part themselves, rather than, as recommended by the Speaker's Conference, only if all candidates agree to take part.

II. OTHER RECOMMENDATIONS

On all other points save the following the Government accept in principle the recommendations of the Speaker's Conference.

FRANCHISE AND REGISTRATION

Qualifying date for registration (Recommendation A.5)

The Government find that there are strong practical objections to adopting, as suggested by the Speaker's Conference, a qualifying date of 1st November, and would propose to maintain the existing qualifying date of 10th October.

Registration of wives of servicemen (Recommendation A.14)

The Government consider that no obligation should rest on the Service authorities to obtain information for the purpose of registration in respect of the wives of servicemen residing in service quarters in the United Kingdom. This is essentially a civilian matter.
CONDUCT OF ELECTIONS

Tendered ballot paper where postal ballot paper not received (Recommendation A.26)

If a postal voter does not receive his postal ballot paper, there will hardly be time for him to apply for a tendered ballot paper. Moreover, a tendered ballot paper would not be counted unless a court so directed on a scrutiny of the votes in connection with legal proceedings in respect of an election.

Witness's address to be stated on declaration of identity (Recommendation A.27)

The Government think it preferable, in the interests especially of the elderly and infirm, that the postal voting procedure should be kept as simple as possible. Additional requirements such as this would increase the grounds on which votes could be disallowed.

No special publication of number of spoilt ballot papers (Recommendation A.27)

There are already means of obtaining this information, but the Government see no reason why it should not be specifically given when the result of an election is declared, and thus be readily available to the public.

ELECTION EXPENSES

Public notice to be given by the returning officer of the legal maximum of candidates' election expenses (Recommendation A.31)

Apart from the practical difficulties involved, the Government think it would be unsatisfactory for the law to require an official to determine and publish the permitted maximum amount of candidates' election expenses and that it is not unreasonable to continue to look to the election agent to determine the amount for his own and his candidates' purposes.

Free installation of telephones (Recommendation A.34)

The law already enables candidates at parliamentary elections to send one election communication post free to each elector. At a general election the cost to public funds - on present figures - is estimated at about £850,000. The Government do not agree that further public funds should be made available to candidates.
The present figure of £150 has been unchanged since 1918. In the Government's view this is not now a sufficient deterrent to frivolous candidatures, and the amount should be increased to £250.

ELECTORAL ADVISORY CONFERENCE

The conclusions of the Electoral Advisory Conference on the matters specifically referred to them, and on other matters on which they recommended that action should be taken, are set out in the Appendix to this White Paper. The Government would propose to accept all the conclusions except those numbered 2, 8 and 15(b) in Part A. They consider that the merits of a draft register (on which they have not yet reached a conclusion) can be weighed up without a special experiment (Recommendation 2). They believe that it would be unwise to pick out the case of premises that have been demolished from the range of possible reasons for a change of address, for the special exercise of discretion in addressing poll cards (Recommendation 8). Since improper disclosure would not only be an offence under the Representation of the People Act, but also inconsistent with a police officer's duty, the Government see no reason for time to be devoted by police officers to making a declaration of secrecy (Recommendation 15(b)).
CONCLUSIONS

FRANCHISE AND REGISTRATION

1. Opinions from the register

There should be provision for amending the published register (a) to add a name inadvertently omitted after inclusion, as a person entitled to be registered, in the electors lists, and (b) to give effect to the registration officer's decision on a claim or objection made following the publication of the electors lists, where this had not been done. The last day for alterations to have effect for a particular election should be the day by which notice of the election has to be published.

2. A draft register instead of electors lists

Consideration should be given to providing for an experiment in a few areas for publication of a draft register, instead of electors lists, on the basis of the current timetable for the preparation of the register.

3. Qualifying date

It is at present administratively impracticable for the qualifying date for a register to be published in mid-February to be the previous 1st November.

4. Registration of servicemen's wives

There should be no change in the existing law, under which servicemen's wives may make a Service declaration only when proceeding overseas to join their husbands.

CONDUCT OF ELECTIONS

5. Absent voting machinery

(a) The existing provisions for postal voting by Service voters' proxies should be extended to all electors who have appointed proxies.

(b) The wording to be endorsed on rejected ballot paper envelopes etc. should be similar at all stages.

(c)(i) Consideration should be given to amending the law so as to provide that returning officers can apply by means of a certificate to the electoral registration officer concerned for absent voting facilities for staff they wish to employ at the election.

(ii) Administrative guidance should be given that a supplementary absent voters list of persons allowed absent voting facilities on account of their employment by a returning officer or as a constable can be issued after the main list.

6. Notice of last day for absent voting applications

(a) Electoral registration officers should be required to give public notice of the last day for receipt of absent voting applications; and

(b) The prescribed notice of election published by the
returning officer should be amended so as to include information as to the last day for receipt of absent voting applications.

7. **Alteration of form of nomination paper**

   The column headings and order of columns in the nomination papers should be amended so as to make it more clear what information is required.

8. **Address for official poll cards**

   Returning officers should be given discretion when they know that the premises constituting an elector's qualifying address have been demolished, and are aware of his new address, to send his official poll card to that address instead of to the qualifying address.

9. **Omission of description of polling districts from notice of poll**

   The description of polling districts should be omitted from the notice of poll, but the returning officer should be required to notify election agents of the area of each polling district.

10. **Telegraphic notice of poll etc.**

    Head Postmasters should no longer be required to forward by telegram to all telegraph offices in county constituencies, for display there, a list of the candidates, the date and hours of the poll, which at present the returning officer is required to supply for that purpose.

11. **Powers and functions of the election agent and location of his office**

    (a) The office of the election agent should be in the constituency or in an adjoining constituency;
    (b) the election agent should be entitled to deliver nomination papers;
    (c) the election agent should have the same rights inside polling stations as polling agents;
    (d) the election agent - and the candidate, if there is doubt as to the present position - should be given the same rights at the count as counting agents;
    (e) the election agent should be allowed to appoint unpaid as well as paid polling agents.

12. **Polling stations and facilities**

    (a) There should be no change in the existing law under which the provision of polling places for parliamentary elections is a matter for local authorities, subject to direction by the Secretary of State on the receipt of representations.
    (b) The majority of the Conference considered it unnecessary to define the extent of polling stations, but the Scottish representatives wished returning officers to be given power to do so.
    (c) The existing provision that there should be one voting compartment for every 150 electors is unnecessary, and the matter should be left to the discretion of the returning officer.

13. **Directions for the guidance of voters in voting**

    The present requirement for an example of the ballot paper to be incorporated in the Directions for the Guidance of Voters in Voting should be repealed.
14. Death of candidate during the course of the poll

The poll should be abandoned and a fresh election held if the returning officer is satisfied that one of the candidates has died during the course of the poll.

15. Declaration of secrecy

(a) The majority of the Conference concluded that there should be a provision for the declarant himself to read the declaration of secrecy as an alternative to having it read over to him by the person before whom the declaration was made.

(b) Police officers on duty at elections should not be exempted from the requirement to make a declaration of secrecy.

(c) The Clerks of local authorities should be added to the persons before whom the declaration can be made.

16. Miscellaneous matters

(a) Notification of polling agents. The last day for notification of the appointment of polling agents should, as in the case of counting agents, be two days before the poll, and each candidate should be limited to one polling agent at any one polling station at any one time.

(b) The wife or husband of a candidate. The wife or husband of a candidate should be added to the persons allowed to be present at the handing in of nominations, but should not be given the right to object to nominations.

(c) Decisions on nomination papers. The law should not be changed so as to require the returning officer to give his decision on a nomination paper immediately on its delivery.

(d) Powers of returning officer and his staff. There is no difficulty under the existing law over the returning officer and his staff entering polling stations; and no amendment of the law is necessary.

(e) Employment of presiding officer and poll-clerks. No change is needed in the law which prohibits the employment as presiding officers or poll-clerks of persons who have been employed by or on behalf of a candidate in or about an election; but administrative guidance on this matter should be given to returning officers.

17. Music at elections

The law should be amended so as to make it clear that the prohibition on payments for bands of music does not include a prohibition on payments for recorded music.

18. Torches, flags and banners at elections

The words "torches", "flags", and "banners" should be defined so as to exclude payment only for those forms which are open to objection.
THE COUNT

19. Verification of ballot paper accounts

(a) The verification of ballot paper accounts should take place before the separation and counting of votes as between candidates.

(b) Verification should be required to take place in the presence of the election agents, instead of the counting agents.

(c) The present form of ballot paper account is unsatisfactory and should be altered.

20. System of counting votes

The Conference agreed not to recommend that a detailed system of counting votes should be laid down. Administrative guidance in the form of a memorandum about the conduct of the count would, however, be helpful.

21. Admission of visitors

The law should be amended so as to make the discretion of the returning officer to admit visitors to the count subject to the proviso that there should be prior consultation with the election agents, and that the visitors should not impede the conduct of the count.

22. Delivery of ballot boxes etc.

Presiding officers should not be required personally to deliver the ballot boxes etc. to the returning officer for the count.

23. The term "counting agent"

The term "counting agent" should be changed.

ELECTION EXPENSES

24. Declaration as to election expenses

(a) The Conference agreed not to recommend that the time within which a candidate must admit his declaration as to election expenses should be the same as that for the election agent, instead of seven days longer, as at present.

(b) Clerks of local authorities should be enabled to take the declarations of persons making a declaration of election expenses.

25. Summary of election expenses

(a) The requirement that the returning officer should publish a summary of returns of election expenses should be replaced by a requirement for him to publish a notice saying where etc. the returns can be inspected, and to send a copy of the notice to the candidates' election agents.
(b) Any such notice should be published within 10 days of the last day for the receipt of returns of election expenses; and provision should be made to extend the time for presenting an election petition arising from a matter in a return.

B. RECOMMENDATIONS OF THE ELECTORAL ADVISORY CONFERENCE WHICH WERE OVERTAKEN BY CONCLUSIONS OF THE SPEAKER'S CONFERENCE

1. Registration of merchant seamen

Consideration should be given to the possibility of giving merchant seamen further assistance in registration.

2. Voting in person by electors with a proxy

The existing provision, whereby a Service voter who has appointed a proxy is entitled to receive a ballot paper if he applies in person at the polling station before a ballot paper has been issued to his proxy, should be extended to all electors who have appointed proxies.

3. Party labels on ballot papers

The prohibition on the use of party labels on nomination papers and ballot papers should be retained; and further consideration should be given to the question whether description such as "Minister of the Crown" should be permitted.
CABINET

PUBLIC SCHOOLS COMMISSION: FIRST REPORT

Note by the Secretary of State for Education and Science

The First Report of the Public Schools Commission will be published on 23rd July. Annex I sets out the Commission's terms of reference and Annex II outlines its major conclusions and recommendations.

2. Decisions on the substance of the report cannot be taken until there has been time for it to be considered by all those concerned. I propose therefore that I should not make any statement on the publication of the report; but that, after the Recess, I should announce the Government's decision that it would be inadvisable either to accept or reject the Commission's main proposals at this stage because:

(a) The same problems of independence and comprehensiveness will affect both day and boarding independent schools.

(b) The issues of integration are so far-reaching and emotive that public opinion ought to be given an opportunity for expression before decisions on integration are reached.

(c) Integration along the lines suggested could not, for financial reasons, be set in train in the foreseeable future.

3. These proposals are to be discussed by the Ministerial Committee on Social Services today. I am also consulting the Committee on the related but separate issue of charitable privileges. The Commission have recommended that those independent schools which are charities should be deprived of the reliefs which they enjoy as such from income tax, rates and the Selective Employment Tax.

E.W.S.

Department of Education and Science, W.I.

16th July, 1968
The main function of the Commission will be to advise on the best way of integrating the public schools with the State system of education. For the immediate purpose of the Commission public schools are defined as those independent schools now in membership of the Headmasters Conference, Governing Bodies Association or Governing Bodies of Girls Schools Association.

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

(a) To collect and assess information about the public schools and about the need and existing provision for boarding education; forms of collaboration between the schools (in the first instance the boarding schools) and the maintained system.

(b) To work out the role which individual schools might play in national and local schemes of integration.

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

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

(e) To recommend whether any action is needed in respect of other independent schools, whether secondary or primary.

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

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

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

(c) To move towards a progressively wider range of academic attainment amongst public school pupils, so that the public school sector may increasingly conform with the national policy for the maintained sector.

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


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

Additional terms of reference (October, 1967)

To advise on the most effective method or methods by which direct grant grammar schools in England and Wales and the grant-aided schools in Scotland can participate in the movement towards comprehensive reorganisation, and to review the principle of central government grant to these schools.
Our general conclusion is that independent schools are a divisive influence in society. The pupils, the schools and the country would benefit if they admitted children from a wider social background. We recommend a scheme of integration by which suitable boarding schools should make over at least a half of their places to assisted pupils who need boarding education. This change will take time, and not all schools can be brought within the integrated sector simultaneously. The details should be worked out school by school, by a body we shall call the Boarding Schools Corporation.

Our main conclusions and recommendations are as follows. (references to paragraphs in the report being shown in brackets):

**Integration**

1. Independent boarding schools suitable and willing to enter an integrated sector should be given every encouragement to do so. There should be a first condition that a school must admit assisted pupils from maintained schools to at least a half of its places — by the end of a build-up period of about seven years. (253)

2. Most schools, and especially boys’ schools, should admit pupils of a wider range of ability. With very few exceptions, they should cater for pupils including those of an ability level corresponding with that required for courses leading to the Certificate of Secondary Education. They should be encouraged where possible also to admit children below this level of ability. Very few children with boarding need should be excluded from the opportunity of a place at an integrated school on grounds of low academic ability. It will be possible to achieve a wide range of ability within a smaller annual age group than in most maintained day schools because classes are normally smaller in boarding schools. (278-279)

3. Where schools are too small to admit children of widely differing ability over the whole age range, they should adapt as far as possible to the comprehensive system by shortening their courses and adjusting their ages of admission. (264) For example a group of schools having a common foundation or religious, educational or other bonds might between them cover the whole secondary age range and a very wide span of ability. (293)

4. Although the great majority of integrated schools should adopt these principles, there could be possible exceptions to the pattern:
   (i) A very small number of schools should be enabled to reorganise themselves to cater wholly or mainly for pupils at the sixth form level. (281 to 287)
   (ii) One or two schools might become “academies” catering for children with special aptitudes in music or ballet. (266)
   (iii) Proposals to cater entirely for gifted children from an early age should be viewed with considerable caution but are not excluded by our recommendations. (290)

**Association with maintained schools**

5. Independent boarding schools should be encouraged to work closely not only with each other, but with maintained day schools with which they might share teaching resources and other facilities, and whose boarding needs they might help to meet. (295)
Aided status

For schools wishing to come within the maintained system there should be opportunities of "aided" status - that is, of a relationship with the State equivalent to that of voluntary aided schools but possibly in association with a central body rather than a local education authority. (295, 297)

Joint provision

Local education authorities in consultation with governing bodies should where practicable plan new comprehensive schools to work closely with integrated boarding schools. It should be made legally possible for them to build by agreement on an independent school site and to arrange for joint responsibility for the resulting school. (272)

Girls' Schools

Most girls' schools are (because of limitations of size and academic provision) less well poised for integration than boys' schools; even if they were all suitable they could provide only about a half as many places as boys' schools. It may therefore be necessary to take up places at schools not immediately suitable for integration until the integrated sector can accommodate all girls in need of boarding education. Schools which are small but otherwise suitable for integration should be encouraged to make "twinning" or similar arrangements with other schools. (127, 128, 300)

Co-education

There should be more co-educational boarding schools, in order to meet the wishes and convenience of parents of both boys and girls, and also to extend opportunities of boarding education for girls. Some of the larger boys' schools in particular should be encouraged to adapt themselves for this role. (301, 302)

Boarding for young children

Where boarding at primary school age is essential, assisted places should first be sought in the junior schools or departments of integrating secondary schools and then in other preparatory schools. Preference should be given to preparatory schools which are willing to become co-educational and to enter into schemes of integration. (303)

Holidays

If there are children who cannot spend holidays at home or with relations, Children's Departments or other child care agencies should be invited to help. Failing this, it may be desirable for integrated schools to take it in turns to accommodate during holidays any children who have nowhere else to go. (307)

Immigrants

The schools may have a valuable role to play in the education of immigrant children, and there should be no discrimination against them in allocating places. (308)
Exchange of teachers

13. An interflow of teachers should develop between the maintained and independent sector in boys' schools to match that already taking place in girls' schools. In particular, a scheme should be established for the exchange of a hundred masters a year (312).

Inspection

14. The inspection of boarding schools should in future take more account of the conditions and customs in the schools so as to judge how suitable they are as boarding communities for pupils of widely differing backgrounds. (311)

Governors

15. Governing bodies of integrating schools should include one third of members representing bodies or interests other than the Foundation. (314)

II. Denominational schools

16. Schools which are Christian foundations (as most public schools are), should be encouraged to accept pupils from denominations other than their own, as well as pupils of other religions or of no religion. (345)

17. There should be suitable safeguards for the conscience of parents in matters of religious worship and instruction. There is a case for extending choice in these matters also to senior pupils. (347, 348).

III. Changes at integrating schools

18. In order to meet the needs of assisted pupils, particularly those from maintained day schools, integrating schools will have to adapt themselves radically. This must not mean sacrificing important traditions and values, in particular those of hard work, good relations between pupils and staff and the wide variety of extra-curricular activities which many schools provide. But the style of life should be reconsidered. In particular:

(i) There should be more women on the staffs of boys' schools and more men on the staffs of girls' schools. (233)

(ii) More opportunities should be provided for pupils to pursue their own personal interests in their leisure time. (241)

(iii) There should be more alternatives to Cadet Force activities and more choice and variety in games. (239)

(iv) Contacts with home, through weekly boarding where practicable, should be encouraged. (240)

(v) There could be greater freedom in forms of dress at some schools, particularly at weekends. Eccentric or unduly expensive school uniforms should be avoided. (239)
(vi) The prefectural system may need to be modified so that excessive
authority is not wielded by pupils; there should be no beating of
boys by boys and no personal fagging. (234, 235, 238)

IV. Subsidies for private education

19. By a majority we recommend that action should be taken to terminate the
fiscal and similar reliefs of schools which are charities but which do not
serve a truly charitable purpose. (366)

20. We suggest that Parliament should consider whether action should be taken
to change fiscal policies which enable school fees to be paid otherwise than
from parents’ income. (375)

V. Boarding Need

21. The only justification for public expenditure on boarding education
should be need for boarding, for either social or academic reasons. Social
grounds would include circumstances in which a child is seriously deprived of
reasonable possibilities of educational development because of the absence
of a home in this country or because of adverse home or family conditions.
Educational need may arise, whatever the home circumstances, if a child is
unable to obtain education suited to his or her needs within daily travelling
distance, or if the parents have to move home frequently in the nature of their
work. These criteria should be interpreted rigorously. (156)

22. Applying a rigorous interpretation of need, we estimate that 80,000
children will require boarding places in schools of all kinds by 1980 (in
England and Wales). We recommend that places for 45,000 of these pupils
should be sought in independent schools. An addition of 2,000 places for Scotland
would make a total of 47,000 assisted boarding pupils in independent schools.
(210, 224, 225)

23. 20,000 places are already taken up wholly or partly at public expense
in independent schools (out of a total of 138,000 boarding places, including
Scotland). Our proposal is that a further 27,000 pupils should be assisted,
and that all assisted pupils should attend schools approved for integration.
About 38,000 of the 47,000 pupils might be in secondary schools or departments
and about 9,000 in preparatory schools or departments. (224-226)

VI. Selection of assisted pupils

24. Guidance on boarding and placing policy should be given by the Boarding
Schools Corporation to regional consortia of local education authorities, which
(at any rate after the early stages) would handle the main volume of
applications for pupils resident in this country. (323)

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1 The Chancellor of the Exchequer, in his Budget speech on 19th March, 1968,
proposed measures affecting the taxation of minors’ income and tax relief
on certain kinds of insurance policy.
25. The Corporation would deal centrally with applications for sixth form colleges and academies (if any) and might also more conveniently receive applications from parents working overseas. (335, 336, 337)

26. The staffs of maintained schools and of welfare agencies should be encouraged to bring opportunities of boarding education to the notice of parents whose children might benefit from them. (321)

27. There should be no obligation upon parents to accept a place in a particular school, and alternatives should be suggested wherever possible. Similarly, heads of schools should not be obliged to accept a particular child, although this right should not be used as a means of preserving academic or social selection. (332, 333)

28. Places should be offered in schools as near as possible to pupils' homes. Where they are offered at a distance, it would be desirable for a group of children from the locality to go to the same schools. Flexible (i.e., weekly or other periodic) boarding arrangements should be encouraged. (327, 328)

29. Places in maintained and direct grant boarding schools should be regarded as the equivalent of places in independent schools; the aim is a boarding policy for all grant aided and integrated independent boarding schools. Local education authorities and governors of direct grant schools should be encouraged to take boarding places in their schools available to the Corporation and regional consortia. (329)

II. Assistance to parents

30. All assisted pupils, whatever their parents' means, should be entitled to free tuition equivalent to the average cost of education in maintained day schools. (377, 378, 379)

31. Parental contributions should be made (according to means) towards the remaining cost of an assisted place. (380, 381)

32. Although the full cost of each place would be paid to the school by the Corporation, a standard cost-adjusted separately for primary (or preparatory) and secondary schools—should be attributed to each assisted place, so that the charge to parents would not vary according to the school attended. (380)

33. We recommend a scale of contributions identical in the lower ranges of income to the present university awards scale, but graduated more steeply at income levels exceeding £2,000 a year. (393)

34. We estimate an average net annual cost to public funds for each assisted secondary place of £408 at 1966/67 cost figures. This includes essential extras, administrative costs, and an allowance for capital development and for special assistance to parents at the lowest income levels. The equivalent preparatory school cost is £323. (410)

Cost of integration

35. The take-up of 38,000 secondary and 9,000 preparatory places would cost £18.4 million annually. (412)

36. A modified scheme for the take-up of 32,000 places as an interim measure would cost £12.5 million annually. (435)

37. There would be offsetting savings of £6.4 million a year now paid by Government Departments and local education authorities for pupils assisted under present arrangements, making the net costs of the full and interim schemes £12 million and £6.1 million respectively. (423, 435)
There would be further savings to public funds, of £2 to £3 million a year, resulting from our recommendation 19 above, and further substantial savings if Parliament decided to take action in the light of recommendation 20. (421)

If the modified scheme were adopted as an interim measure, it should take the form of full integration of a smaller number of schools - not partial integration of a large number. (426)

Assistance from public funds for pupils (other than handicapped pupils) attending independent schools should, after a date to be decided, be restricted to those attending schools accepted for integration. (417, 475)

The cost of assisted places (subject to parental contributions) should be met by local education authorities on a pooled basis. A variant of normal pooling would be to distribute the cost among authorities in such a way as to adjust their contribution in proportion to the number of pupils in their area not receiving education at the authority's expense. (442, 443)

The pooled expenditure should qualify for grant from the Exchequer, taking into account (in addition to normal rate support grant) any savings accruing to the Exchequer at 37 and 38 above. (441)

Future capital development at integrated schools should be subject to approval by the Boarding Schools Corporation, and should where necessary be met from loans amortised through fees income (the cost thus being borne by fee-paying and assisted pupils alike). (451, 452)

The Corporation should have the power to approve the level of fees to be charged at any integrating independent school, and a reserve power to approve the fees at other independent boarding schools in certain circumstances. (448-450)

In areas where there is a shortage of boarding places which the integrated independent sector can only partially relieve, there should be provision for more maintained boarding schools, to be provided by local education authorities on a basis which would enable the capital cost to be amortised through fees and thereby pooled. (457, 458)

There should be an Education Act enabling an integrated sector to develop under the guidance of a Boarding Schools Corporation. The Corporation should have assurance of funds to facilitate forward planning. (463, 470)

Schools should be invited to submit development plans as a basis for negotiation; but no school would have a prescriptive right to be accepted for integration. (465)

The Secretary of State should have the power in the last resort to compel a school to enter into a scheme of integration if all efforts at negotiation and persuasion should fail, and if a school's refusal to enter the scheme would prejudice a successful integration policy. (478)

There should be provision for schools and parents to appeal against decisions of the Corporation or regional consortia. (480)

1 See footnote to recommendation 20 above.
I. Scotland and Wales

50. We recognise that a scheme of integration appropriate to England and Wales may not be applicable to Scotland: a different kind of scheme would be acceptable provided it opened opportunities of boarding education to pupils who required it. (511)

51. We also accept that Wales, although subject to the same educational legislation and financial arrangements as England, has special problems which may call for different solutions. (527)

II. Unrecognised schools

52. We endorse the Secretary of State's decision to require all independent schools with boarding pupils to reach an efficient standard. (537)
C(68) 87

NOTE:

The attached paper is circulated only to members of the Cabinet and the Chief Whip for their personal use.
Cabinet

House of Lords Reform

Memorandum by the Lord Chancellor

Introduction

The Ministerial Committee on the House of Lords was invited to consider what proposals the Government might put forward for the reform of the House of Lords in the light of the rejection by the Lords of the Southern Rhodesia (United Nations Sanctions) Order, 1968 on 18th June (CC(68) 31st Conclusions, Minute 2, (Confidential Annex)). At that time the Inter-Party Conference had reached almost complete agreement on a scheme for the reform of the House of Lords which would have included both its powers and its composition. The scheme was on the lines of the proposals set out in my memorandum of 28th January "House of Lords Reform: Report of the Progress of the Inter-Party Talks" (C(68) 26) which the Cabinet endorsed on 1st February (CC(68) 11th Conclusions, Minute 3). The proposals had also been considered and endorsed by the Shadow Cabinet and by the leaders of the Liberal Party. At the time of the Lords' vote on the Rhodesia Order a draft White Paper had been prepared by the Working Sub-Committee of the Conference, and had been considered and approved by the Parliamentary Committee. It was expected that the Conference would have considered and approved the draft after one or two further meetings.

2. In the Cabinet discussion on 20th June it was decided that the Prime Minister should announce in the House of Commons that it was the intention of the Government to give effect to their intention to reform the House of Lords by introducing, at an early date, radical and comprehensive legislation on the lines which it judged appropriate. It was further agreed that the Inter-Party consultations could not continue in the present circumstances, but it was left open whether they should be resumed. The Prime Minister made the statement the same afternoon.
We have thought it unnecessary to examine three courses of action which we consider to be outside our terms of reference. The first is the abolition of the House of Lords, which was the subject of a Ten-Minute Rule Bill which Mr. William Hamilton, MP, attempted to introduce on 26th June and which obtained 132 Labour votes when the motion for its introduction was lost in the House of Commons by a vote of 223 to 132. The reasons which may be advanced against such a course of action are set out in paragraph 5 of the draft White Paper (reproduced in Annex B), and the Prime Minister also stated, in a reply to a Supplementary Question on 20th June, that it was not the policy of the Labour Party. The second course would be to revert to the earlier proposal of reforming only the powers of the House of Lords and of leaving its composition unchanged. The Ministerial Committee recommended last year, after long consideration, that there was no satisfactory way of dealing with the Lords' powers in isolation, and the Committee advised that if the Lords' powers only could be dealt with, no proposals for change should be introduced in the present Parliament (C(67) 145). The Cabinet accepted the Committee's recommendation on 7th September 1967 (CC(67) Conclusions, Minute 5). Recent events have, in our view, done nothing to diminish the strength of the arguments then deployed.

We have also rejected the possibility of doing nothing. By doing nothing we should be failing to implement the pledge in our election manifesto, and such a course would conflict with the statement in The Queen's Speech and with the Prime Minister's statement on 20th June. It would also be exceptionally dangerous, in present circumstances, not to take steps to protect our legislative programme from interference by the House of Lords in the final session of the Parliament.

Two courses of action therefore seemed to be open to us and within our terms of reference:

(a) to introduce unilaterally a radical scheme for the reform of the House of Lords, on lines quite other than those proposed in the 'agreed reform', which would meet the views of some of our supporters in the House of Commons;

(b) to introduce unilaterally a scheme similar to the agreed proposals but varied in detail in order to make them more acceptable to the Labour Party.
6. A new radical scheme might be thought likely to unite the Labour Party by provoking a clear cut fight between left and right, both in Parliament and in the country. There would be several possibilities, none free from difficulty, but any of which the Ministerial Committee would consider in detail if so directed. One would be some kind of elected second chamber, but this would be likely to result in rivalry between the two Houses and might therefore be thought to be unattractive. Another would be to base the membership of the second House on a form of regional representation, but it would be impossible to proceed with such a proposal until the reports of the Royal Commissions on Local Government of England and Scotland have been published and implemented; this would rule out the introduction of legislation at the early date indicated in the Prime Minister's statement. The Conference rejected both these possibilities for the reasons which are set out fully in paragraphs 9 and 10 of the draft White Paper.

A third possibility would be to base the composition of the second House not on the peerage but on membership of the Privy Council; this would provide a freehold to ensure the independence of the members of the reformed House and might seem to members of the Labour Party to be a less unattractive basis for the reformed House than the peerage. There would, however, be practical difficulties in basing the composition of a reformed House on membership of the Privy Council, since it contains perhaps an even higher proportion of the elderly and inactive members than does the House of Lords and many of the most active members of the House would not, under present arrangements, be considered suitable for membership of the Privy Council. Any such scheme would, however, remove the hereditary principle from Parliament at once and for ever.

7. Before we embark on the examination of the merits of these more radical suggestions in detail, however, we should consider the price which we should have to pay for them. Since a virtually agreed plan for reform now exists, the Conservative Party in both Houses would be bound to resist strongly any Government decision to proceed unilaterally particularly since, although we have a mandate to reform the powers of the House of Lords, we have none to reform its composition. They would certainly oblige us to apply the provisions of the Parliament Acts 1911 and 1949. To do this would inevitably cause a major disturbance in our legislative programme. We give in the Annex an account of the ways in which a House of Lords Reform Bill might be passed by making use of the Parliament Act procedure, from which it will be seen that in no circumstances could a House of Lords Reform Bill
be passed into law before December 1969. It would probably be necessary
to reorganise the final sessions of the Parliament so as to hold a short
extra session of some 6-8 weeks in October-November 1969; and it would
certainly be necessary to shorten considerably the main session of 1969-70.
We must also recognise that the whole of our programme for the next
18 months would be at risk in the House of Lords since the Conservative
majority would no longer have any incentive to co-operate with the
Government in the passage of its legislation. In the present state of
party representation in the House of Lords, the Government is wholly
dependent upon the co-operation of the Opposition for achieving its
legislative programme. At present this co-operation is forthcoming
because the Lords know that they exist on sufferance, and also because
they normally respect a working convention which allows a government of the
left to govern in normal circumstances and while it is not to the advantage
of the Conservative majority to force a general election. It is
impossible to say exactly how great a disturbance of the present good
working relations with the Opposition in the Lords would flow from an
try to deal unilaterally with the powers and composition of the House,
but it is highly probable that the Government's programme of legislation
in the next 18 months would suffer. It is also highly probable that we
could not begin the final session of this Parliament until January 1970
which might prevent us from holding a general election in the autumn of
1970. It is indeed possible that the Lords would refuse to pass essential
legislation and that the Government might then find itself forced to hold
a general election in circumstances which might not be favourable to
ourselves.

Variations in detail from the Scheme prepared by the Conference
8. If a radical new solution is thought to be impracticable, an alternative
would be to take the present scheme as it now stands and to vary it in ways
which would enable it to win greater support from our own supporters in
the Labour Party. Obvious possibilities would be to reduce the Lords' powers, for example by reducing the period of delay after disagreement
between the Houses from six months to three, or by substituting a 'period
for consideration'; or to remove at once the rump of hereditary Peers
(instead of allowing existing Peers by succession to retain speaking rights
in the reformed House for life). Another possibility would be that only
those hereditary Peers who are Privy Counsellors should be given the
opportunity of a life Peerage at the time of the reform although this
suggestion was considered and rejected by Ministers in July 1967.
9. All these could be further considered; but there would nevertheless be serious disadvantages in making changes of any kind in the agreed proposals. The details of the proposed 'package' are known to a considerable number of people, including both the Cabinet and the Shadow Cabinet. Already some of the proposals have been 'leaked' and we must face the fact that more details will inevitably become public knowledge. The result must be that any significant variations made to the proposals in the draft White Paper would be recognised as such, and the Conservative Party would therefore be bound to resist them. This means in effect that no worthwhile variations on the scheme in the draft White Paper could be agreed, either tacitly or openly, and any significant changes would have to be fought through, making use of the Parliament Act procedure and with all the disadvantages outlined in paragraph 7 above. An agreed plan with minor changes, imposed unilaterally, would therefore seem to offer no advantage: it would not only kill all prospect of agreement but it would also stimulate the extremists both in the Labour Party and in the Conservative Party to oppose the proposals. In these circumstances it is in our view doubtful whether a Bill could be carried into law. We therefore believe that detailed variations from the agreed scheme would give us the worst of all worlds.

10. A general argument which applies to any decision to legislate unilaterally is that the Conservatives would be likely to introduce their own unilateral legislation if returned to office. The result might be that their scheme, unlike the scheme agreed by the Inter-Party Conference, would be damaging to the long-term interests of the Labour Party: it might, for example, leave the House with much greater powers, especially on subordinate legislation, which if linked with the agreed proposals on composition would be extremely difficult for a future Labour government to reduce.

Conclusions

11. It will be seen that both a radical scheme and variations in detail from the present scheme would present considerable difficulty, although we should prefer the former if a choice had to be made. The alternative is to take the present scheme as it stands and to proceed with the preparation of legislation based upon it which would then be ready for introduction in the autumn. In the meantime we could keep the Opposition guessing as to our intentions and thus hope to hold the Lords on good behaviour. At an opportune moment towards the end of the Session, we would decide whether tactically it would be better to present the Bill as our own scheme or whether to resume talks with the Opposition, with a view to the publication of an agreed White Paper and the subsequent introduction of an agreed Bill.
12. We therefore invite our colleagues to consider whether we should
(a) start work on the preparation of a new radical scheme; or
(b) proceed with the preparation of a Bill on the basis of the agreed
proposals, and reserve until the autumn the decision whether
to proceed unilaterally or to resume discussions with the
Opposition.

The majority of the Committee preferred the second of these alternatives.

G.

House of Lords, S.W.1.

16th July 1963
The Implications for the Legislative Programme of applying the Parliament Act Procedure to a Bill to reform the House of Lords

The present Parliament Act procedure involves the passing of the same Bill by the Commons in two successive sessions; a minimum interval of twelve months between the date of its second reading in the House of Commons in the first session and its passing by the Commons in the second session; and a period of one month for consideration by the Lords in each session. If it were decided to force through a unilateral measure to reform the House of Lords by making use of this procedure, two courses would be open. The first would be to prolong the current session for such period as was necessary both to enable the Bill to pass through all its stages in the Commons and to enable it to be rejected by the Lords: this would mean that the next session could not start before January 1969 at the earliest. The alternative would be to introduce the Bill for the first time next session, which would then start as planned. In either case the Government would face a major dislocation of its legislative plans.

2. Whichever course was adopted, there would be little difference in the date at which Royal Assent could be secured. Introduction next session would probably lead to Royal Assent in December 1969; introduction this session could not advance this date by more than a few weeks.

3. If it were decided to introduce the Bill for the first time during the current session, the timetable would depend on how soon the Bill could be made ready. In theory, time might be saved by recalling the House of Commons in September for long enough to enable the Bill to receive a Second Reading; but it would be wholly unrealistic to assume that any new proposals could be worked out and a Bill drafted in so short a time. If the Bill were introduced in mid-October it would hardly be possible - unless the Lords co-operated by rejecting it on Second Reading - to bring the session to an end before late January. Later introduction would involve protracting the session still further.
4. The legislative programme approved by the Cabinet for 1968-69, including Bills on Tourism but not Industrial Relations, is estimated to require 55 parliamentary days; this is about the average time which has been available for Government legislation in recent years, assuming normal recesses and no autumn 'spill-over'. If the new session were not opened until the beginning of February, something like 20 days otherwise available for legislation would be lost; Bills could not enter on their Committee Stage before the beginning of March. Some time would be gained by having an autumn 'spill-over' (see below), and the Whitsun Recess might be cut, but this could not make good the loss of time at the beginning of the session; cuts in the programme would be necessary, particularly in the case of longer Bills. In particular, so late a start to the session would make it very difficult to pass the Representation of the People Bill in time for the general election to be held on the basis of the new-style register; and there might be complications in the grant of Winter and Spring Supply. The Government would also be at risk of having its other legislation rejected by the Lords, although the Bills planned for the 1968-69 session are not for the most part likely to prove acutely controversial politically.

5. On the assumption that the Bill to reform the House of Lords obtained a Second Reading in the Commons in late October this year it would be necessary to extend the following session until almost the end of November 1969 to meet the requirements of the Parliament Act. The 1969-70 session would then be correspondingly shortened.

6. If the new session were opened as planned and the Bill were introduced at the beginning of November there would be no loss of parliamentary time during the 1968-69 session. The risk that the Government's other legislation would be rejected by the Lords would however remain.

7. Since Parliament Act procedure requires a minimum interval of twelve months between the date of the Second Reading of the Bill in the House of Commons in the first session and its passing by the Commons in the second session, the latter could not therefore take place before mid-November 1969, which would point to the session being opened in October. This in itself would not disturb the legislative programme;
But difficulty arises from the fact that it would probably be necessary to prorogue Parliament in December 1969. If the Lords decided not to reject the Bill, but simply to play for time, bringing the session to an end might be the only way of establishing that they had not passed the Bill and so making the Parliament Act bite. It would in any case be extremely awkward to bring into effect a major change in the composition of one House of Parliament during the course of a session.

8. If the opening of what would otherwise have been the 1969-70 session had to be delayed until January 1970, there would be serious consequences for the legislative programme for that session. Nearly one-third of the days which would ordinarily have been available for legislation would have been lost, and reliance could not be placed on the extension of the session into the autumn without compromising the Government's freedom of manoeuvre in relation to an autumn general election. Long Bills, such as the Ports, Merchant Shipping and Industrial Relations Bills, would be particularly at risk.
It was announced in the Queen's Speech at the opening of Parliament on 31st October 1967 that:

"Legislation will be introduced to reduce the powers of the House of Lords and to eliminate its present hereditary basis, thereby enabling it to develop within the framework of a modern Parliamentary system. My Government are prepared to enter into consultations appropriate to a constitutional change of such importance."

In the debate on the Address, the Prime Minister said that in the Government's view the reform of the House of Lords was a matter of such constitutional importance that discussions should be opened with the other political parties in both Houses in the hope that a broad measure of agreement could be reached on the means of giving effect to the principles laid down in the Queen's Speech. The Leader of the Opposition, Mr Edward Heath, and the Leader of the Liberal party, Mr Jeremy Thorpe, accepted this proposal.

A Conference of representatives of the three main parties was therefore convened to consider the reform of the House of Lords. Those who took part were:

**Government**

- Rt Hon. The Lord Gardiner (who acted as chairman) 1
- Rt Hon. Roy Jenkins M.P. (until November 1967) 2
- Rt Hon. Richard Crossman O.B.E., M.P. 3
- Rt Hon. James Callaghan M.P. (from November 1967) 2
- Rt Hon. Fred Peart M.P. (from April 1968) 4
- Rt Hon. The Lord Shackleton O.B.E. 5
- Rt Hon. John Silkin M.P. (from January 1968) 6
- Rt Hon. The Earl of Longford (until January 1968) 7

**Conservatives**

- Rt Hon. Reginald Maudling M.P.
- Rt Hon. Iain Macleod M.P.
- Rt Hon. The Lord Carrington K.C.M.G., M.C.
- Rt Hon. The Earl Jellicoe B.S.O., M.C.

**Liberals**

- Rt Hon. Jeremy Thorpe M.P.
- The Lord Byers O.B.E.

The Prime Minister and Mr Heath also attended the first 6 and last 7 meeting of the Conference.

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1 Lord Chancellor
2 Home Secretary during the period for which he took part
3 Lord President of the Council, and Leader of the House of Commons until April 1968
4 Lord Privy Seal and Leader of the House of Commons from April 1968
5 Minister without Portfolio, Lord Privy Seal and there after Paymaster General. Leader of the House of Lords from January 1968
6 Parliamentary Secretary, Treasury (Government Chief Whip in the House of Commons)
7 Lord Privy Seal and Leader of the House of Lords until January 1968
The Conference has reached agreement on the composition and powers which it considers would be appropriate to a reformed House of Lords and its recommendations, proposals and the reasons for them are set out in the attached report. It has not however been able to agree on the date at which this reform should come into effect for the reasons given in paragraphs 72-74 of the report. The Government agrees with the proposal of the Conference that its recommendations should now be fully discussed by both Houses of Parliament; subject to these discussions it would be ready to introduce legislation to implement the recommendations of the Conference in the next session.
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THE REFORM OF THE HOUSE OF LORDS

I - THE BACKGROUND TO THE REFORM

Introduction

1. The task of the Conference was to consider and make recommendations on the reform of the composition and powers of the House of Lords, following the announcement of the Government's intention to introduce such a reform in the Queen's Speech at the opening of Parliament on 31st October 1967.

2. We held our first meeting on 6th November 1967, and met subsequently on 35 occasions. We were assisted by a Working Sub-Committee consisting of Lord Shackleton, Lord Jellicoe and Lord Byers who met on 35 occasions. They commissioned a number of statistical and other studies, gave preliminary consideration to the problems which presented themselves and prepared many of the papers on which our eventual conclusions were based. Originally it seemed possible that we might complete our work within two or three months and so allow time for any legislation to be introduced within the present session; but when it became clear that we might reach agreement on a comprehensive and far-reaching scheme of reform, we thought it important to prepare our proposals in the degree of detail which a reform of such magnitude requires. For these reasons it has taken us some eight months to complete our work.

3. We have thought it right to consider all aspects of the composition and powers of the House of Lords which bear on its functions as the second chamber of Parliament, and in particular on its role as a debating and legislative chamber. We have agreed to the scheme for the reform of the House of Lords which is set out in the following paragraphs of this paper. Part I (paragraphs 4 to 37) deals in general terms with the historical, constitutional and political background to our proposals; Part II (paragraphs 38 to 75) describes our proposals in detail. We recommend that our proposals should now be fully discussed by both Houses of Parliament.
As soon as we started work, it became clear that the extent of the agreement on the central issues was a great deal wider than many had expected. In particular—although we naturally approached the problem from different points of view—we found we were unanimous in believing that:

(a) in the framework of a modern parliamentary system the second chamber has an essential role to play, complementary to, but not rivalling, that of the Commons. The objective of the reform should therefore be to ensure the more efficient working of Parliament as a whole. Once the reform has been completed the functions of the House of Lords should expand as the work of the two Houses becomes more closely co-ordinated and integrated;

(b) a change of such constitutional magnitude and of such importance to Parliament and to the country as a whole should, if possible, be brought about not by majority decision but by inter-party agreement.

5. We were unanimous in our support for reforming the second chamber, but we were aware that single-chamber government has its staunch supporters. As a preliminary, it was therefore necessary to examine the case for abolishing the House of Lords, or alternatively for stripping it so radically of its powers and functions that the House of Commons would become in effect the sole organ of parliamentary government. We observed in the first place that a move towards single-chamber government would be contrary to the practice of every other parliamentary democracy which has to legislate for a large population. Indeed the case for two-chamber government has been strengthened since the end of the Second World War by the growth in the volume and complexity of legislation, as well as by the increase in the activity and power of the Executive and in its use of subordinate legislation. To abolish the House of Lords would in effect strengthen the
Executive at the expense of Parliament and ultimately of the individual. Moreover, in terms of this country's experience, abolition of the House of Lords would subject the House of Commons to severe strain, and paradoxically might result in less procedural flexibility and speed because of the need to safeguard against the overhasty passage of legislation.

6. Apart from providing the supreme court of appeal, the House of Lords performs the following main functions:

(a) the provision of a forum for full and free debate on matters of public interest;
(b) the revision of public bills brought from the House of Commons;
(c) the initiation of public legislation, including in particular those government bills which are less controversial in party political terms and private members' bills;
(d) the consideration of delegated legislation;
(e) the scrutiny of the activities of the Executive; and
(f) the scrutiny of private legislation.

In each of these areas, except the last, the volume of work performed by the House of Lords has been increasing in recent years, and the desirability of closer co-operation with the House of Commons is becoming more widely recognised. In all these areas the House of Lords makes a valuable contribution and its present composition, particularly with the growth in the number of life peers, provides a means of bringing into Parliament increasing numbers of people of wide experience and specialist knowledge. Many of these would not wish to serve in the House of Commons because of their personal inclinations or the nature of their work. In a period therefore when the House of Commons is finding it increasingly difficult to cope with the detailed scrutiny and control which modern legislation imposes upon it, we think it would be foolish to impose upon it the very large additional obligations which abolition of the House of Lords would entail. In fact part of our objective in ensuring the more efficient working of Parliament as a whole must be to relieve the House of Commons of some of its detailed responsibilities.
7. If abolition of the House of Lords is rejected, the possibility of leaving its composition unchanged but still further reducing its powers had also to be considered. To leave its composition unchanged while removing most of its remaining powers of delay would transform the upper House simply into a debating chamber, but if it had no worthwhile function to perform, distinguished men and women would be reluctant to become members. The distinctive contribution which the upper House has increasingly been making to parliamentary activity would then be lost. So far from strengthening the Commons, an attempt to emasculate the Lords would impose burdens upon the Commons which would be difficult for them to sustain.

8. There remained one further alternative to reform of the House of Lords: that there should be no change either in its composition or in its powers. We could not accept this alternative because we do not believe that an unreformed House of Lords is compatible with our objective of ensuring the more efficient working of Parliament as a whole. We are convinced that there is a general public demand that our parliamentary institutions should be made more effective, and that the reform of the House of Lords is an essential part of this process. We also believe that the character of a parliamentary institution should be such that its relationship with a government of one political persuasion is no different from its relationship with a government of another. To make no change at all would be to preserve an inbuilt majority for one major party, and under modern conditions this has the paradoxical result that while the House of Lords normally offers small check on a government of the right, the threat to a government of the left is such that it cannot easily be brought into play without the risk of involving both Houses in a constitutional crisis. Although the House has become increasingly effective in recent years, no second chamber can be fully effective in such circumstances and, at a time when the demands on Parliament are increasing, we do not believe that it would any longer be respectable to leave the House in a state which prevents
it from making the fullest contribution of which it is capable.

Possible Schemes of Reform

9. For these reasons we were convinced that there is no sensible alternative to reforming the House of Lords. We therefore examined a number of well-known proposals which have been made at various times. The first group of proposals relies on the principle that a modern second chamber should derive its authority from the popular vote. One suggestion has been to introduce direct election by the electorate which chooses the Commons. An obvious method of making this change would be to follow the example of Norway where some of the members elected in a general election go to the lower house and the remainder to the upper house. There are strong arguments of logic for this suggestion: it seems both radical and rational since it would make clear the source of the political authority of the upper House, and it would successfully eliminate an inbuilt permanent majority for any one party. Alternatively, the upper House could be elected indirectly, or by larger and different constituencies and for longer periods than the House of Commons. Whether or not a House of Lords reformed in this way became a senior and influential chamber, like the Senate of the United States of America, would largely depend upon the system by which its members were elected and upon the powers it possessed; but whatever the system of election and whatever its powers, a directly elected second chamber must inevitably become a rival to the House of Commons. Since it too would possess a mandate from the people it might well be driven to make a claim for equal powers, and in particular to challenge the present control by the Commons of finance and supply. A directly elected second chamber fits well enough into a constitution based on a division of powers between two chambers (most often found in connection with a federal system of government) but it would violate the central principle of our present British parliamentary system by which it has been recognised, at least since the beginning of the nineteenth century, that the government stands or falls in the House of Commons.
10. The second possibility would be an upper house constituted on a regional basis: for example, indirectly elected or nominated by local authorities. But a House composed on this principle would still be open to the dangers resulting from the probability of rivalry between the Houses, although possibly not in such an acute form as if it were directly elected. We certainly think it essential to include in the reformed House members both from Scotland, Wales and Northern Ireland, and from the regions of England, but we do not think that it would be possible or practicable at this stage to respond to the current demand for national or regional government by seeking to establish a reformed second chamber on a regional basis. There do not at present exist the national or regional institutions which could provide the machinery for selection for such a chamber, and it is difficult to see how the selection could be made through the existing system of local government. Local government elections take place at different times from general elections, and a government with a majority in the House of Commons could well find itself in a minority in the House of Lords. Many believe that a radical reconstruction of local government is in any event long overdue, and two Royal Commissions are subjecting the present system to detailed and comprehensive inquiry. It is relevant that in countries where there is an effective upper house based on some form of regional or local representation - for example, in the United States of America or in Australia - it is usually part of a federal system of government such as does not exist in this country. Finally, a chamber which was based on any form of regional representation would inevitably alter the relationship between members of Parliament and their constituents.

11. Having rejected both elections, either direct or indirect, and a House based on regional representation, we turned to proposals for improving the present system of nomination. One suggestion was that the reformed House should consist solely of peers nominated for the life of one parliament. The party membership of the House of Lords in each parliament would then be arranged broadly to reflect the balance of parties in the lower House. The main attraction of this proposal is that without recourse
to elections it would remove the inbuilt majority for a single party which is one of the acknowledged defects of the present chamber and would replace it by an assured majority for the government of the day; this attraction, however, is more than outweighed by the reduction in the independence of the individual peer and of the House as a whole which the change would inevitably bring with it. A House composed in this way would in effect reproduce the composition of the House of Commons and repeat its opinions and decisions; it would therefore be incapable of carrying out effectively the complementary functions which we all wish the reformed second chamber to perform. Further, if members of the House of Lords were appointed afresh after each general election, powers of patronage would inevitably be greatly increased since in order to be re-selected a peer would have to remain acceptable to the party managers. Our consideration of this proposal in fact strengthened our view that the 'freehold' which a peer enjoys under the present system must be preserved in a reformed House. We return to this point in paragraph 29 below.

Characteristics of the House of Lords

12. Having considered and rejected all these proposals for what would have been virtually a new upper chamber, we came to the conclusion that the present needs of Parliament require not a revolutionary but an evolutionary reform of the House of Lords. In the last 15 years, both the effective size of the working House and the character of its activities have been changing rapidly. In particular, the introduction of life peerages under the Life Peerages Act 1958 resulted in a marked increase in the vigour and effectiveness of the House, especially as a forum for debate and as a scrutinising and revising chamber, and attendance figures are more than double those of 15 years ago. The Act also allowed the attendance of women in the House and their presence is now welcomed and their contribution to debate is valued. The House of Lords has the advantage of greater procedural flexibility than is possible in the House of Commons; and since it needs to spend less time on ephemeral political questions, and has little or no responsibility in matters of finance or supply, it can find more time for
debates on subjects of public concern, many of which are not matters of party or political dispute. It is particularly well equipped to consider specialist or technical legislation, for example, matters of law reform, and in recent years it has been notable as the starting place for a number of controversial private members' bills involving difficult and important moral issues. On the other hand the development of these qualities has also tended to emphasise those features of its composition which are inappropriate to modern conditions. We therefore agreed that our aim must be to remove these anachronistic features while retaining the very real virtues which the second chamber has developed, especially in recent years. In considering how this could be achieved we felt it wise to remind ourselves of previous attempts at reform in recent years and to consider the causes of their failure.

Previous attempts at reform

The movement to restrict the powers of the House of Lords grew in intensity in the late nineteenth century from a combination of circumstances connected with the increasingly popular character of the House of Commons: the progress towards universal suffrage, the widening differences between the political parties, and the development of the party machines. At the same time, the House of Lords became more and more a House of one party. The process culminated in the Lords' attacks on the radical legislation of the liberal Government elected in 1906, notably Lloyd George's Budget of 1909. A bill was therefore introduced to limit the power of the Lords to frustrate decisions of the Commons - a power which had hitherto been unrestricted except to the extent that it was limited by the Commons' financial privilege. Before this bill finally became law in 1911, the party leaders attempted to reach an agreement but they failed amidst the violent controversies over Irish Home Rule and other issues.

The Parliament Act 1911 in effect removed the Lords' power to reject money bills and provided that an ordinary public bill could become law
despite the Lords' opposition if passed by the Commons in three successive sessions, with not less than two years elapsing between second reading in the House of Commons in the first session and the final passing of the bill in the House of Commons in the third session. The Act thus gave a government the ability to carry through against the Lords' opposition any legislation introduced in the first two sessions of a five-year parliament. Nevertheless, the Lords were left with real powers of delay, which were promptly used on the Welsh Church Bill and on the Government of Ireland Bill: the new Parliament Act procedure was applied to both before they were eventually enacted in 1914.

15. These arrangements were however meant as a temporary expedient: as the preamble to the Parliament Act 1911 makes clear, it was thought that a thorough reform of the House of Lords would take place before long. The preamble states:

"and whereas it is intended to substitute for the House of Lords as it at present exists a second chamber constituted on a popular instead of hereditary basis, but such substitution cannot immediately be brought into operation..."

After 1911, however, continuing political troubles and the First World War prevented further action until the Conference appointed under the chairmanship of Lord Bryce in 1917, whose Report (Cd 9038) proposed a house three-quarters of whose members would consist of persons indirectly elected by members of the House of Commons on a regional basis, and one quarter of persons chosen by a joint standing committee of both Houses, with certain proportions of hereditary peers and bishops. The scheme made no progress because of the dissent of some members of the Conference and the political circumstances at the time.

(1) Its terms of reference were "To inquire and report - (i) as to the nature and limitations of the legislative powers to be exercised by a reformed Second Chamber, (ii) as to the best mode of adjusting differences between the two Houses of Parliament, (iii) as to the changes which are desirable in order that the Second Chamber may in future be so constituted as to exercise fairly the functions appropriate to a Second Chamber."
Between the two World Wars, a series of further proposals was made for the wholesale reconstruction of the House but nothing came of them. In its election manifesto of 1945 the Labour party pledged itself not to permit its legislative programme to be obstructed by the House of Lords, and in 1947 the Labour Government brought forward a Parliament Bill. This Bill proposed a reduction in the number of sessions' delay from three to two and in the period of delay from second reading in the House of Commons from two years to one. The Bill was first passed by the Commons at the end of 1947. The second reading debate in the House of Lords was adjourned so that the proposals in the Bill could be considered at a conference of party leaders. At this conference the Labour representatives were prepared to agree to a period of delay of nine months from the third reading of a bill in the House of Commons as an alternative to the period proposed in the Bill; the Liberal party's representatives concurred, but those of the Conservative party felt unable to agree to a period of delay of less than one year from third reading on the first occasion in the House of Commons. The Labour party's representatives rejected this alternative on the ground that it could prevent the enactment of controversial legislation introduced in the fourth session of a parliament. No agreement was therefore reached and the Parliament Bill was eventually enacted in 1949 under the provisions of the Parliament Act 1911.

Although the Conference of 1948 reached no agreement on powers, it made substantial progress towards finding a basis for agreement on the composition of a reformed House. This is shown in the agreed statement published as a White Paper (Cd 7380) after the breakdown of discussions. Paragraph 5 states that if agreement could have been reached generally, further consideration would have been given to reform of composition on the following basis:

(a) The second chamber should be complementary to and not a rival to the lower House, and, with this end in view, the reform of the House of Lords should be based on a modification of its existing constitution as opposed to the establishment of a second chamber of a completely new type based on some system of election.
(b) The revised constitution of the House of Lords should be such as to secure as far as practicable that a permanent majority is not assured for any one political party.

(c) The present right to attend and vote based solely on heredity should not by itself constitute a qualification for admission to a reformed second chamber.

(d) Members of the second chamber should be styled 'Lords of Parliament' and would be appointed on grounds of personal distinction or public service. They might be drawn either from hereditary peers, or from commoners who would be created life peers.

(e) Women should be capable of being appointed Lords of Parliament in like manner as men.

(f) Provision should be made for the inclusion in the second chamber of certain descendants of the Sovereign, certain lords spiritual and the law lords.

(g) In order that persons without private means should not be excluded, some remuneration would be payable to members of the second chamber.

(h) Peers who were not Lords of Parliament should be entitled to stand for election to the House of Commons, and also to vote at elections in the same manner as other citizens.

(i) Some provision should be made for the disqualification of a member of the second chamber who neglects, or becomes no longer able or fitted, to perform his duties as such.

18. It will be noted that the changes of the last 15 years - in particular the introduction of life peers, the payment of expenses, and the presence of women - have all been in accordance with the above statement of principles which in our view correctly signposted the path of evolutionary reform. The fact that so large a measure of agreement had become possible illustrates the remarkable extent to which the temper of controversy about House of Lords reform had moderated between 1911 and 1948. The process has continued even more swiftly since 1948, and all our discussions showed that, however
violently the nation may be divided on other problems, in the sphere of parliamentary reform a political climate has developed in which there is a real opportunity for achieving the reform of the second chamber on the basis of agreement.

The present House of Lords - Composition

Following this short account of some of the previous attempts at reform, it may be convenient to examine the main characteristics of the House of Lords as it is today and particularly those which prevent it from developing its full utility as a chamber complementary to the House of Commons.

In May 1968 the House consisted of:

(a) 742 hereditary peers by succession
(b) 123 hereditary peers of first creation
(c) 144 life peers (1)
(d) 21 serving or retired law lords (2)
(e) 26 bishops (3)

Total 1,056

In this paper, we describe peers who sit by right of succession to a hereditary title as peers by succession; all other members of the House - i.e. categories (b)-(c) above, - we describe as nominated peers.

(1) Created under the Life Peerages Act 1958
(2) Created peers for life under the Appellate Jurisdiction Acts 1876-1947
(3) Consisting of the two archbishops, and 24 senior diocesan bishops of the established church in England who leave the House on retirement from their sees. Bishops are not, strictly speaking, peers but are lords spiritual and lords of Parliament.
21. The membership of the House of Lords has increased sharply since 1900 (when it was 590) because frequent new creations have been made and because until the introduction of life peerages in 1958 all new members of the House (except Lords of Appeal in Ordinary and bishops) were created hereditary peers. This led to a steady increase both in the total size of the House and in the number of its inactive members, of whom there are now well over 300.

22. Of the 650-700 peers who ever attend the House, some 250 attend very rarely indeed; about 200 attend from time to time (generally in connection with debates or legislation which particularly interest them) and a further 230 or so attend at least one-third of the sittings and form the working House. Of the 270 or so nominated peers who attend the House about 60 attend very rarely indeed, about 65 attend from time to time and 146 are members of the working House. About 400 speak during a session of whom about 200 are nominated peers. Figures for voting are divided almost equally between nominated peers and peers by succession. The average daily attendance is at present about 225; this figure compares with 92 in 1955 and 140 in 1963.

23. There is a striking difference between the political composition of the whole House on the one hand, and of the working House on the other. Taking the House as a whole, including those peers who attend only occasionally, we find that about 350 peers take the Conservative whip, about 110 take the Labour whip, and about 45 take the Liberal whip. The remainder take no party whip. Of the 230 who attended regularly during the last complete session, about 105 took the Conservative whip, about 80 took the Labour whip, about 15 took the Liberal whip and about 30 took no party whip. Since those who take no party whip usually sit on the cross benches, they are commonly known as 'cross benchers'.

24. 'Cross benchers' are a particular feature of the House of Lords and include a wide range of individuals who for one reason or another prefer
to accept no party allegiance. We examined detailed records which show, that they speak and vote on issues as they see them and do not regularly adhere to one party. Many have full-time occupations outside the House and for this reason they tend to come infrequently until they retire; but after retirement many give a period of regular service to the House. Some of the most influential speeches by cross benchers have been made by those who come rarely. The records show that they do not act in any way as an organised group or possess a sense of corporate identity.

The present House of Lords – Powers

25. The House of Lords has the same right to initiate and to delay or revise legislation as the House of Commons (subject to the Commons' financial privilege), except that under the Parliament Acts of 1911 and 1949 it cannot delay a money bill for longer than one month and for other public bills, apart from a bill to prolong the life of a parliament, the delay is only for a limited period. The essential feature is that a period of one year must elapse between second reading in the House of Commons in the first session and third reading in the House of Commons in the next. In practice this provision means that a bill to which the Lords are opposed can never be passed in less than 13 months from the original second reading of the bill in the House of Commons and in some circumstances the period could well be substantially longer. The effective delay which the House of Lords can cause is however much less than this, since the period of 13 months includes the time needed for the bill to pass through all its stages in the House of Commons after second reading and also the time which the House of Lords takes to consider the bill up to the point of disagreement. Nevertheless, if a bill is not introduced until towards the end of a parliament, it may be lost altogether. Subordinate legislation, private bills

(1) The present list of nominated cross benchers includes many former servants of the Crown, - 7 diplomats, 4 civil servants, 8 servicemen, 3 colonial administrators - as well as 4 scientists, 5 doctors, 3 technologists, 4 dons, 2 press lords, 4 lawyers, 6 businessmen and industrialists, 2 farmers and 2 churchmen.
and bills to confirm provisional orders or which come within the scope of the Private Legislation Procedure (Scotland) Act 1936 are exempt from the limitations of the Parliament Acts.

26. Changes in the nature and methods of the legislative process have considerably increased the effective powers of the House of Lords despite the limitations imposed by the Parliament Acts in relation to public bills. Over a wide field, which tends to expand as the processes of legislation and of government become more complex, provisions supplementary to legislation are left to be made by subordinate legislation i.e. by Order in Council or departmental order or regulation. The enactments conferring these powers normally include provision for Parliament to supervise their use, the substance of which is either that an instrument made under the power may be annulled by resolution of either House or that such an instrument cannot come into force (or remain in force) unless approved by resolution of each House. Except in the fields of taxation and other financial matters, these provisions give parallel powers to both Houses. The Parliament Acts do not apply, and the House of Commons has no means of overriding a decision of the House of Lords which conflicts with its own. The result of the increase in the use of subordinate legislation is that the scope for the Lords to use their powers in order to override the Commons has in fact grown considerably since the passage of the Parliament Act 1911.

27. Whereas the formal powers of the House of Lords are considerable and have increased in scope with the larger use of subordinate legislation, in practice its final powers of delay over public legislation and of rejection of subordinate legislation have remained largely unused. They do however give the Lords considerable influence, which they use in amending bills brought to them in the course of the ordinary legislative process of scrutiny and revision. Governments are naturally more ready to accept amendments on matters which do not involve major party political controversy, and for this reason the Lords' influence has been felt most frequently on private members' bills and on those government bills which have been less controversial in party political terms. The Lords have nevertheless
made their influence felt on party political issues, by governments both of the right and of the left but their influence, and the threat of the use of their powers, have had a more important bearing on the major legislative proposals of governments of the left - for example, the delays forced upon the Labour Government on the Iron and Steel Bill, 1949. On subordinate legislation there have also been a few occasions when orders have not been proceeded with because of known opposition in the House of Lords. But the fact remains that since 1914 the only bill actually passed into law against the continuing opposition of the Lords was the Parliament Bill of 1947, and there has not been a single occasion since the Second World War when the Lords have rejected outright an item of subordinate legislation. The reason is clear: the composition of the House of Lords is such that it cannot persist in its opposition to a measure upon which the Commons are determined without the risk of provoking a constitutional crisis. Nevertheless, the possibility that the Lords might use their formal powers remains a political fact with which every non-Conservative government must reckon, particularly after its third year in office.

Principles of reform

28. In tackling the complex and inter-related problems of composition and powers we found it convenient to begin with composition. Considered exclusively in terms of a working House, the problem did not at first appear difficult. A possible solution would be to exclude peers by succession altogether, leaving a House with a total membership of 250-300 composed exclusively of nominated peers. At present there are 92 Labour, 76 Conservative, 13 Liberal and 89 cross bench nominees who attend the House (making a total of 270); but these figures conceal a difficulty which is that in working terms (i.e. those who attend one-third of the sittings) the figures are much more unequal - 76 Labour, 39 Conservative, 8 Liberal and 23 cross benchers (making a total of 146). A suitable number of new life peers would have to be made therefore in order to give the government of the day a majority and a reasonable distribution between the parties.
The understanding would be that under such a scheme each incoming Prime Minister would have the right to achieve a modest majority over the opposition parties by means of further new creations. This solution has the virtue of simplicity, but it became clear that it did not provide the basis for an agreed reform. Indeed, the more carefully we considered it the more each member of the Conference became convinced that such a solution would violate the principle of evolutionary change which we favour. In the first place it could not be denied that the effective working of the present House owes much to the active participation of a number of existing hereditary peers; and secondly, a number of the cross bench peers and others, whose experience and independence give the House one of its special qualities, would feel unable to remain members of a comparatively small whole-time House whose enlarged responsibilities would require regular attendance.

29. In rejecting this solution we became convinced that in our attempts to solve the problems of composition and powers we should try to achieve two main objectives. The first was that if a reformed House is to have the authority which an effective second chamber requires, it must preserve and indeed develop the quality of independence which is to be found among the present membership of the House. The second objective was that the government of the day, of whatever party it might be, should be able to make the fullest use of those qualities and opportunities which the reformed House would offer. The independence to be found in the House of Lords at present results from the participation of a considerable number of part-time members distinguished in many professions who can from time to time make contributions of high quality and also from the presence of a number of cross benchers who owe no allegiance to any party. Equally important is the 'freehold' to which we have referred in paragraph 11 above - the fact that a peer, having once become a peer, cannot be deprived of his seat in the House. This freehold enables all peers, including those belonging to the parties, to act with a real measure of independence.
We have ample evidence that they do this at present and we think it highly desirable that these characteristics should be preserved in any reformed House.

30. As for the use which the government of the day would make of a reformed House, we do not think that a government could be expected to take full advantage of the qualities and opportunities of a second chamber, nor to encourage the development of its functions, without a reasonable expectation that its measures would normally be passed without undue delay. For this reason any government should therefore have a majority of the party membership of the working House which would be sufficient for this purpose. These two objectives must inevitably conflict to some extent and we think it essential for any proposals for reform to attempt to reconcile them so far as possible.

31. In order to achieve these two objectives we found ourselves increasingly attracted to a two-tier approach to the question of composition - i.e. a scheme which would divide the future membership into two groups, voting peers and speaking peers. Voting peers would constitute the 'working House' in whom the effective power of decision would reside. In particular they would be responsible for the bulk of the work arising from the legislative functions of the House. These duties require regular attendance and would not be appropriate for those who can attend only occasionally. Voting peers would include every nominated peer who was prepared to accept, for the term of a parliament at a time, the responsibilities of regular attendance; in the first instance the number of nominated peers available to serve in the working House would be increased, to the extent necessary to create a viable House and to achieve political balance, by conferring life peerages on a number of active peers by succession. The government would have a majority of the party membership, but in order to preserve the measure of independence which we consider essential it would not have a majority of the working House as a whole when those without party allegiance were also taken into account. It follows that the
government's majority over the other parties would be small - perhaps ten per cent of the total of the opposition parties - and that it would not vary with the size of the government's majority in the House of Commons. An incoming government would achieve its majority by means of a suitable number of new creations or an increase in the size of the voting House would be avoided if the older voting members retired from the voting House at general elections under a retirement rule (they would remain in the House for life as speaking peers).

32. Speaking peers would consist of all the other members of the House of Lords at the time of the reform, including the existing peers by succession. From that date, all future accessions to the upper chamber would be by nomination to a peerage and not by succession. Instead of being eliminated at one stroke the hereditary element would thus disappear gradually. In this way it would be possible to retain in the House those distinguished men and women who could not attend regularly but would be able to make valuable contributions from time to time. They would include, for example, both experienced parliamentarians and others who would be too old to contribute regular attendance, and leading members of the professions, including scientists and technologists and also industrialists, businessmen and trade union leaders. Many of these would still be active in their careers outside the House and would therefore be unable to attend regularly, but when subjects were being debated of which they had special knowledge or in which they had a special interest, their advice would be of great value.

33. We believe that a two-tier chamber of this kind provides not only the essential method of transition from a largely hereditary to a wholly nominated House; equally important it maintains that blend of the active parliamentarian and the independent expert which gives the present House its particular distinction and character. We think it would otherwise be impossible to reconcile the two principles we have described in paragraph 29 above, or to achieve a second chamber which would at once be strong enough for the legislative and other functions we hope to place upon it, and yet offer scope for contributions of high quality from part-time members distinguished in other walks of life.
Having considered the composition of the reformed House, we turned to the functions and powers which a House with this reformed composition should possess. For the reasons we have stated in paragraphs 9 and 10 above we did not believe that in our unitary British parliamentary system it was necessary or desirable to redistribute political power between the two chambers and so underline the principle that the government stands or falls in the House of Commons. In exercising the six main functions listed in paragraph 6 above, the attributes of the reformed second chamber would be those attributed by Bagehot 100 years ago to the monarchy: the right to be consulted, the right to encourage, the right to warn. These rights, if they are to be used effectively and to achieve public acceptance, must bring with them a real, if limited, power of delay whose use should not, as it would with the present composition of the House, risk precipitating a constitutional crisis. On public legislation generally we believe that a reformed second chamber must have a power of delay sufficient to cause the Commons and the government to think seriously before proceeding with a proposal against the opposition of the Lords, and that it should provide a real incentive to a government to seek agreement on any point of dispute which might arise between the House of Commons and the reformed House. On the other hand, we are convinced that it would not be right for a nominated House to be able to frustrate entirely the legislative proposals of a government responsible to an elected House. Even if the House of Lords pressed its objections, we believe that, provided the government had been warned of the objections and had considered its proposals again, the House of Commons should be able to carry them into law within a reasonable period of time.

Having agreed on these objectives, we did not find it unduly difficult to achieve a reasonable compromise on this issue, on which agreement had proved impossible in 1948. We propose that if the Lords reject a bill it should be possible to present it for Royal Assent at the end of a period of six months from the point of disagreement between the two Houses, provided that a resolution directing that it should be presented has been debated and
by the House of Commons. The period of delay would be capable of running into the next session or the next parliament, and there would be no need, as there is under the present procedure, for the disagreed bill to be passed again through all its stages in the second session or parliament. This period of six months' delay has the double advantage of applying to the legislation of a government of any party at any stage of a parliament, and of being more readily understandable than the complicated provisions of the present Parliament Acts.

On subordinate legislation it seemed clear to us that the Lords' present powers are inappropriate and unsuited to present conditions. We considered whether it might be possible to provide for a period of delay analogous to the period we propose for public legislation, but we came to the conclusion that such a scheme would be impracticable in present circumstances because of the need for some orders to take effect immediately and because the concept of a period of delay is not part of the general legislative framework within which subordinate legislation is enacted. We therefore propose that the present power of outright rejection should be replaced by a power to insist that the government should think again, and if necessary that the House of Commons debate again and vote again upon any instrument to which the upper House has taken exception; but we suggest that the whole subject of subordinate legislation should be considered by a joint select committee of both Houses. Such a committee should also be asked to consider whether an effective control could be devised to ensure that a government could not circumvent the delaying powers of the Lords over bills by incorporating in subordinate legislation matters which should be incorporated in Acts of Parliament, and whether it would be possible to rationalize the division between matters thought suitable for the affirmative and negative procedures.

In all our discussions we have all become more and more aware of the positive and constructive role which the House of Lords can play as both a deliberative and a scrutinising chamber in the future. We hope that the proposed reform of powers and composition will open the way to further
developments in the functions and procedures of the House, and enable it to play an increasingly valuable part in the work of Parliament as a whole. In the second part of this paper our proposals for reform are presented in detail as a comprehensive plan. We have thought it wise, however, to precede the factual description with an account of the reasoning which led the Conference to reject certain approaches and to accept others and so to achieve the consensus on which the proposals are based.

In putting them forward we are all of us aware that our parliamentary organism is a living thing. Changes in its structure cannot be justified merely by logical analysis. Indeed they can do mortal harm unless they take account not only of changing political realities and rapidly developing economic conditions but also of the laws of growth which have determined the evolution of the British constitution over so many generations.
PROPOSALS FOR REFORM

We propose that the reformed House should be a two-tier structure comprising 'voting peers' with a right both to speak and vote, and 'speaking peers' with a right to speak but not vote. The voting peers would constitute the 'working' House and would consist exclusively of nominated peers. In the first instance, they would include all those existing nominated peers who were willing to accept the obligations which voting membership would carry with it, together with additional life peers created as necessary to give an appropriate size to the working House and balance between the political parties. Peers by succession include some of the most active members of the present House: for this reason and to achieve a political balance, we believe that a number of peers by succession should be created life peers and would thus become qualified for membership of the voting House, but succession to a hereditary peerage would no longer, in itself, carry with it the right to exercise a vote. Voting peers would be expected to give a substantial part of their time to the business of the House and in particular they would be required to attend a minimum of one-third of the sittings of the House or its committees in each session. They would be required to retire from their voting membership at the end of the parliament in which they reached the age of 72 although this requirement would not be introduced immediately for the reasons given in paragraph 43 below.

In addition to the voting members there would be 'speaking' members who would be entitled to speak but not to vote. The speaking members would be those nominated peers who were unable or preferred not to accept the obligations of full working and voting membership but would be able to make a valuable contribution to discussion from time to time, together with those who had passed the age of retirement for voting membership. Initially they would also include existing members of the House who were peers by succession, other than those who obtained voting rights through the grant of a life peerage. Peers by succession

(1) i.e. hereditary peers of first creation, life peers created under the Life Peerages Act 1958, law lords and bishops
would however have the opportunity to withdraw from the House altogether if they wished to do so - see paragraph 66 below.

There would be special arrangements for law lords and bishops, which we describe in paragraphs 57 - 64 below.

Basis of membership

1. The present constitutional practice is that new peers are created by the Queen on the recommendation of the Prime Minister, after consultation with other party leaders in the case of nominations from their parties. After becoming a peer, whether by succession or on first creation, a peer's right to sit in the House of Lords is derived from the rights given to him by letters patent (1); once he possesses these rights he is entitled to a seat in Parliament and to receive a new writ of summons for each parliament for the remainder of his lifetime. The writ may not be withheld unless he is disqualified (e.g. as a minor, a bankrupt or an alien). We propose that these arrangements should in general remain unchanged, except that those peers who succeed to a hereditary peerage after the reform comes into effect, or are then minors, would no longer become entitled to sit in the House of Lords or to receive writs of summons solely by virtue of such a peerage. We have not thought it right to consider the rights and privileges of the peerage as an order and we believe these questions to be outside the scope of a reform which is concerned with the position of the House of Lords as the second chamber of Parliament. The reform would not therefore affect the right of a peer by succession to use his title.

Voting and speaking rights

2. The writ of summons would be the same for all peers who were entitled to sit in the House, whether they possessed the right to vote or only the right to speak. The distinction between voting and speaking rights would derive from legislation which would specify the qualifications and requirements for the voting right and the circumstances in which the right might be relinquished or removed. It would provide that all existing

(1) other than those whose peerage was initially created by summons to Parliament.
nominated peers would be qualified for voting rights when the reform took effect and that all future nominated peers would be so qualified on their creation. Not all nominated peers would however wish to exercise these rights or to accept the obligations which would accompany them, and it would not be expected that they should do so. In order to provide for a choice, a requirement would be introduced that a peer qualified for voting rights should deposit a declaration of his intention to exercise them before he would be entitled to vote. He would be required to deposit this declaration within a specified period of receiving the writ; if he failed or preferred not to do so he would not be entitled to make a declaration or exercise voting rights until the next parliament.

The legislation would include a provision preventing a peer from making a voting declaration after he had reached the age of retirement. The age of retirement should not however be introduced immediately, and we propose that there should be no age of retirement in this parliament or the next. Retirement related to an age of 72 should be introduced in parliaments thereafter. We think it important that during the early stages of the reform as many as possible of the more active members of the present House should remain available and continue as full working members to give the benefit of their knowledge and experience in what must inevitably be a period of adjustment. In the long term, however, we do not think it would be right for a working legislative chamber to contain an indefinite number of members, however distinguished, who are well beyond the normal age of retirement from active life; and if members are to be paid (see paragraph 51 below) we do not think it would be right for membership to carry with it the right to be paid for the remainder of their lives.

The choice of a particular retiring age is necessarily a matter of difficult judgment and we recognise that some peers would be valuable members of the House for some years after the proposed age of retirement, but a feature of the two-tier scheme which we propose is that they would be able to remain as speaking peers, and so continue to play an active and constructive part in the work of the House. A peer would in any event be able to exercise voting
rights during the whole of the parliament within which he reached the age of 72 so that where a parliament lasted its full term of five years, the actual age of retirement would be between 72 and 76.

4. It would be a condition of the right to exercise a vote that a peer should attend not less than one-third of the sittings of the House or its committees in each session (attendance at committees would count for this purpose as attending the House). There would however be provision for a voting peer who was absent from the House on account of ill-health or parliamentary or government business to be exempted from this requirement. The exemption would be granted by the House itself in appropriate cases.

In order to preserve the freedom of the Prime Minister in appointing Ministers of his choice and to ensure that a Minister in the House of Lords would be a voting member of that House, Ministers would also be exempted from both the attendance requirement and the age restriction. If a voting peer who was not exempted from the attendance requirement found himself unable to meet it or preferred not to do so, he would be expected to surrender his voting rights; if he did not do so and it were found at the end of a session that he had not during that session attended the necessary number of sittings he would, unless exempted, be deemed to have surrendered them. A voting peer who had surrendered his voting rights or was deemed to have done so would not be able to recover them during the same parliament, but he would be able to do so by making a fresh declaration of his intention to exercise voting rights at the beginning of the next parliament. There would be no restriction on a nominated peer's right to make such a declaration at the beginning of each parliament (provided that he had not passed the age of retirement) and a nominated peer would in this sense continue to possess a voting 'freehold' which could not be taken from him. The important principle to which we have referred in paragraph 29 above would thus be preserved.

A peer in receipt of a writ of summons who was not entitled to exercise

1) There would be exceptions for serving law lords and certain bishops:

see paragraphs 57 - 64 below.
SECRET

voting rights would still possess speaking rights and would therefore remain a speaking peer.

Size of the voting House

55. The eventual size of the voting House would depend on circumstances and the way in which its functions developed, but our studies suggest that a reasonable size would prove to be between 230 and 280, excluding law lords and bishops. The number of peers who attend regularly (i.e. more than one-third of the sittings) was about 230 in the last complete session, and we propose that a voting House of about that size should be created in the first instance.

56. A larger number might be found necessary as the work of the House develops and expands in the future, and much would also depend on the number of speaking peers who attended debates in the House or served on committees, and on the frequency with which they did so. The size of the voting House might also vary with changes of government or in the relative strength of the opposition parties. A scheme which combines a voting 'freehold' with the right for the government of the day to have a majority of the voting party members must necessarily be sensitive to changes of government and to changes in the relative strength of the political parties generally, since with each change of government a number of new peers would be needed to give the appropriate government majority and the correct party balance. In most parliaments the number of new peers entering the voting House would be roughly matched by the number leaving the voting House having reached the age of retirement, but a succession of changes of government at short intervals could lead to a temporary increase in the size of the voting House until enough peers had retired from it to restore the situation to equilibrium. Mathematical models have been constructed to test the possible effect on the size of the reformed House of various combinations of circumstances, both as they might appear in the future and as they have actually appeared during the last sixty years. Studies based on them have shown that most of the likely combinations of circumstances could be reflected in the composition of the voting House without an unmanageable increase in its size. We propose in paragraphs 68 and 69...
below that the Conference might remain in being to consider certain aspects of the working of the House after reform: its size is one aspect to which the Conference might pay particular attention.

**Relationship between the parties**

47. We propose that the government of the day should normally have a majority in the House of Lords of about 10 per cent of the combined strength of the opposition parties. The distribution of seats between the opposition parties would so far as possible be determined in relation to their representation in the House of Commons and to the number of votes cast for them in recent general elections, but it would not be related exactly to either since neither is an accurate reflection of a party’s strength. We therefore propose that in advising the Queen on the creation of new peers the Prime Minister of the day should seek a distribution between the minority parties which would so far as possible reflect their relative strength in the country. Assuming a total voting House of 230, the figures which we consider would be appropriate in the present parliament are: government 105, main opposition party 80, subsidiary opposition parties 15 and cross benchers 30 (these figures again exclude law lords and bishops). The figure for particular parties would naturally be capable of being varied from time to time to reflect changes in their relative strength and to take account of the emergence of any new parties, and this is a second aspect which the Conference might keep under review after the reform has come into effect.

**Speaking peers**

48. Speaking peers would comprise:

(a) nominated peers who preferred not to exercise voting rights (including any who were deemed to have surrendered them);

(b) nominated peers who had passed the age of retirement for voting rights; and

(c) existing members of the House who were peers by succession (other than those who became voting peers through the grant of a life peerage).
for the reasons we have given in paragraph 32 above, speaking peers would be an integral and important part of the reformed House and their presence would add to its distinction, authority and independence. To ensure that they would be able to play their full part, we propose that on the floor of the House a speaking peer should have the same rights as a voting peer, with the exception of the right to vote. He would therefore be able to ask questions or move motions (including motions relating to bills and amendments to them). We also propose that he should be able to serve on committees, subject to the restriction that he would not be able to vote on any question relating to legislation. Voting peers would thus control the legislative work and have the final power of decision but there would at the same time be every opportunity for speaking peers to influence the decisions by their contribution to debate, both on the floor of the House and in committee.

Scotland, Wales and Northern Ireland

49. We attach the greatest importance to the presence in the reformed House of peers who can speak with authority on the problems and wishes of Scotland, Wales and Northern Ireland, and of the regions of England, and we have considered very carefully how their presence might most effectively be secured. We understand that the Prime Minister already consults widely before recommending new peerages and we note that there is at present in the House of Lords a considerable number of peers who can speak with authority on the needs of the different parts of the United Kingdom. We therefore consider that the most satisfactory method of securing the presence of such peers in the future would be for the Prime Minister of the day, in advising the Queen on the creation of new peers, to pay special and continuous regard to the need for the membership of the House of Lords to include a suitable number of persons with knowledge of, and experience in, matters which are of special concern to the various parts and regions of the United Kingdom. Such a requirement might be made statutory. This is a third aspect of the working of the reformed House which we believe the Conference should keep under review.
51. There are strong constitutional arguments, based on the presence of Scottish peers in the House of Lords ever since 1707, and practical arguments arising from the existence of separate Scottish legislation, which make it particularly important that the reformed House should include a suitable number of Scottish peers.

Remuneration

52. Peers are at present able to claim up to £1 ½ guineas a day in reimbursement of expenses necessarily incurred in attending the House, and those who live away from London can recover their travelling expenses provided that they have attended not less than one-third of the sittings of the House in the month for which the claim is made. Both allowances are free of tax. We recommend that voting peers should in future be paid at a taxable rate which would reflect the responsibilities and duties which they would be expected to undertake; we do not however propose any particular rate, since we believe that the whole question of remuneration would be better considered by an independent body similar to the Committee on the Remuneration of Ministers and Members of Parliament (the Lawrence Committee) which reported in 1964 (Cmd 2516), or by the Prices and Incomes Board.

Powers - Public bills

53. As regards the powers of the reformed House, we propose that it should be provided that a public bill originating in the House of Commons (other than a bill to prolong the life of a parliament) on which there is disagreement between the two Houses may be presented for Royal Assent at the end of a period of six calendar months from the date of disagreement provided that a resolution directing that it should be presented had been debated and passed in the House of Commons. For this purpose, disagreement would be defined as a situation where a motion for the second or third reading of a bill sent up from the Commons is rejected or postponed by the Lords, or where an amendment insisted on by the Lords is unacceptable to the

(1) Scottish peers are required to attend only one-third of the sittings at which Scottish business has been discussed
Commons. The House of Lords would be deemed to have a period of two parliamentary months\(^{(1)}\) in which to consider a bill; if its consideration of a bill on which there was subsequent disagreement exceeded this period, the excess would count as part of the six months' period of delay following disagreement. A bill would be capable of being presented for Royal Assent at the end of the period of delay, notwithstanding that this ran over a prorogation of Parliament and into a new session; similarly, in the case of a dissolution, any bill which had been passed by the House of Commons and to which the Lords had disagreed could be presented for Royal Assent in the new parliament after the six months' period of delay had elapsed from the date of disagreement. Provision would also be made to allow any modifications which had been agreed between the two Houses before the end of the period of delay to be incorporated in the bill before it became law. The procedure for this purpose would not provide for the discussion of the bill as a whole to be reopened and the House of Commons would not be obliged to take any action on any proposals for compromise; but there would be provision in the legislation for the resolution of the House of Commons directing that a bill rejected by the Lords should be submitted for Royal Assent to include a direction for making in the bill as so submitted such amendments as were certified by the Speaker to give effect to the proposals for modifications agreed to by both Houses since the date of the rejection. The legislation would also include a requirement that the bill should be submitted for Royal Assent within one parliamentary month\(^{(1)}\) from the end of the period of delay after disagreement, or would otherwise lapse.

53. Since there is no question of a conflict between a government and the Lords on private bills and bills to confirm provisional orders, and since the procedures of a quasi-judicial nature on such bills would make it inappropriate to apply the Parliament Act procedure to them, we do not

\(^{(1)}\) i.e., excluding any period of more than four days for which either House is adjourned.
propose that the present powers of the House of Lords on private legislation should be changed.

54. We recommend that the existing provision in the Parliament Acts which excludes from their application any bill to extend the duration of a parliament should be continued in relation to the new powers of the House of Lords. It would therefore remain impossible for a bill to extend the duration of a parliament to be passed without the Lords' consent.

Powers - Subordinate legislation

55. The main types of parliamentary control over subordinate legislation are described in paragraph 26 above. The procedure in respect of subordinate legislation which can be annulled by either House is governed by section 5 of the Statutory Instruments Act 1946, under which a resolution for annulment may be passed by either House within 40 days (excluding days on which the House [either House] is adjourned) from the day on which it is laid before that House. For these cases we propose that the operation of any resolution for annulment passed by the House of Lords should be suspended until the end of the period of 40 days, or until the end of a period of 20 days from the date on which the resolution is passed, whichever is the later; and that a resolution passed by the Lords should be ineffective if thereafter a corresponding resolution is rejected by the Commons or the instrument in question is approved by a resolution of the Commons overriding a resolution of the Lords. As regards cases in which the affirmative approval of both Houses is required, we propose that where a motion for such approval is rejected by the Lords the House of Commons should be enabled to override the decision of the House of Lords by an express direction. To ensure however that the object of requiring the House of Commons to consider a proposal a second time is achieved, this power would be limited to those cases in which the instrument in question had been considered.
by the Commons and had been approved by them before the motion for approval was rejected by the Lords.

56. We have considered whether it would be possible to give the House of Lords the right to impose a period of delay in respect of subordinate legislation, especially where it was not urgent, analogous to the proposed right in respect of public bills. The concept of a period of delay is not however part of the present power of the House of Lords in relation to statutory instruments, and a considerable survey would be needed in order to establish the feasibility, in legislative and administrative terms, of introducing for subordinate legislation any provision for a period of delay as such. It might be possible for such a survey to ascertain whether any classification of statutory orders into urgent and less urgent could be devised. There is a rudimentary distinction in that some instruments come into operation at once and the parliamentary procedure, whether affirmative or negative, is addressed to the question whether they shall continue in operation; while other orders require a parliamentary procedure, affirmative or negative, within a specified period before they come into operation. We cannot always assume however that orders made under the former procedure are urgent and those under the latter procedure less urgent. Statutory orders are made under a wide variety of legislative provisions and it would be a mistake to suppose that there is anything like consistency. We therefore conclude that no such power of delay would be practicable at this stage, but we believe that a joint select committee might usefully be set up to consider the subject of subordinate legislation generally, and we develop this idea more fully in paragraphs 6-8 of the Appendix.

Law lords

57. The term 'law lord' is colloquial; we use it to cover all those members of the House of Lords who are entitled to form a judicial
They include:

(a) the Lord Chancellor and serving Lords of Appeal in Ordinary (the latter hold life peerages created under the Appellate Jurisdiction Acts 1876 - 1947; they are at present nine in number but the statutory maximum has been increased to eleven under the Administration of Justice Act 1968);

(b) former Lord Chancellors and retired Lords of Appeal in Ordinary (at present there are two of the former and eight of the latter); and

(c) other peers who hold or have held high judicial office: for example, the Lord Chief Justice or the Master of the Rolls (at present there are three such peers).

As members of the House of Lords the law lords at present exercise two functions: a judicial function which arises from the position of the House as the supreme appellate court of the United Kingdom; and a more general function as ordinary but specialist members of the House as the second chamber of Parliament.

58. We have not thought it right to examine the judicial functions of the House of Lords in the context of the reform, and we do not therefore propose any change in the responsibilities or rights of law lords in relation to the judicial business of the House. In particular, all law lords would continue to be able to vote on the judicial business of the House, regardless of the attendance qualification or any restriction on age.

59. As regards their more general function, the responsibilities and rights of law lords are not at present in any way different in law from those of other peers but a convention has been developed under which law lords do not participate in party political controversy: they may speak on controversial
matters but do so in a specialist capacity as men learned in the law. As skilled and experienced lawyers however they have a valuable part to play in the consideration of public bills and the legal aspects of legislation generally. In addition, four law lords must, under standing order, be included in any meeting of the Lords' Committee for Privileges when considering a peerage case, a law lord is usually the chairman of the Joint Committee on Consolidation Bills, and law lords sit regularly on the sessional and House committees and act in effect as their legal advisers. We believe that the knowledge and experience of the law lords should continue to be fully available to the reformed House for its non-judicial business but recognise that some of them - those whose work may take place outside the House, for example in the Judicial Committee of the Privy Council - might not be able to meet the attendance requirement which would be a condition for the exercise of voting rights. We believe that it would be appropriate for all serving law lords - i.e. the Lord Chancellor, serving Lords of Appeal in Ordinary and other peers, such as the Lord Chief Justice and the Master of the Rolls, who hold high judicial office - to possess voting rights; but since in their special circumstances any distinction between those who could meet the attendance requirement and those who could not would be entirely arbitrary, we consider that the right solution would be to confer the right to vote on all of them by virtue of their office, irrespective of their attendance. Other law lords, i.e. those who have retired from those offices, would be subject to the ordinary rules and qualify for voting rights on non-judicial business only if they met the attendance requirement and had not passed the age of retirement.

Bishops

60. There are at present 26 bishops of the Church of England who have seats in the House of Lords. They are the Archbishops of Canterbury and York and the Bishops of London, Durham and Winchester who sit ex officio, and 21 other bishops by seniority of appointment to diocesan sees. All hold their seats during their tenure of their sees.
61. There are arguments both for excluding bishops from the reformed House and for their retention. For excluding them it might be argued that it is anomalous for bishops of the Church of England to have any special place in a reformed House of Lords which as part of a modern Parliament must be essentially a secular institution. On the other hand, the House consists historically of lords spiritual and temporal, and the Church of England as the established church in England has a special relationship, some aspects of which are delicately balanced, with the State and with the Crown. The presence of bishops in the House of Lords is an integral part of it. The Church is in the unique position that its dignitaries are appointed by the Crown on the advice of the Prime Minister; permanent changes in its liturgy require the approval of Parliament; its courts are constituted by statute and the duties of the clergy towards the community are founded on common or statute law; its legislative powers under the Enabling Act of 1919 are based on a particular relation with Parliament; and the Queen is its 'Supreme Governor' and necessarily a member of it. It is within this whole pattern of Church and State relationship that the 26 bishops have seats in the House of Lords. The relationship is at present under investigation by the Commission on Church and State, set up by the two archbishops at the request of the Church Assembly in 1966 and which has not yet reported. No other church is subject to parliamentary control of this kind.

62. We recognise that a decision to exclude bishops from the reformed House of Lords, or fundamentally to alter their position in it, would affect the Church's relationship with the State and prejudice the discussions which are taking place in the Archbishops' Commission. We believe that the Church should first reach its own conclusions on this subject and that decisions made in the context of the reform of the House of Lords should not anticipate any fresh consideration of the whole issue of the Church and State relation. Some adjustment in the position of bishops is necessary in the context of a two-tier House and smaller numbers generally, but pending the settlement
of wider questions of Church and State, we consider that the adjustments should be the minimum necessary to preserve the relative position of the bishops as far as possible unchanged.

§5. We therefore propose that, at least for the present, there should continue to be a place for bishops both as speakers and as voters in the reformed House, but since the House will be reduced in size their total number should be gradually reduced from 26 to 16. No bishop who is now a member of the House would be excluded, but as bishops retired from their dioceses, and therefore from the House, those other than the two archbishops and the Bishops of London, Durham and Winchester would be replaced on the basis of one new bishop for every two retirements until 16 remained. The two archbishops and these three bishops would be replaced by their successors as at present; otherwise new bishops would succeed in order of seniority, as at present, but any who preferred not to become members of the House would not be obliged to do so and membership would then devolve upon the next most senior bishop who was willing to become a member. Bishops other than the two archbishops and the Bishops of London, Durham and Winchester would also be allowed to retire from the House before retiring from their sees if they wished to do so. In this way a degree of flexibility would be introduced which could assist the Church to have as its members in the House of Lords those bishops who would be its most effective representatives - a consideration which will become more important as their total number is reduced.

§6. The arguments for retaining bishops as members of the reformed House pending the conclusion of the Commission on Church and State are also arguments for allowing some of them to retain voting rights, even though their diocesan duties might make it impossible for them to meet the attendance requirement. We therefore propose that the two archbishops and the Bishops of London, Durham and Winchester who are at present 'ex officio' members of the House should continue as 'ex officio' voting members, exempt from the attendance requirement.
Rights of Peers to vote in parliamentary elections

Traditionally, peers have been disqualified from voting in parliamentary elections on the ground that the peerage is a separate Estate of the Realm, distinct from the Commons Estate, and a member of the first has no right to influence the composition of the second. This has been the situation whether or not the peer was himself entitled to a seat in the House of Lords: for example, Scottish peers other than those elected as representative peers were unable either to sit in the House of Lords or to vote in parliamentary elections before the Peerage Act 1963. This doctrine evolved at a time when the right to vote in parliamentary elections was very restricted, and the changes which were made in 1963 have meant that all peers and peeresses are now allowed either to sit in the House of Lords or, if not, to vote in parliamentary elections (provided that they are qualified as regards age and residence). We do not believe that in the context of the reformed House, it would any longer be appropriate to maintain a peer's disqualification from voting in parliamentary elections, whether or not he is entitled to sit in the House of Lords. Such a disqualification is an anachronism in a modern democracy where the right to take part in the process of choosing the members of the elected chamber should be fundamental and universal, and it does not apply to members of second chambers in other democratic countries such as Australia, Canada and the United States of America. We therefore believe that all peers, whether or not they are members of the reformed House, should in future be qualified to vote in parliamentary elections.

Rights of peers to sit in the House of Commons or to surrender their membership of the House of Lords

A peer is also disqualified from sitting in the House of Commons unless he has renounced his title under the Peerage Act 1963. It would clearly be absurd for any person to be entitled to a seat in both Houses of Parliament, and we therefore believe that this disqualification should
be continued for peers who are members of the reformed House. Since the possession of a hereditary peerage will not in the future give any right to membership of the reformed House, however, we propose that all future peers by succession should have the right to sit in the House of Commons if elected, and that they should no longer be required to surrender their titles in order to do so. We do not propose, however, that the provision in the Act of 1963 which would allow them to renounce their titles should be repealed, since some might wish to renounce their titles for reasons unconnected with membership of the House of Commons. It would be consistent with this proposal to include also a transitional provision for those existing peers by succession who do not receive life peerages when the reform comes into effect and this we also propose: they would thus be given a further once-for-all option to renounce the membership of the House of Lords to which they would otherwise be entitled, and so to gain the right to sit in the House of Commons if elected. They would be required to exercise this option within a period of one year; but like future peers by succession they would not be required to surrender their titles. There would, however, be no provision for dominated peers to surrender either their membership of the House or their titles. The nine peers who have renounced their titles under the Peerage Act 1963 could be given the right to recover them if they wish, although not to resume their seats in the House of Lords.

Functions and procedure of the reformed House

Throughout our discussions we have looked forward to a review of the functions and procedures of the two Houses which would take place once the main reform had come into effect. This review would be an important continuation of the process of improving the efficiency of Parliament, but since it would more properly be carried out by the two Houses, we have not thought it appropriate for us to make any specific proposals ourselves.
have however set out in the Appendix some possible developments which
might be examined by a joint select committee in due course after the
reform had come into effect.

Porting of the House of Lords after reform

68. We recognise that certain aspects in particular will need to be kept
under periodical review, and some of them we have already mentioned above.
They include the size and the party balance of the voting House,
particularly in relation to any new parties which may emerge, or to changes
in the relative strength of the existing parties, and also to take account
of coalitions or divisions within parties. Another vitally important
aspect will be the need to secure amongst the members of the House as a
whole a suitable range of knowledge and experience, including knowledge
and experience of those matters which are of special concern to the various
parts and regions of the United Kingdom. We believe that the Conference
could usefully remain in being to consider these subjects when necessary
and that a working sub-committee might also remain in being for this

purpose. The Conference or a sub-committee might also have a valuable
role in preliminary thinking on the development of procedure and functions
in the reformed House, especially where they might impinge on the work
of and procedural developments in the House of Commons (see paragraph 67
above). A joint body such as the Conference would be particularly useful
for this purpose. In considering these subjects the Conference would not
however derogate from the responsibilities which the two Houses exercise
through existing machinery.

69. Another aspect of this reformed House which would need to be kept
under review is the composition of the cross benches. As we have said in
paragraph 24 above, they do not act at present in any way as an organised
group or with any sense of corporate identity, and their voting and
speaking record in recent years shows that most of them do indeed vote as
genuine independents, without regular support for any one party. We
expect them to continue to act in this way in the future and not to become
a new constitutional force, but it would nevertheless be important to
ensured that no undue party bias developed among them. Since their presence is in our view vital to safeguard the independence of the House, it would also be important to ensure that their numbers were adequately maintained. We suggest that the Conference might therefore be charged with the responsibility of advising the Prime Minister of the day on this aspect of the reformed House; we do not propose that it should offer names or comment on them before new peerages are announced, but we believe that it could perform an important and valuable function in drawing attention to any imbalance or deficiencies which might emerge over a period of time. A further advantage is that it would help the Prime Minister of the day to answer any criticism which might be made of his use of his patronage.

70. We consider that some cross bench peers should also be included amongst those peers by succession who are created life peers when the reform comes into effect (see paragraph 38 above). They would be nominated by the Prime Minister, after appropriate consultations.

Date of commencement of the reform

71. We are unanimous in our agreement to the foregoing proposals, but we have not been able to agree to a date on which they should come into effect. 72. The representatives of the Conservative party believe that it would be improper and without precedent to reform the composition of the House in a way which would diminish the rights of any of its members, except at the beginning of a new parliament. They consider that to do so would be contrary to the letter and spirit of the writ of summons which all the present members of the House of Lords have received, and which implies that they would be entitled and indeed expected to sit and vote in the House for the full duration of the parliament. Further, they consider that it would be wrong to base the composition of the reformed House on the present representation of the political parties in the House of Commons since that reflects the political situation at the time of the general election in 1966.
The representatives of the Government and of the Liberal party point out that previous reforms of the composition of the House of Lords have generally added to its membership, leaving intact the rights of existing members, and that on the rare occasions when members have lost their right to sit the measures concerned have taken effect during the course of a parliament. They do not attach importance to the terms of the writ of summons which is not regarded as having any constitutional significance: many peers have in fact for many years disregarded its terms, and the existing arrangements for leave of absence in effect overrule it. In any event no existing member would lose his right to sit in the House (although some would lose their right to vote); and since the remaining details of the reform are agreed between the parties and should therefore, in the Government’s opinion, become an election issue, it would be of no constitutional significance whether the reform came into effect during the parliament or at the beginning of a new parliament.

They believe, however, that there are strong practical arguments for introducing the reform as soon as possible. It is fundamental to the proposals that the reform should be evolutionary in its approach, with no abrupt break with previous practices, and it would be an important part of this approach for the reform to come into effect during a parliament so that the working conventions which have been established between the parties could be adapted and applied to the new situation without the need for the parties to adapt themselves simultaneously to a new parliament (which might include a change of government) and the new circumstances of a reformed House. Further, the House of Lords would itself be in a very difficult situation in any period between the parties’ agreement to the scheme of the reform and its introduction, and the development and closer integration of the functions and powers of the two Houses which all members of the Conference hope will follow the reform would be unnecessarily delayed and the present momentum would be lost.
Our proposals can be summarised as follows:

(a) The reformed House of Lords should be a two-tier structure comprising voting peers, with a right to speak and vote, and speaking peers, with a right to speak but not vote (paragraph 38).

(b) Voting peers would be exclusively nominated peers, but some peers by succession would be created life peers and therefore become qualified to be voting peers (paragraph 38).

(c) Speaking peers would include nominated peers who did not meet the requirements of voting membership, and peers who at the time of the reform sat by right of succession (paragraph 39).

(d) After the reform came into effect, succession to a hereditary peerage should no longer carry the right to a seat in the House of Lords (paragraph 41).

(e) Voting peers would be expected to play a full part in the work of the House and required to attend at least one-third of the sittings; they would be subject to an age of retirement (paragraphs 42-44).

(f) The voting House would initially consist of about 230 peers, distributed between the parties in a way which would give the government a small majority over the opposition parties, but not a majority of the House as a whole including cross benchers (paragraphs 45-47).

(g) Speaking peers would be able to ask questions and move motions and also to serve in committee; they would be an integral and important part of the reformed House (paragraph 48).

(h) The reformed House should include a suitable number of peers able to speak with authority on the problems and wishes of Scotland, Wales, Northern Ireland and the regions of England (paragraphs 49-50).

(i) Voting peers should be paid at a rate which would reflect their responsibilities and duties (paragraph 51).

(j) The reformed House should be able to impose a delay of six months on the passage of an ordinary public bill on which there was disagreement between the two Houses; it should then be possible to submit the bill for
Joyal Assent provided that a resolution of that effect had been debated and passed in the House of Commons. The period of delay should be capable of running into a new session or into a new parliament (paragraphs 52-54).

(b) The reformed House should be able to require the House of Commons to reconsider an item of subordinate legislation to which the House of Lords disagreed, but its disagreement should no longer be final (paragraphs 55-56).

(c) There should be a place in the reformed House for law lords and bishops (paragraphs 57-64).

(d) All peers should in future be qualified to vote in parliamentary elections (paragraph 65).

(e) Future peers by succession should be enabled to sit in the House of Commons if elected (paragraph 66).

(f) Existing peers by succession should have an option to renounce their membership of the House of Lords if they wish to do so, and thereby be enabled to sit in the House of Commons if elected (paragraph 66).

(g) A review should be made of the functions and procedures of the two Houses once the main reform has come into effect (paragraph 57 and the Appendix).

(h) The Conference should remain in being to consider various aspects of the working of the House of Lords after reform (paragraphs 68-69).

Our secretaries were Mr L. Errington C.B. (Cabinet Office), Mr M. J. Moriarty (Home Office) (until January 1968), Mr D. E. R. Faulkner (Home Office) (from January 1968) and Mr W. A. J. Wheeler-Booth (House of Lords).
POSSIBLE CHANGES IN FUNCTIONS AND PROCEDURE

1. Reform of the powers and composition of the House of Lords would open the way for a fresh look at the functions of the two Houses of Parliament. It would be right for this to be undertaken, in the first instance, by a joint select committee of the two Houses. The following are possible changes in functions and procedure which might be considered further in that context.

Public bills: General

2. A substantial contribution towards improving the legislative process could be obtained through a more even spread of the introduction of public bills over the session. More bills should, therefore, be introduced in the House of Lords. In particular, bills should not be prevented from starting in the House of Lords because they are in some degree politically controversial or because they incorporate financial provisions. This is the subject of a recommendation of the Sixth Report from the Commons' Select Committee on Procedure (H.C. 1966-67, 539, paragraphs 7 and 8). The Commons' financial privilege would have to be waived, preferably by standing order (on the model of the Commons' Standing Order No. 57), or alternatively by legislation in the context of a reformed House.

3. Obvious advantages would follow from a better flow of bills from one House to the other. There is, however, the difficulty that bills introduced into the House of Lords would tend to reach the House of Commons in the late spring and summer when the Commons are preoccupied with financial business. It might be necessary, in order to obtain full advantage from an improved flow of legislation from one House to the other, to increase the number of Cabinet and other Ministers in the House of Lords; at present there are in the House only two Cabinet Ministers and only
thirteen other Ministers, of whom one is permanently at the United Nations and two others are not often able to attend the House because of other commitments.

**Public bills: Committee procedure**

4. If the Lords are to play a more productive part in legislation, it might be desirable to adopt some form of public bill committee procedure. It need not be modelled on the Commons' standing committees. It would be premature at this stage to make suggestions as to its precise form and function; the question should be referred to a select committee of the reformed House of Lords which would be asked to recommend to the House the type of public bill committee which it considered would be most useful. The same select committee might also consider other aspects of public bill procedure in the House of Lords: for example, whether or not it is desirable to follow the example of the House of Commons in the use of second reading committees.

**Public bills: Accelerated procedure**

5. There are two possible ways of accelerating the legislative process for bills of a kind which do not need consideration at as many stages as the present procedures require: the proceedings in one of the Houses could be curtailed, or some of the stages of consideration could be made a joint procedure. Of these two possibilities, the latter seems the more promising. It might, for example, become an established convention that certain classes of bill should start in the House of Lords and then receive detailed examination by a joint committee of the two Houses. Experience on consolidation bills shows that under such an arrangement the main burden would fall on the Lords and very little of the Commons' time would be needed when a bill reached the lower House. Classes of bill suitable for this treatment might include bills resulting from the work of the Law Commissions, and other technical but uncontroversial bills. A
Further possibility would be to commit to a joint committee private members' bills on controversial social subjects after they had received a second reading in either House.

**Subordinate legislation**

6. Present procedures in relation to subordinate legislation may be thought to occupy time on the floor of both Houses unnecessarily, to the extent that prayers are moved as a device for obtaining explanations or assurances without being pressed to a division, and to the extent that affirmative resolutions lead to debate on orders which are not matters of controversy. Moreover, the work of the Lords' Special Orders Committee duplicates to some extent that of the Commons' Statutory Instruments Committee. The Commons' Select Committee on Procedure recommends in its Sixth Report (H.C. 1966-67, 339) that it should be made possible to refer non-contentious affirmative resolutions and prayers to the Select Committee on Statutory Instruments, subject to the same safeguards as exist for references to a second reading committee. Given a reformed House of Lords, there would be scope for the development, under procedural resolutions, of a joint procedure on these lines. A joint committee might be set up to exercise the combined scrutinising functions of the Special Orders Committee and the Statutory Instruments Committee, but with a smaller combined membership. All statutory instruments could then be referred to this committee for scrutiny, with the exception of financial orders, which would be considered only by the Commons' representatives and would be reported only to the lower House; but otherwise the committee would report to both Houses. Additionally, it should be possible for the joint committee to consider the merits of affirmative resolutions and prayers. Since it might be thought necessary to permit prayers against negative orders which were expected to be pressed to a division, and affirmative resolutions on contentious orders, to be debated on the floor of the House, and since such debate would duplicate discussion in committee, one
procedure might be for the government to refer to the joint committee only those prayers which are not expected to be pressed to a division and affirmative resolutions on non-contentious orders. Motions to refer resolutions and prayers to the committee would be subject to the same safeguards as exist for reference of bills to a second reading committee.

As regards proceedings in the committee on prayers or affirmative resolutions, it could be provided that Ministers and members of the House who were not members of the committee could speak but not vote, and could examine witnesses. Alternatively, as recommended by the Commons' Select Committee on Procedure, the joint committee could have a specified number of members added by the Committee of Selection and would conduct its debates in the manner of a standing committee. The joint committee would report to both Houses whether it recommended that an instrument be approved. It is for consideration whether this recommendation would be put to the House for approval without amendment or debate (as recommended by the Select Committees) or whether it should be open to debate where a given number of members so desired, despite the opportunity for objection on the original motion to refer the matter to the joint committee.

7. In the longer term, the development of an effective joint procedure for scrutinising statutory instruments might enable provision to be made for the amendment of statutory instruments (since a means would be available of reconciling differences between the two Houses), and even for abolishing the affirmative resolution procedure at least in its present form. But changes of this magnitude could be considered by the joint select committee when the new House of Lords was constituted.

8. If these broad proposals were adopted, a number of issues would remain to be considered in more detail by the proposed joint committee on procedure: for example, the method of reference of matters for debate (e.g. an alternative procedure of automatic reference of all instruments, leaving the committee discretion to select topics for debate) and the
proceedings in the two Houses on the report of the joint committee.

Private Bills

9. A general reform of the functions and procedures of the House of Lords, with an emphasis on joint committees, would provide a suitable occasion for reopening the question of extending the use of joint committees for the consideration of private bills. This question was exhaustively discussed by the Joint Committee on Private Bill Procedure in 1955 (see paragraphs 53-65 of its Report—HC 139—I). On balance, that committee came to the conclusion that it could not recommend any alteration in the present system. It did however report that the argument in favour of a second hearing depends largely on the fact that, until the case for the promoters is deployed and the attitude of the government is known, petitioners are placed at an unfair disadvantage. If a means could be found for an earlier deployment of the case for the promoters and the attitude of the government, petitioners would not be at such a disadvantage as they now are and joint committees might therefore be more freely used. However, such an important change could hardly be made without wide consultation among interested parties and a recommendation from a further joint committee on private bill procedure which might also consider business of a private character such as special procedure orders.

Specialist Committees

10. There is scope for involving the Lords in specialist committees. The Lords could set up their own specialist committees (e.g. on the arts, or aspects of law reform) in which the Commons might participate; and vice versa. It is suggested in paragraph 11 (a) below that provision should be made for unequal membership. There are clearly some committees of the House of Commons in which the Lords should not participate (e.g. the Public Accounts and Estimates Committees) and others on which the House of Lords might be only sparsely represented (e.g. the Nationalised Industries Committee). Other committees might draw their membership equally from both
Houses (e.g. ad hoc pre-legislation committees and committees specialising in the affairs of public departments); and yet others (for example on aspects of law reform) might be entirely composed of Lords or contain only a small representation from the House of Commons. Any such representation of the members of one House in a committee of the other would be subject to procedural decisions to be taken in the proposed joint committee on procedure.

Other matters

11. Other matters which might be pursued by the proposed joint committee on procedure are:

(a) Enabling joint select committees to consist of unequal membership. At present the representation of each House in a joint committee must be equal (though there has been a single exception to this rule). With such flexibility it would be possible to ensure suitable representation of each House on the committees of either House.

(b) Enabling joint select committees to appoint sub-committees and, where desirable, to proceed by way of public debate. This would, for example, give scope for a joint committee to deal expeditiously with many aspects of subordinate legislation.

(c) The right of a member of either House to attend and speak, but not to vote, in a joint committee, though not a member of that committee. This would be an extension of the Lords' Standing Order No. 58 and could be convenient in a joint committee, for example on subordinate legislation.
CABINET

REPORT OF THE INTERDEPARTMENTAL COMMITTEE ON LOCAL AUTHORITY AND ALLIED PERSONAL SOCIAL SERVICES

Joint Memorandum by the Secretary of State for the Home Department, the Secretary of State for Education and Science, the Minister of Housing and Local Government and the Minister of Health

The Report of the Interdepartmental Committee on Local Authority and Allied Personal Social Services (the Seebohm Committee) will be published on 23rd July. The Committee's own Summary of their Report is attached at Annex I.

2. No decision need be taken on the substance of the Report until all concerned have had an opportunity to consider it. All we need to decide now is what should be said on the day of publication. We propose that publication should be announced in a Written Reply to an inspired Question in the terms of the draft at Annex II.

L. J. C.
E. W. S.
A. G.
K. R.

Home Office, S. W. 1.

16th July, 1968
PART I
CHAPTER I
Introductory Summary

The Right Hon. James Callaghan, M.P.,
Secretary of State for the Home Department

The Right Hon. Edward Short, M.P.,
Secretary of State for Education and Science

The Right Hon. Anthony Greenwood, M.P.,
Minister of Housing and Local Government

The Right Hon. Kenneth Robinson, M.P.,
Minister of Health

1. We were appointed on 20th December 1965
   "to review the organisation and responsibilities of the local authority
   personal social services in England and Wales, and to consider what changes are
   desirable to secure an effective family service".

2. We now have the honour to submit our Report. We recommend a new local
   authority department, providing a community based and family oriented service,
   which will be available to all. This new department will, we believe, reach
   far beyond the discovery and rescue of social casualties; it will enable the
   greatest possible number of individuals to act reciprocally, giving and
   receiving service for the well-being of the whole community.

3. The new department will have responsibilities going beyond those of existing
   local authority departments, but they will include the present services provided
   by children's departments, the welfare services provided under the National
   Assistance Act 1948, educational welfare and child guidance services, the home
   help service, mental health social work services, other social work services
   provided by health departments, day nurseries, and certain social welfare work
   currently undertaken by some housing departments.

4. In our opinion, local authorities should immediately review needs and
   services in their own areas in order to determine current priorities. As a
   committee we have not attempted this task, for it can be performed only in
   relation to the needs and circumstances of specific areas, including their
   previous investment in particular services.

5. However, we foresee that most local authorities are likely to feel that
   today children under five and very old people call for special attention and
some local authorities will have clear "priority areas" within their boundaries. For the nation as a whole we consider that the community approach indicated in chapter XVI and the training of staff for the social service department, including the field staff of the area teams and the staff for residential accommodation, will be crucial to the success of the new service.

Brief summary of the report

Part 1 - Introduction and the present situation

6. In chapter II we discuss briefly the terms of reference and the background to the enquiry. Chapter III describes the procedure we adopted. Chapter IV summarises briefly the history of the services with which we are concerned, and their present structure, which is described in greater detail in appendix F.

Part 2 - The need for change and the form it should take

7. In chapter V, we examine criticisms of the effectiveness of the present services, and reach the conclusion that substantial improvements could be made in them, and that organisational change and changes in the distribution of responsibilities between local authority committees and departments would be important means to this end.

8. In chapter VI, we examine the main proposals which we received for the reorganisation of the services. We conclude that there are overriding objections to all of them, apart from the proposal for a social service department.

9. In chapter VII, we consider the case for and against the proposed social service department, stating our belief that it will provide better services for those in need because it will ensure a more co-ordinated and comprehensive approach to the problems of individuals, families and communities, should be more effective in detecting need and encouraging people to seek help, should be able to attract resources and use them more effectively, and should make it possible to plan more systematically for the future.

Part 3 - Meeting needs in a comprehensive service

10. We go on to discuss particular groups of services and how they would be affected by the creation of a social service department. In chapter VIII we deal with services for children and their families, emphasising in particular the need for development of the social care services for children under five. We recommend that the social service department should be responsible for social care services for schools and suggest ways in which these services should be organised
and developed. We explain that, owing to lack of time and the need for an early report, we have not been able to give adequate consideration to the youth service and other services for young people but we recommend a comprehensive enquiry into all these services. As regards services for children in trouble with the law, we give a general welcome to the recently published White Paper, Children in Trouble, subject to reservations on a few points, notably on the age at which criminal prosecution should be possible, and the division of responsibility between the probation service and the social service department in supervising young offenders. Finally in this chapter, we suggest how the child guidance service should be related to the functions of the social service department and developed into a family guidance service.

11. There follows a chapter on services for old people (chapter IX), which stresses the need for the social service department to concern itself particularly with the development of a more coherent pattern of provision for old people, including more effective measures for identifying those in need and meeting their needs early. Chapter X deals with the services for the physically handicapped, including in particular the need for the social service department to concern itself with the provision of adequate housing and to help some particularly vulnerable groups of handicapped people — for example, school leavers, those who are partially incapacitated in late middle life — to cope with their problems.

12. In chapter XI we tackle the particularly difficult problems presented by the social services for the mentally ill and the mentally subnormal. On the organisational issues, we conclude that junior training centres should be the responsibility of the education department, but that other social services for the mentally ill and mentally subnormal, including the provision of hostels for all ages and training centres for adults, should be the responsibility of the social service department. This chapter, like the chapter on services for the physically handicapped, stresses the need for teamwork between the social service department and the other services and organisations concerned with services for the mentally ill and the mentally subnormal, and draws attention to the acute shortage of trained social workers. We recommend that the social service department should have expert medical advice in planning and running the services for the mentally ill and mentally subnormal, perhaps a consultant psychiatrist seconded from a hospital board on a part-time basis. We stress also the...
importance of better systems of research and intelligence through which better methods of meeting need can be evolved.

13. Chapter XII deals with some of the other services provided by health departments. We recommend that the social service department should have the responsibility for providing the home help service, partly because the grounds on which home helps are provided are largely social, and partly because providing a home help may be one way of preventing a child or old person being taken into residential care, which would be the responsibility of the social service department. Social workers, apart from mental health social workers, at present in health departments would also be transferred to the new social service department. Health visitors should remain within health departments. The concluding section of this chapter discusses the vitally important question of the future of local health departments in relation to the proposed social service department and to the possibility of a much wider recasting (which is outside our terms of reference) of the administrative structure of the National Health Service.

Part 4 - Foundations of an effective service

14. We do not recommend any radical change in the pattern of responsibility for local authority housing, but in chapter XIII we emphasise the fundamental importance of adequate housing for the provision of an effective family service and, in particular, the need to pay special attention to the housing problems of elderly and physically handicapped people, large families, and one-parent families. We urge that housing departments should take a wider view of their responsibilities and be specifically and directly concerned, not only with building houses and managing those they own, but also with the whole range of housing problems of the area in question. We are against any division of the responsibility for housing - by, for example, giving the social service department responsibility for letting and managing specific groups of houses for groups of people in special need. In particular, we recommend that the responsibility for accommodating homeless families, as distinct from providing limited overnight accommodation, should be placed squarely on housing departments. We suggest that social workers from the social service department might be attached for all or part of their time to housing departments in order to help deal with the more difficult social problems among council tenants or people in need of housing.
Throughout the report, we are at pains to make clear that we do not regard our proposals as merely putting together existing local authority departments and parts of departments. The new structure we propose should have much wider implications, which are discussed in chapters XIV to XVIII. In chapter XIV we explain how we see the social service department and other related services working in the task of developing more effective preventive measures.

We have been particularly concerned about the lack of adequate systems of collecting and disseminating information about the working of the personal social services and the needs they ought to be meeting, and about the small amount of research going on in these fields. In chapter XV we make proposals for remedying these defects.

In chapter XVI, we set out our ideas on community development and the use of voluntary effort, emphasising that an effective family service cannot be provided without exploring new ways of using resources outside the local government structure.

Part 5 - Specialisation and training

Chapters XVII and XVIII deal with the inter-related issues of specialisation in social work, and with training for staff in the social service department - which will, of course, include many other kinds of staff apart from social workers. In chapter XVII, we recommend a new approach to the issue of specialisation in social work, suggesting that at the basic field work level social workers should move towards taking responsibility for the whole range of individual and family social problems, drawing on support in this from consultants within the social service department. In chapter XVIII, we urge a considerable expansion in training for all groups of staff, and in particular for residential staff, and a unification of the present separate arrangements for training social workers.

Part 6 - Structure and implementation

In chapter XIX we discuss the structure and working of the proposed social service department. The basis of the department, in our view, should in most parts of the country be teams of upwards of a dozen social workers, each team serving populations of between 50,000 and 100,000, and with the maximum amount of responsibility delegated to them from the headquarters of the social service department. For the time being, the social service department should be run by
a separate committee of the local authority, with a separate principal officer reporting directly to the council. We envisage that in course of time most of the principal officers at the heads of the new departments would be professionally qualified social workers with training in management and administration or administrators with qualifications in social work. We emphasise the importance of close links between the social service department and other departments, notably the health, education and housing departments; indeed this point crops up throughout the report. We discuss the respective roles of members and officers in running the personal social services, drawing attention to the delicate balance of the relationship between members and officers.

20. Our terms of reference excluded consideration of the organisation of central government, but nevertheless we thought it right in chapter XIX to point out that reorganisation of services at local level would not be effective unless it was accompanied by reorganisation at central government level, and in the structure of councils and committees advisory to Ministers in this field. In particular, we see an important place for a reorganised and strengthened central government inspectorate, with promotional, consultative and advisory functions, in helping the development of the new department.

21. Finally, in chapter XIX, we make specific suggestions about ways of resolving some difficult problems on the handling of confidential information, and bring together proposals made in other parts of the report for the provision of medical advice to the social service department.

22. Chapter XX contains recommendations on the implementation of our proposals. We deal in particular with the relationship between our recommendations and what may emerge from the recommendations of the Royal Commission on Local Government in England. We urge that our main proposals should be implemented without waiting for legislation on general local government reorganisation, mainly because of the need to improve the services as quickly as possible. In the long-term, however, we recommend strongly that responsibility for the social service department, and for local health, education and housing functions should be discharged by the same tier of local government.

23. Chapter XXI deals with the implications of the Committee's recommendations for services outside their terms of reference - the Supplementary Benefits Commission, the Probation and Aftercare Service, doctors, and medical social work in hospitals.
24. The report is concerned throughout with resources: how the existing resources can best be used; what additional resources are likely to be available; how these additional resources can be attracted. An effective family service cannot be provided without additional resources. It would be naive to think that any massive additional resources will be made available in the near future, not only on account of the present economic situation, but also because of the inevitable time lag in planning, recruitment, training and the construction of buildings. The pace at which our recommendations are implemented must be a matter for political decision. Nevertheless these considerations do not change our opinion that the reorganisation recommended in chapter VII must be started now, as the suggested changes will result in more efficient and economic functioning of the services, and are vital if more resources are to be attracted and used sensibly.

25. It is as well to consider the size of the problem in terms of money and manpower. The national expenditure on the Social Services in 1965 amounted to £5,479 million. The net amount spent from public funds in 1965-66 on the local authority welfare and child care services on capital and revenue account was just under £100 million, only 1.8% of the total (or .7% of the G.N.P.).

26. The budget of the social service department will be about 46% higher than the combined expenditure of children's and welfare services, because it will also be responsible for relatively expensive items such as the home help service and parts of the mental health services. Nevertheless, it will remain small in relation to the total. At appendix J we estimate the annual current expenditure of the social services department at about £113 million on 1965/6 figures which compared with a total local authority expenditure on revenue account of over £2,000 million.

27. In terms of manpower, it is estimated that in 1966 there were about 90,000 people employed in the local authority services which we have proposed for inclusion in the social service department (see appendix L). Among them were about 7,700 child care officers and social workers in health and welfare departments. Even a modest increase in these categories could affect

significantly the effectiveness of a family service. In particular, more effective measures to prevent children having to be taken into residential care could save heavy expenditure in other directions. The cost of keeping a child in a remand home is now £20 per week or over £1,000 per annum; the cost of keeping a child in an approved school is nearly as much, and the cost of keeping a child in a residential home is about £12 a week. A qualified social worker earns £1,060-£1,435 a year, to which must be added the cost of supporting services. If an additional social worker can remove the need for even two children coming into residential care the benefit to the community in terms of money alone is obvious.

28. Even more striking examples can be given of how the use of home helps could avoid much heavier expenditure on residential care for children and old people. The total cost of one whole-time home help is less than £1,000 a year. If the use of one home help on a full-time basis could avoid the need for a family of three to be taken into care, public money would be saved.

29. As will be clear from our recommendations, we are not of course saying that the solution to every social problem must lie in greater use of social workers and home helps rather than the residential services. What we are saying, however, is that providing services which lessen the need to take children and adults into care is often right in itself and may be cheaper.
The Report of the Interdepartmental Committee on Local Authority and Allied Personal Social Services is published today. The Committee have produced a thorough and extremely interesting Report, and I am glad to be able to express to their Chairman, Mr. Frederic Seebohm, and his colleagues the Government's gratitude for the way in which they have discharged their task. The Report calls for careful study and consideration, and the House will not expect the Government to announce any decisions until we have had an opportunity to consult the local authorities and the other interests concerned in this important field. We shall initiate consultation without delay.
25th July, 1968

CABINET

LOCATION OF THE INLAND REVENUE SCHEDULE E COMPUTER CENTRE FOR SOUTHERN ENGLAND

Memorandum by the Chancellor of the Exchequer

At their meeting on 25th June the Ministerial Committee on Environmental Planning discussed the location of Inland Revenue Schedule E computer centres. They agreed, subject to confirmation of my concurrence, that the computer centre for Southern England should be located at Plymouth. I am afraid that I cannot concur, and must urge the Cabinet to reconsider this decision.

2. The location approved for this centre by the majority of the Official Committee on Dispersal was the Southampton/Portsmouth area. In my view the case for preferring this area is conclusive. This is not so much a matter of the additional cost of going to Plymouth, though that would amount to about £1 million. More serious is that a decision in favour of Plymouth would impose a delay of at least five or six years on the completion of the centralisation programme. A centre could be set up in the Southampton/Portsmouth area in the period 1977-79; it would not be possible to set up a centre in Plymouth until the period 1982-84, and then only if a considerable number of staff could be prevailed upon to accept transfers to the South-West.

3. The delay in the completion of the programme would be serious because, until it is completed, the Inland Revenue have to operate both the new automated system and the present manual system. This is costly and inefficient; it impairs the service given to taxpayers and impairs the ability of the Inland Revenue to undertake major changes of the tax system.

4. The reason why the Revenue could build up so much more quickly in Southampton/Portsmouth than in Plymouth is that there are 12 existing tax districts in the Southampton/Portsmouth area, including a large office which handles PAYE dispersed from London, whereas there are only three existing tax districts within travelling distance of Plymouth. It would be more difficult to persuade staff to accept transfer from London and the South-East to Plymouth than to Southampton/Portsmouth. I also fear that there would also be some difficulty in persuading the staff to accept the programme as a whole, if the only alternative to resignation for all the surplus staff in the London area and the Eastern, Southern and South-Eastern counties of England was a transfer to Scotland, the North of England or Plymouth. If we insisted on Plymouth we might forfeit the agreement of the staff to some of the other proposed locations.
5. In planning the location of these centres we have had the fullest regard to the need to decentralise and to considerations of regional policy. There will be centres in East Kilbride, Bootle, Manchester, Cardiff, Tyneside and the Leeds/Bradford area. We have agreed that the centre for Outer London shall be at Edinburgh; and we have agreed that the possibility of locating the Midland centre on Teesside or in South Wales should be further examined. All this being so, I do not think that we need regard regional considerations as requiring us to insist on Plymouth rather than Southampton/Portsmouth as the location for the centre for Southern England, at the price of £1 million and five or six years' delay in the programme.

6. In the light of all these considerations I invite the Cabinet to agree with the majority of the Official Committee on Dispersal that the Inland Revenue Computer Centre for Southern England should be located in the Southampton/Portsmouth area.

R. H. J.

Treasury Chambers, S.W.1.

16th July, 1956
Concorde has been under development for 5½ years. The two prototypes are now virtually complete, but a complex programme of ground checks and testing has to be completed before they can fly. Work on the two pre-production aircraft is going ahead, and preliminary authorities have been given for initial orders of materials and tooling for the production programme proper. The firms' target date for the first flight is now October/November, but British and French officials consider that a more likely date is January/February, 1969. (The problems of estimating the likely date are discussed in Annex C). Flight at a Mach number of 2 (the design cruising speed) is unlikely to be achieved before the autumn of 1969. The firms' target date for certification of airworthiness is October, 1971, which would enable deliveries to airline service to begin before the end of that year, but this again is probably optimistic, and the view of officials is that whilst spring 1972 is probably the earliest date for certification, it may not be achieved before the autumn of 1972.

2. The latest report to British and French Ministers by the Concorde Direction Committee (CDC, 24 of 7th June, 1968) is at Annex A.

Technical Prospects

3. If Concorde is to be saleable it must obtain certificates of airworthiness from the British, French and American airworthiness authorities, must be accepted by civil aviation authorities around the world without operating restrictions that would be unacceptable to the airlines (the chief cause for anxiety being take-off noise) and must offer a performance that most of the major long-haul airlines regard as adequate. This may in turn be defined as the ability to carry, without significant restriction on account of seasonal factors or weather conditions, an economic payload non-stop between Paris and New York.

4. Many difficulties which once seemed daunting have been overcome. However, Concorde's chances of achieving the objectives set out in the preceding paragraph, and in particular of achieving the required level of performance, are finely balanced. (Whilst complete failure to obtain certification is most unlikely, this by itself will be of little use if the performance criteria cannot be met).
Performance

5. Officials' latest estimates, based on test results, indicate that limitations due to take-off weight and fuel capacity may reduce the payloads on the critical Paris/New York mission to well below the target figures of 20,000 lbs. at initial certification ('stage 0') and 25,000 lbs. at final certification ('stage 1').

6. There are a number of ways in which these reductions could be restored (for example, by increase in engine thrust during the later stages of the climb to cruise altitude, increase in fuel capacity, and possibly by improvements in engine nozzle efficiency). These are being investigated and some of them, particularly increases in engine thrust are within our grasp now. Further improvements in performance could be achieved by increasing the engine thrust during take-off but this would increase the lateral noise.

7. These assessments are the best that officials can make at the present time: the uncertainties associated with the assessment of performance are however still significant. Taking the most pessimistic view the performance of Concorde would be wholly uneconomic: at the other end of the scale the target Paris/New York payloads could be achieved comfortably. The firms hold strongly to this latter view.

8. That an uncertainty band of this magnitude exists now is no reflection on the integrity and magnitude of the theoretical and experimental work done to date: in scope this far exceeds the programme for any previous British aircraft project, civil or military. The basic source of the difficulty is that the payload for Concorde, as for any other supersonic transport (SST), is less than 7 per cent of the take-off weight (25,000 lbs. out of 380,000 lbs.). There is unlikely to be any significant reduction in the magnitude of the uncertainties until the performance of the prototypes has been measured in sustained flight at a Mach number of 2 (i.e. autumn of 1969).

9. The amount of payload carried could also be increased if small concessions were made in certain operational requirements. For example, out of a total fuel weight of nearly 200,000 lbs., one-fifth (40,000 lbs. or more than 1½ times the payload) consists of fuel reserves. Only part of these reserves are required to meet safety regulations: the remainder are specified by the airlines to ensure regularity of operation. Any reduction in these reserves acceptable to the airlines could clearly have a dramatic effect on overall performance. (A reduction in regularity of operation from 99.6 per cent - the level achieved by current aircraft such as the Boeing 707 - to 98 per cent is equivalent to 6,500 lbs. of payload). Again, Concorde is designed to meet take-off standards and regulations which, because of the advanced nature of the project, are unusually severe. If Concorde's handling characteristics turn out to be as good as has been predicted theoretically and by ground simulation it might be possible to negotiate relaxations here with corresponding benefit to the payload/range equation. Relaxing the regulations to the standard currently in force for subsonic aircraft - the maximum relaxation likely to be achieved - would give a gain in payload of about 6,000 lbs.
Noise

10. The target for airfield noise for Concorde remains that it shall be no greater than the noise from current civil jet aircraft. The latest estimates show that this target is still achievable, but the uncertainties in the estimate are such that at worst noise could be of a level which would seriously restrict the operation of the aircraft from major world airports. Here again the uncertainty is unlikely to be reduced until the aircraft has flown, but the intention is to make noise assessment one of the earliest measurements of the flight programme.

11. In short, we are unlikely to be able to forecast the performance outcome more clearly until Concorde has flown and undergone several months of flight testing. The above analysis will continue to represent the best judgment that can be made of the balance between success and failure for at least a year, although during that year there will be stages in the improvement of our knowledge.

Development Costs

12. I explained in my paper C(68) 4 of 3rd January, 1968, that if the existing development timetable were maintained and things went reasonably well, the total extramural development costs to the British and French Governments might be in the region of £550 million, but that if it proved impracticable to maintain the existing programme unchanged, these costs might rise to £650-£700 million. These figures compared with a published estimate of £500 million (all at 1966 prices), it is important that we should not publicise a higher figure, except in agreement with the French in implementation of our aim to set an agreed upper limit to the commitment of the two Governments and until the target costs for the incentive contracts have been established. The latest estimates agreed by British and French officials (as given in paragraph 13 of Annex A) lie within a range of £600-£700 million at 1968 price levels (corresponding to £530-£600 million at 1966 prices). The implications of these figures from Her Majesty's Government's point of view are explored in Annex B (paragraphs 1-8).

Selling Price

13. The latest estimates by British and French officials, made prior to the recent French strikes, indicate that if the manufacturers are to make a profit on production and the two Governments are to secure a modest recovery on their investment in development (see paragraphs 10(a) and (b) of Annex B) the aircraft will have to be sold at an average unit price of not less than $22 million (i.e., not less than £9,16 million) (Annex A - paragraph 21). For the purposes of the calculations in Annex B, a selling price averaging £9.5 million over 100 aircraft has been assumed. This average price has also been assumed in my Department’s latest estimates of market prospects, which I describe below. The production costs and the selling price are central questions and will of course have to be specifically reviewed in the light of the effect on French costs of the recent strikes.
Economic Prospects

14. The Concorde Economic Prospects Committee, in their report of January, 1967, gave a probable range of 60 to 180 as their estimate of the numbers of Concorde likely to be sold up to 1975 when the American SST was expected to enter service. This was on the assumption that supersonic flying over land would be restricted to uninhabited or sparsely-populated areas. They thought that the total market for supersonic airliners between 1976 and 1980 might be equivalent to about 80 more Conordes, but that how many of these would actually be Conordes would depend on the competition offered by the American SST. The conclusions of this report have recently been reviewed by my Department, with the result that our current estimate of sales up to the time that the American SST enters service (which is now estimated to be 1977) is a probable range of 60 to 135. Allowing for further sales of Conordes after 1977 we arrive at a probable range of 70 to 165 for total sales, assuming that the aircraft is a technical success. The British Aircraft Corporation (BAC) estimate of sales is substantially higher (250).

15. If all overland supersonic flight is banned, my Department's current estimate of total sales is a probable range of 55 to 135.

16. These forecasts may be compared with the present total of 74 delivery positions reserved by 16 airlines. These reservations, made in exchange for a cash deposit, are in effect for a place in the Concorde queue, and a means by which airlines that have declared themselves potential customers may influence the design of the aircraft. No fresh reservations have been made since April, 1967, nor are any expected in the immediate future. The 16 airlines include all the major potential operators, and the prospect of a place in the queue beyond those already taken up is not likely to attract further customers at this stage; nor can firm orders be expected until Concorde's technical success is assured. The airlines' tactics will be to wait until Concorde's prospects of success can be more conclusively evaluated and the status of its rivals is clearer before committing themselves further. This probably means that no further options can be expected until the first firm orders have been placed or are at least in the final stages of negotiation.

Financial Prospects

17. The financial prospects as seen by my Department (there has not been sufficient time to discuss them with other Departments) are analysed in some detail in Annex B to this memorandum. The main points are as follows:

(a) Assuming that all expenditure up to 31st December, 1968 (the earliest date for possible cancellation suggested in SEP(68) 16) is ignored, and on certain other assumptions described in paragraphs 10 and 11 of Annex B, the prospects in terms of balance of payments benefits, of implied subsidy, and of implied preference for foreign exchange are as follows:
19. The decision that we have to make on Concorde is a very important one. It is important first because of the sheer size of the project and the organisations, skills and people involved in it. It is the biggest international aircraft project ever undertaken, the biggest industrial project of any kind with which this country has ever been involved, and, if it succeeds, holds out the prospect of bigger export earnings than for any item of equipment ever produced. It is also one of those very few areas of advanced technology where Britain is several years ahead of the Americans and where the American competitor is running into serious difficulties and greater delays that could give us a five-year lead.
20. It has been generally agreed in the Government since 1964 that the decision to go ahead with Concorde reached by the last Government was a mistake. Looking back on it now none of us can regard it as having been an investment that could possibly justify itself in terms of economic return set against the total costs that will have been incurred. The Cabinet have wanted to cancel it from the outset but have felt unable to do so because of our treaty obligations and the risk that were we to attempt it we would be open to an action in the International Court which would stand a good chance of success and would lead to our incurring the same order of expenditure without receiving any commensurate return from the export earnings of the aircraft. For these reasons we have gone on for nearly four years.

21. In reassessing the project today the arguments for and against it have changed their character due to the passage of time, the expenditure of money, the technical progress and the delay in America in the Boeing 2707 programme.

22. If the technical problems are overcome, and costs contained, allowing the aircraft to be sold, the economics of the project now look more favourable, and hold out prospects of foreign exchange benefit of £870 million discounted (or £740 million gross) if 120 aircraft are sold; or up to £1,000 million gross with sales of 165. If the BAC upper estimate of sales (250) were realised over a prolonged period foreign exchange earnings would rise to £1,450 million gross.

23. It is therefore the technical and marketing aspects of Concorde that ought now to be decisive in our minds. Here it is just not possible to give a firm or clear answer at this moment. I am not referring to whether the aircraft can actually fly or to whether it will fly safely. No other aircraft project has got so many safety elements built into it nor has been subjected to such a rigorous pre-flight testing programme. The technical problems are those connected with the payload and engine noise. There is also the sonic boom problem. The extent to which these can be overcome will determine the market for the aircraft and we cannot know the outcome until we have gained flight test experience.

24. There is therefore a very strong prima facie case for allowing the programme to continue until judgment of the technical viability of the aircraft can be based on flight-test results.

25. Against this must be set the case for cancellation, based upon the high total of public expenditure involved and the unavoidable uncertainties which cannot be resolved until much more money has been spent. But in judging this we have to take account of the binding nature of the treaty obligations from which we cannot readily escape.

26. Four courses of action are possible and I have set them out below with the arguments for and against briefly summarised.

Course No. 1. To continue with Concorde as an act of faith.

The case for this is as follows:-

(i) Success offers the possibility of foreign exchange benefits exceeding £1,000 million gross.
(ii) Success would represent a great technological achievement for Britain and Europe.

(iii) Abandonment would be a staggering blow to British engineering at a time when it is making good progress in expanding its export markets.

(iv) This is the policy of our partner France, and has been throughout, and we could not abrogate the treaty without serious risk of financial and political damage.

The case against:

(i) There is no certainty that the project will succeed.

(ii) The present unsatisfactory nature of the unlimited financial commitment for the two Governments that this implies.

I strongly recommend against this course as being an uncritical support for the Concorde programme.

Course No. 2. To decide firmly and finally to cancel now and announce it immediately. This is the course we sought to adopt in 1964. It was frustrated by our legal obligations. The arguments for and against are as follows:

The case for:

It would stop expenditure and new commitments on the project immediately (apart from cancellation charges and possible damages to the French).

The case against:

(i) It would remove the possibility of earning foreign exchange benefits exceeding £1,000 million gross.

(ii) It would destroy the project and disrupt the great assembly of resources and skills devoted to it before they have had a chance to prove themselves, a few months before the four years of effort carried out under this Government have culminated in flight.

(iii) It would do the maximum damage to our standing as an advanced industrial society and our credibility as a partner in any international project.

(iv) It would expose us to the near certainty of damages in the International Court which, had we given no advance warning to the French whatsoever of our intentions, would put us at maximum risk.

(v) These damages could involve nearly as much expenditure as the costs of continuing.

For these reasons I cannot recommend this course.
**Course No. 3.** To decide now to cancel and to plan a strategy of withdrawal leading to cancellation at the end of the year. This is the course of action which I understand the Chancellor to be recommending. The cases for and against can be summarised as follows:

The case for:

(i) Provided the risk of damages to the French could be contained it would put an upper limit on our commitment.

(ii) It might avoid the worst political and financial risks of an immediate confrontation with the French.

(iii) It would provide a strategy which would allow all Ministerial attention to be devoted to cancellation.

The case against:

(i) It would remove the possibility of earning foreign exchange benefits exceeding £1,000 million gross.

(ii) It would destroy the project and disrupt the great assembly of resources and skills devoted to it before they have had a chance to prove themselves, a few months before the four years of effort carried out under this Government have culminated in flight.

(iii) It would involve Ministers and officials in spending public money and in dealing with the French and with our own firms as though the intention were to continue with the project, whilst in reality they were working secretly towards its cancellation. This would make responsible management impossible, and our true intentions would inevitably leak, to the disrepute of all concerned.

(iv) There is no certainty at all that it would succeed.

**Course No. 4.** To talk to the French Government very frankly and seek their agreement to criteria which, if it later appeared likely would not be achieved, would require the two Governments to consider together whether to continue. The two criteria that I discussed with the Attorney-General and the Chief Secretary in preparation for my talks with the French in May were:

(a) The acceptance of an upper limit to the commitment of the two Governments to extramural development expenditure. The figure we would suggest would be within the range £550-£600 million at 1966 prices.

(b) The placing of firm orders by four major airlines of which at least one must be an American airline before the end of 1969.

We should also establish that, failing agreement with the French on these criteria, or on whether they had been achieved, we would feel free to decide not to proceed ourselves if, in our judgment, the project was no longer viable.
We have begun this approach to the French by correspondence, but were unable to follow it up in discussion because the meeting arranged for this purpose was postponed because of the trouble in France.

The case for it is as follows:

(i) By keeping open the option of continuing it retains the possibility of earning foreign exchange benefits exceeding £1,000 million gross.

(ii) By opening up the possibility of establishing agreed criteria with the French in relation to which continuation of the project is to be judged by the two Governments, it secures all the benefits of Course No. 3.

(iii) It avoids arbitrarily destroying the project and disrupting the great assembly of resources and skills devoted to it before they have had a chance to prove themselves a few months before the four years of effort carried out under this Government have culminated in first flight.

(iv) By providing a break-point for the United Kingdom it establishes better machinery for intergovernmental control (and thus increases our bargaining power vis-à-vis the French); it preserves responsible management and avoids the serious disadvantages for Ministers and officials outlined under (iii) in the case against Course No. 3.

The case against:

It requires us to risk up to an additional £75 million in order to secure the possible but uncertain benefits and the time for critical judgment.

Recommendation

27. Having considered all these courses of action fully, I recommend to my colleagues that we adopt Course No. 4 which appears to me to be the only practicable course actually open to us. It gives all that the Chancellor wishes to achieve in preparing the ground for a possible cancellation while at the same time keeping open the possibility of continuing with the project and earning £1,000 million gross in foreign exchange benefits. There is little to choose in terms of public money between this course and the course which the Chancellor recommends, but it is more realistic both in assessing the prospects of cancellation without damages and in providing for the possibility of technical and commercial success. If this is agreed, I would propose to hold the postponed meeting with M. Chamant as soon as possible, discuss the project with him on the lines indicated; propose the reconvening of the Concorde Economic Prospects Committee to reappraise the situation and consider together the practicability and economy of reducing the rate of expenditure pending the resolution of some of the present technical uncertainties, I would then report back to Cabinet.

A. W. B.

Ministry of Technology, S.W.1.

29th July, 1968
At the last meeting at which they discussed Concorde, the British and French Ministers primarily responsible for the project had before them a report from the CDC (CDC.14 of 4th December 1967). As a basis for the next Ministerial discussion, arranged for 28th May 1968, the CDC submit this further report.

TIMESCALE OF THE PROGRAMME

2. In their last report, the CDC indicated that a delay of some months in the first flight date for the first prototype (then planned for 28th February 1968) was possible. On 23rd February, SUD and BAC submitted to officials a revised timetable for the whole programme which indicated that the first flights for both prototypes were now planned for September/October 1968, and that initial certification of airworthiness was planned for October 1971 (instead of June 1971).

3. The CDC believe that neither prototype will be ready for first flight by the September/October date planned by the firms, that the earliest time by which either could be ready is October/November, and that January/February 1969 is more likely.

4. The basic structure of the prototypes was completed more or less on time, and the CDC are satisfied that the setback is due mainly to delays in the supply, and installation of systems and the test of equipment, including flight test instrumentation. The reasons for these delays are complex and the CDC does not feel able to apportion the responsibility among the various firms involved.

5. The setback has had the following immediate adverse effects.

(a) It will not be possible to check engine noise estimates against actual measurements from Concordes in flight until the spring of 1969 at the earliest. (Under the former programme this would have been done during 1968).

(b) There will be no practical experience of Concorde's sonic boom before the autumn of 1969 (under the former programme this would have been available during 1968).

(c) It will not be possible to demonstrate Concorde's qualities, including its supersonic performance, in actual flight, and to persuade airlines to place firm orders, until towards the end of 1969 (instead of by the spring of 1969). (The firms themselves agree that they cannot now expect to secure firm airline orders before this time).
RUNWAY LOADING

20. Further studies of this problem have indicated that it is still a cause for concern although less so than the problems of performance and noise. Concorde is in the same bracket in this respect as the DC8-63 and the Boeing 747. Both these American aircraft are expected to be in worldwide service before Concorde, and at most of the airports of importance the authorities will thus have a strong inducement to make the necessary improvements.

SELLING PRICE

21. The latest officials’ estimates indicate that if the manufacturers are to make a profit on production and the Governments are to secure a modest recovery of their investment in development, the aircraft will have to be sold at an average unit price of not less than $22M.

22. In accordance with the wishes expressed by Ministers at their last meeting the CDC have informed the firms that they do not wish them to quote a price in the negotiation of further option agreements without first consulting the CDC. The firms have accepted this. However, the CDC think it unlikely that any further option agreements will be negotiated until Concorde’s qualities have been demonstrated by flight trials. By that time, the much more significant question of what price should be sought in the firm contracts for sale will have to be settled between the two Governments and the four firms.

23. The CDC have also considered, as directed by Ministers, the desirability of seeking to amend the figures for the purchase price given in existing option agreements. Although the figure quoted in some of the older agreements is as low as $10 M (plus escalation), none of the agreements commit the manufacturers to sell at a specific price, and all the airlines know very well that they cannot expect to pay significantly less than the round figure of $20M which has been widely publicised. The CDC believe that there is nothing to be gained from seeking to introduce an up-to-date figure for the selling price in existing option agreements.

24. The CDC will continue to study the related problems of production costs and selling prices, with a view to making further recommendations to Ministers.

SALES PROSPECTS

25. The CDC have little to add to what they said about sales prospects in their last report (CDC.14 paras 24-26). The number of reserved delivery positions remains 74 (on behalf of 16 airlines) and no additions to these numbers are likely until the aircraft’s qualities can be demonstrated by the flight of the prototypes. Many of the option agreements lapse, and allow the customer a refund of his deposit, if by 31st December 1968 Air France and BOAC have not placed firm orders or the first prototype has not flown. In these circumstances, a few airlines might prefer to give up their delivery positions.

26. If the problems discussed above can be overcome sufficiently to give Concorde a performance which is attractive to the airlines the assessment of its long term prospects must still take account of the progress of the Boeing 777. At the time of CDC’s last report, the first flight date for Concorde was predicted to be in 1970.
the first Boeing 2707 prototype was given as the end of 1970. Statements published by the FAA and the Boeing Company on 22nd February 1968 indicated that the development programme was being slowed down so as to permit further design changes. The Boeing statement said that 'the SST programme is not on a rigid schedule' and no new first flight date has been given. But the indications are that it will not be before early 1972 and that the aircraft will not go into service before 1975. There can be no doubt that Boeing have encountered substantial design difficulties, and further setbacks are not unlikely. Concorde's 3 to 4 years lead over its American rival is certainly not being eroded at present.

PRODUCTION PROGRAMME

27. In their last report, the CDC indicated that the manufacturers had offered a choice of three production programmes. The CDC have since asked the firms to base their long term planning on the first of these programmes, and have asked for detailed proposals expressed in both physical and financial terms. This is the so-called 'slow' programme, which would not enable deliveries of aircraft beyond the 74 already reserved to be offered until towards the end of 1974. Given current uncertainties about Concorde's prospects, the CDC do not think it prudent to embark on a faster programme now, and moreover they believe that at least for the next twelve months or so the planned build-up of commitments on production should be slowed down. Nevertheless, the CDC considers a case may emerge for incurring some expenditure which would enable the manufacturers to revert quickly to a faster programme if, by, say, the middle of 1969 the sales prospects were such as to justify such a course, and the CDC have accordingly asked the firms to submit proposals to this end.

FINANCING PRODUCTION

28. The initial stages of the production programme continue to be financed on both sides of the Channel under interim arrangements. On the British side, the Industrial Expansion Bill, which includes provision for the long term financing of Concorde production, has now been approved by the House of Commons and is expected to be enacted by the end of the current Parliamentary Session. On the French side, the loans provided by the Treasury will have been used up by this summer, and it will therefore be necessary to establish long term arrangements by then. British and French officials are seeking to harmonise their procedures for financing the programme in the long term.
**ANNEX TO CDC 24**

**CONFIDENTIAL**

**CONCORDE LAUNCHING PROGRAMME**

**ESTIMATES OF THE TWO GOVERNMENT'S EXPENDITURE**

**UNDER CONTRACTS WITH THE FOUR MAIN FIRMS**

(All figures at January, 1968 price levels as regards future expenditure)

**A. Firms' estimates of total expenditure, adjusted by officials to make them comparable with B**

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<td>2584.5</td>
<td>BAC</td>
<td>125.2</td>
<td>1583.1</td>
<td>Both aircraft firms</td>
</tr>
<tr>
<td>SNECMA</td>
<td>86.6</td>
<td>1079.6</td>
<td>RR</td>
<td>129.3</td>
<td>1622.1</td>
<td>Both engine firms</td>
</tr>
<tr>
<td>Both French firms</td>
<td>293.3</td>
<td>3664.1</td>
<td>Both British firms</td>
<td>254.5</td>
<td>3205.2</td>
<td>All four firms</td>
</tr>
</tbody>
</table>

**B. CDC's estimates of total expenditure**

<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>MF</th>
<th></th>
<th>£M</th>
<th>MF</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUD</td>
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<td>2804.5</td>
<td>BAC</td>
<td>152.6</td>
<td>1907.8</td>
</tr>
<tr>
<td>SNECMA</td>
<td>90.2</td>
<td>1122.8</td>
<td>RR</td>
<td>131.8</td>
<td>1651.7</td>
</tr>
<tr>
<td>Both French firms</td>
<td>315.6</td>
<td>3927.3</td>
<td>Both British firms</td>
<td>284.4</td>
<td>3559.5</td>
</tr>
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</table>

**C. Expenditure to 31/12/67 included in (B)**

<table>
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<tr>
<th></th>
<th>£M</th>
<th>MF</th>
<th></th>
<th>£M</th>
<th>MF</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUD</td>
<td>70.5</td>
<td>964.3</td>
<td>BAC</td>
<td>51.0</td>
<td>703.8</td>
</tr>
<tr>
<td>SNECMA</td>
<td>27.1</td>
<td>375.0</td>
<td>RR</td>
<td>46.1</td>
<td>636.2</td>
</tr>
<tr>
<td>Both French firms</td>
<td>97.6</td>
<td>1339.3</td>
<td>Both British firms</td>
<td>97.1</td>
<td>1340.0</td>
</tr>
</tbody>
</table>

**D. Expenditure from 31/12/67 to completion included in (B)**

<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>MF</th>
<th></th>
<th>£M</th>
<th>MF</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUD</td>
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<td>1840.2</td>
<td>BAC</td>
<td>101.6</td>
<td>1204.0</td>
</tr>
<tr>
<td>SNECMA</td>
<td>63.1</td>
<td>747.8</td>
<td>RR</td>
<td>85.7</td>
<td>1015.5</td>
</tr>
<tr>
<td>Both French firms</td>
<td>218.0</td>
<td>2588.0</td>
<td>Both British firms</td>
<td>187.3</td>
<td>2219.5</td>
</tr>
</tbody>
</table>

---

**CONFIDENTIAL**
Development expenditure

1. The latest report of the official Concorde Directing Committee (CDC 24 of 7th June 1968)/ gives the estimated cost to the British and French Governments of the extramural development programme from inception to completion as:-

\[ 600 - 780 \] £ M

2. The British Government's share of this is estimated to be:-

\[ 285 - 375 \]

3. Of the British Government's share, £120 M has already been spent, and by 31st December 1968 this will have risen to £145 M, leaving:-

\[ 140 - 230 \]

4. To this may be added £20-30 M that would remain to be spent on intramural development at British Government establishments, giving totals of:-

\[ 160 - 260 \]

5. But cancellation now (or at any time in the next 18 months) would result in cancellation payments to the British contractors of:-

\[ 50 - 30 \]

6. Deducting these cancellation payments from the figures at paragraph 4 gives the saving of expenditure on development that would result from cancellation on 31st December 1968 as:-

\[ 110 - 230 \]

7. In the following six months a further £25 M would be spent on development, so that the saving of expenditure on development that would result from cancellation on 30th June 1969 would be reduced to:-

\[ 85 - 205 \]
8. In the following six months, up to 31st December 1969, a further £25 M would be spent on development, so that the saving of expenditure on development that would result from cancellation on that date would be reduced to:

Production expenditure

9. Relatively little money has yet been irrevocably committed to production, but over the next 18 months the British Government's commitments are likely to rise as follows:

- by 31st December 1968: 5
- by 30th June 1969: 15
- by 31st December 1969: 30

Provided Concorde is a technical and commercial success, these sums would be wholly recovered. If the project were cancelled, they would have to be written off.

Recovery of development expenditure through receipts from levies

10. The following calculations are based on the following assumptions:

(a) Aircraft are sold at a price averaging £9.5 M over 100/ and this is sufficient to recover the costs of production plus levies for the recovery of development expenditure at the following rates:

- First 50 aircraft: 4%
- 51st to 100th aircraft: 5-9%
- 101st aircraft onwards: 10%

(b) Over the operational life of the aircraft, receipts from sales of spares (including spare engines) will equal 65% of the receipts from sales of aircraft.
sales of aircraft, and the price of spares will include development levy at 10%.

(c) The levies are shared equally between the British and French Governments.

On these assumptions, receipts from levies, to be set against the uncommitted development expenditure of £110-230 M described in paragraph 6 would be as follows:

- 70 aircraft sold: £33 M
- 120 " ": £69 M
- 165 " ": £101 M

Balance of payments benefits

11. The following calculations are based on the assumptions listed in paragraph 10, with the following additional assumptions.

(a) In calculating the foreign exchange benefit, 7½% should be deducted from the total receipts from sales on account of the third country import content (mainly American equipment in the aircraft) in the costs of production.

(b) 45% of the total receipts from sales (and of the costs of production) will accrue to the U.K. (As a result of devaluation, we can no longer reckon our share to be 50%).

(c) Sales to BOAC (which would be a small part of the total anyway) may be regarded as import savings.

On these assumptions, the following benefits would accrue to the U.K. balance of payments:

- 70 aircraft sold: £433 M
- 120 " ": £740 M
- 165 " ": £1019 M

Appraisals of the economic consequences of continuing with the project

/12. The remainder
12. The remainder of this Annex consists of appraisals of the economic consequences of continuing with the project, using two methods - the implied subsidy approach, and the implied preference approach. In all cases, expenditures up to 31st December are ignored.

Implied subsidy

13. In the following calculations, the balance of payments benefits described in paragraph 11 are compared with the difference between the Government's uncommitted expenditure on development (£110-230 M) and its receipts from levies (as described in paragraph 10), the ratio between the two being regarded as an implied subsidy for foreign exchange. In each case the lower percentage relates to the lower estimate of development expenditure (i.e. the basic total estimate of £600 M described in paragraph 1) and the higher percentage to the higher estimate of £780 M which includes contingencies. All expenditures and receipts are discounted at 6% per annum to 31st December 1968.

<table>
<thead>
<tr>
<th>Number of aircraft sold</th>
<th>70</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£M</td>
</tr>
<tr>
<td></td>
<td>discounted</td>
</tr>
<tr>
<td>(a) Foreign exchange benefit</td>
<td>296</td>
</tr>
<tr>
<td>(b) Uncommitted development expenditure</td>
<td>85 - 177</td>
</tr>
<tr>
<td>(c) Receipts from levies</td>
<td>17½</td>
</tr>
<tr>
<td>(d) Difference between (b) and (c) - i.e. the Government's loss</td>
<td>67½ - 160</td>
</tr>
<tr>
<td>(e) Implied subsidy i.e. (d) as a percentage of (a)</td>
<td>22½ - 54</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>120</th>
</tr>
</thead>
<tbody>
<tr>
<td>£M</td>
</tr>
<tr>
<td>discounted</td>
</tr>
<tr>
<td>470</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>165</th>
</tr>
</thead>
<tbody>
<tr>
<td>£M</td>
</tr>
<tr>
<td>discounted</td>
</tr>
<tr>
<td>608</td>
</tr>
</tbody>
</table>

| (a) Foreign exchange benefit | 470 |
| (b) Uncommitted development expenditure | 85 - 177 |
| (c) Receipts from levies | 42 |
| (d) Difference between (b) and (c) - i.e. the Government's loss | 43 - 135 |
| (e) Implied subsidy i.e. (d) as a percentage of (a) | 9 - 29 |

| 26½ - 118½ |
| 4½ - 19½ |

Implied preference

14. An alternative method of appraising the economic consequences of continuing the project is to compare the foreign exchange benefits with the national resources that will be used to secure these benefits.
(i.e. the resources used to complete the development programme and to manufacture the aircraft and spares to be sold). Since development is being paid for by the Government, and it is assumed that the costs of production (however they may be met initially) will be wholly recovered from sales, this method gives very similar results to those from the 'implied subsidy' method described in the preceding paragraph. The results are as follows. (All expenditures and receipts are again discounted to present values at 8% per annum).

<table>
<thead>
<tr>
<th>Number of aircraft sold</th>
<th>200</th>
<th>150</th>
<th>210</th>
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<tbody>
<tr>
<td></td>
<td>£M</td>
<td>£M</td>
<td>£M</td>
</tr>
<tr>
<td></td>
<td>discounted</td>
<td>discounted</td>
<td>discounted</td>
</tr>
<tr>
<td>(a) Foreign exchange benefit</td>
<td>298</td>
<td>470</td>
<td>608</td>
</tr>
<tr>
<td>(b) National resources used</td>
<td>367 - 459</td>
<td>513 - 605</td>
<td>633 - 725</td>
</tr>
<tr>
<td>(c) Implied preference, i.e. (b) minus (a) as a percentage of (a)</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>23 - 54</td>
<td>9 - 29</td>
<td>4 - 19</td>
</tr>
</tbody>
</table>
ANNEX C

ESTIMATION OF FIRST FLIGHT DATE

For a complex aeroplane such as Concorde one has to distinguish between two distinct phases in evaluating the programme of construction and more specifically the date of first flight: these phases are the design construction and testing of the airframe - fuselage, wings, tail - and the corresponding stages for equipment including in this category the engine.

2. The airframe although technologically advanced even by aircraft standards is manufactured and assembled by processes that are well-established. The planning of the work is directly under the control of the main contractors who are able to switch effort as they see fit to meet impending crises.

3. In order to be cleared for flight the airframe has to undergo a vibration test. This is a complex investigation lasting 3 or 4 weeks but with modern design techniques one would not expect it to reveal anything untoward. The vibration tests on Concorde were completed in September 1967: they were conducted in an exemplary fashion and they confirmed almost exactly the design calculations. At this time therefore the airframe was cleared for flight to the schedule laid down some three years previously.

4. The situation on equipment is altogether different: there are 1050 items of equipment* each of which has its own test schedule to complete before it can be regarded as flightworthy. The degree of difficulty associated with these varies widely; some are extrapolations of existing items others have had to be designed from scratch to meet the particularly exacting standards of supersonic flight.

5. From the beginning of the Concorde project the French and ourselves have insisted upon standards of safety even for first flight that are more severe than for any past civil aeroplane. The attached schedule gives some idea of the hurdles to be cleared before first flight. It is important to understand that an endurance test lasting 1,000 hours say will cover conditions more arduous than the equipment will meet in normal service and it must be completed without failure. If a failure occurs at say 900 hours the equipment may have to be stripped, modified and the whole test repeated.

* 580 under BAC control, 470 under SUD control.
There are many hundreds of other items of equipment from nuts and bolts upwards that have to meet general-aircraft rather than specific-to-Concorde standards.

/6. Overlying ..
6. Overlying the clearance problem is the fact that equipments and their associated systems react strongly one upon the other: for example, the fuel system has a large content of electrical equipment. If there are delays in clearing the electrical system the fuel system tests will remain uncompleted. Equally if the electrical system shows a fault on test the resulting modifications may require modifications to the fuel system.

7. The nett result is that while the airframe operation has its element of crisis it can be planned in the office whereas the equipment - or more correctly systems - is a battle fought on the shop floor and in the test house with the risk of compound delays owing to failures that to the layman would seem insignificant.

8. The effect of these difficulties in estimating first flight date is clear: to take an over-simplified example, if all major equipments had to undergo 1000 hours of endurance testing one could have completed 800 hours successfully and have the whole planning set awry to the extent of several months delay on the last 200.

9. Thus the business of estimating flight dates turns upon a judgement of the degree of risk involved in the programme remaining and the repercussions of failure. Firms and officials alike will always estimate a time delay several times that needed to complete the tests and instal the equipment. Firms are invariably more optimistic than officials if for no other reason than that they are deliberately setting stiff targets to keep their own people and their subcontractors up to scratch.

* After several hundred hours of endurance testing some of the powered flying control units developed oil leaks hardly visible to the eye; they had to be stripped and the whole operation started again from the beginning.
## Completed

<table>
<thead>
<tr>
<th>Item</th>
<th>Test</th>
<th>Expected Completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air-conditioning</td>
<td>1,000 hours endurance</td>
<td></td>
</tr>
<tr>
<td>Oxygen</td>
<td>100 hours</td>
<td></td>
</tr>
<tr>
<td>Fuel System</td>
<td>50 hot, 50 cold (flights)</td>
<td></td>
</tr>
<tr>
<td>Hydraulic Pumps</td>
<td>500 hours</td>
<td></td>
</tr>
<tr>
<td>Electrical</td>
<td>500 hours</td>
<td></td>
</tr>
<tr>
<td>Vizor and Droop Nose</td>
<td>1,000 cycles</td>
<td></td>
</tr>
<tr>
<td>Landing Gear</td>
<td>80 manoeuvres</td>
<td></td>
</tr>
<tr>
<td>Air Intake</td>
<td>80 manoeuvres</td>
<td></td>
</tr>
<tr>
<td>Automatic Flight Controls (Electro-mechanical items)</td>
<td>1,000 hours</td>
<td></td>
</tr>
<tr>
<td>Inertial Nav. System</td>
<td>600 hours</td>
<td></td>
</tr>
<tr>
<td>Artificial Peel</td>
<td>1,000 hours</td>
<td></td>
</tr>
<tr>
<td>Air Data Computer</td>
<td>500 hours</td>
<td></td>
</tr>
<tr>
<td>Radio Aerials</td>
<td>50 hot, 50 cold cycles</td>
<td></td>
</tr>
</tbody>
</table>

## To Be Completed

<table>
<thead>
<tr>
<th>Item</th>
<th>Test</th>
<th>Expected Completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Powered Flying Controls</td>
<td>1,000 hours endurance</td>
<td>7th Sept. 1968</td>
</tr>
<tr>
<td>Auto throttle Actuator (Automatic Flight Controls)</td>
<td>350 hours continuous</td>
<td>5th August 1968</td>
</tr>
<tr>
<td>Hydraulic System</td>
<td>1,000 hours</td>
<td>End Sept. 1968</td>
</tr>
<tr>
<td>Engines</td>
<td>50 hours</td>
<td>Complete but as yet unaccepted officially</td>
</tr>
<tr>
<td>Gas Turbine Starter</td>
<td>50 hours</td>
<td></td>
</tr>
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</table>
At their meeting on 22nd July the Ministerial Steering Committee on Economic Policy considered my memorandum on the European Airbus.

2. In summing up the discussion the Prime Minister said that the balance of opinion in the Committee was in favour of deferment of a decision for four months on the lines proposed in paragraph 25(B) of my memorandum. However, since the Cabinet would be considering Concorde, and, since the future of Concorde and the European Airbus were interrelated to some extent it would be advisable for the Cabinet to consider at the same time the Government's position in relation to the A. 300 European Airbus.

3. I circulate accordingly at Appendix my memorandum for consideration by the Cabinet.

A. W. B.

Ministry of Technology, S. W. I.

26th July, 1968
EUROPEAN AIRBUS

Introduction

Last year the Cabinet agreed that we should enter the project definition phase of the Airbus project in collaboration with the French and Germans. In conveying their agreement, the Cabinet stipulated that for the project to go ahead to full development five criteria, including a limit of £130M on total airframe launching costs, should be met (see Annex I). The substance of these criteria was incorporated in a Memorandum of Understanding between ourselves and the French and Germans signed last September.

2. Our main objectives in joining with the French and Germans on the Airbus were these:

(a) to continue as designers and builders of large civil aircraft. This is a rapidly expanding business (world traffic is likely to reach three times its present level by 1980) with a big export earning/import saving potential. But we recognised that it would be difficult to stay in this field, in the face of growing American competition, except in collaboration with other countries who would share the cost and provide a bigger initial market;

(b) To promote the interests of our aero-engine industry in Europe, and avoid our American rival, Pratt & Whitney, getting a firm foothold in France, through linking with SNECMA;

(c) to foster technological collaboration with Europe in a field where our experience and resources should make us attractive partners.

/ Present position ..
Present position

3. These aims remain valid if they can be achieved on an economic basis. But two factors now cast doubt on the Airbus as a means of achieving them. Firstly, two American Airbus have appeared: while we always expected American competition, the intense rivalry between Lockheed and Douglas has meant that they are offering aircraft, at least in the immediate future, at a cut price which is going to be hard to beat. Secondly, the costs which have emerged from the European Airbus project study of the last year are disappointingly high and, as they stand, offer little prospect of an economic return.

4. Briefly, estimates of launching costs (see Annex II) have risen since last year from a total of £186.5M (£130M for the airframe and £56.5M for the engine) to a total, as estimated by contractors, of £333M (£255M for the airframe including a contingency of £80M, plus £78M for the engine). The airframe contractors have now agreed to accept a maximum Government contribution of £190M for the airframe, subject to revision in the event of a "serious mishap" in the programme. The engine cost will be fixed. This would imply a total cost of £268M (£190M for airframe and £78M for engine). Total costs to the Governments would be some £250M (£190M for airframe and £60M for engine). Of this HMG's share would be about £75M and £115M, or £115M in total.

5. The selling price to achieve the necessary competitive margin over the American airbuses quoted at about £61.5M would probably have to be around £61.5M but manufacturers are at present quoting a bare production cost of some £4.5M (based on production of 500 aircraft) so that there is no margin for recovery of Governments' investment and for the profits which firms will expect to earn. (The position on the engine alone is more favourable - Rolls Royce have been able to quote a price which includes a reasonable margin. This is of particular importance to us, since UK is contributing 75% of the engine costs and will get 75% of the return).

6. On the other hand, the Airbus concept still seems right, and it should be possible to make the aircraft fully competitive technically and acceptable to the three National airlines and other potential customers. BEA's attitude has now been set out in a letter from the Chairman to the President of the Board of Trade (see Annex ...)

* This phrase has not been defined and would not be acceptable.
Annex III) in which he forecasts a requirement of 19 aircraft up to March 1980 and says that BEA would hope (subject to agreement on specification, performance and price) to negotiate a contract for the first 9, with an option on the next 10, by the end of 1968. Despite Lufthansa's public refusal of any commitment so far, the Federal German Government are confident of getting their order for 20 aircraft. There is likely to be no difficulty with Air France, who expect to order 36. Thus an assured market of 75 from the 3 national airlines is still a reasonable possibility by the end of the year.

7. At the selling prices mentioned above (£4.3/4.6M) there is a good possibility of sales of 200/300 by 1980, the lower of these figures assuming that we encounter competition also from another twin-engined Airbus (there is a possibility of Boeing entering the field). The total world market by 1980 for this type of aircraft, excluding markets for which the longer range Lockheed and Douglas Airbuses are more suitable, is likely to approach 700, of which slightly over half would be in North America. Sales of 300 European Airbuses would therefore involve capturing a large proportion of the market outside North America, and a modest proportion of the market in North America. Sales would continue after 1980, though development of the design would probably by then be necessary.

Tripartite discussions

8. The Airbus Directing Committee, which is the senior tripartite official level Committee dealing with the Airbus, has agreed to recommend to Ministers at their meeting on 30th July that:

(a) the general concept of the aircraft is right and that subject to the qualifications below it could have the desired commercial success, entering service in 1973;

(b) the manufacturers must

- lower their production costs by at least 10% so as to give a better margin between costs and permissible selling price;

- offer better performance guarantees to airlines;

/undertake ...
- undertake the entire financial responsibility for production, subject only to Governments underwriting a minimum number of sales (say, 75 aircraft);

- quote a fixed margin for the recovery of Governments' investment, reducable only pro rata with a reduction of manufacturers' profit if this is necessary in order to secure a particular sale;

(c) the national airlines must be ready to assume commitments on the scale envisaged in the Airbus Memorandum of Understanding (i.e. the 75 aircraft).

9. The Airbus Directing Committee recommends that unless these conditions can be achieved within four months, the project should not continue. The French and Germans, to avoid forfeiting the interest of world airlines (and no doubt also to get us more firmly committed) would like this to be represented as a decision by Governments now to go ahead to completion provided the conditions can be met within four months. We have argued that, if pressure on the contractors is to be maintained, the four months should simply be regarded as an extension of the present project study, with Government decisions reserved until November.

Economic Assessment

10. On the manufacturer's present production cost estimates, the implied preference and implied subsidies (for the UK) for sales of various numbers of aircraft are as follows; sales of 125 are shown since this figure was mentioned in the original Cabinet criteria:

<table>
<thead>
<tr>
<th>Sales</th>
<th>Implied Preference</th>
<th>Implied Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>125</td>
<td>53%</td>
<td>46%</td>
</tr>
<tr>
<td>200</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>250</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>300</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>

If, as now proposed, the manufacturers reduce their production costs by a full 10%, the figures would be:

<table>
<thead>
<tr>
<th>Sales</th>
<th>Implied Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>125</td>
<td>47%</td>
</tr>
<tr>
<td>200</td>
<td>24%</td>
</tr>
<tr>
<td>250</td>
<td>18%</td>
</tr>
<tr>
<td>300</td>
<td>11%</td>
</tr>
</tbody>
</table>
The next four months' work may permit some further improvement in these figures, since there are proposals for increasing the seating capacity of the aircraft, which would allow an increase in its competitive selling price.

Effect on Estimates 1968/69

11. The original authority for the one year's work during the project study phase up to 31st July was £6M. Hawker Siddeley and Rolls Royce expect to spend only some £4M and it should be possible to accommodate the cost of the extra four months work (£2M or less) within the original authority.

12. If the project goes ahead, we estimate that we shall spend £6.0M in 1968/69. If we stop at the end of July, there would be a saving of some £3.0M; if we go on to the end of November, the saving would be about £1M. These figures allow for running-down costs.

Views of the U.K. firms

13. I have seen Sir Arnold Hall and Sir Denning Pearson to learn their views about the project. Both believe that the A.300 is the right aircraft and both argue that a decision to opt out of the Airbus would be to yield, perhaps permanently, to American airframe domination in Europe and world markets.

14. Hawker Siddeley believe that the project can be improved technically, and they would aim to tackle this with Sud Aviation and Deutsche Airbus during the next 3 months. They believe that it is a worthwhile project, but are not prepared to increase their stake beyond the £5M contribution to launching costs already offered. (They would also be at risk for capital expenditure of some £3/4M, and in quoting fixed prices). They seek a guarantee that their education or "learning" costs, incurred during early production, will be recovered. They estimate these costs at £30M. In practice, recovery of one-third of this sum will be assured over the first 75 orders, so HSA are seeking a Government guarantee for losses up to £20M if sales fall short of 200.
15. Rolls Royce attach great importance to the maintenance of an airframe industry in Britain or within a Western Europe collaborative framework, including Britain. They want to go ahead with the RB 207 engine which they believe is the right engine for the Airbus. They would like to seek applications for this engine in America though they are less optimistic about this than they were some time ago.

16. Rolls are prepared to finance some 30 per cent of the costs falling to the United Kingdom and amounting to about £15-18m.

17. Rolls share our view that the aircraft production cost should be reduced by at least 10 per cent but do not believe that the engine costs could be reduced as a part of this exercise.

The Choice that has to be made

18. The choice confronting us on Airbus is an extremely difficult one. On the one hand, I would not recommend us to proceed with the project as now defined and costed, because it is not an economic proposition.

19. On the other hand, a decision by us, this month, to withdraw from the Airbus before the firms had been given an opportunity to correct known defects would be a very grave one indeed. Its long term implications for the European aircraft industry would be extremely serious and with it the basis upon which the long term future of Rolls Royce, in their judgment largely depends.

20. In these circumstances, a political decision of considerable importance will have to be taken by the Cabinet and I am setting out below, as clearly as I can, what are the arguments on each side. These lead me to the opinion, that at no further cost than has already been authorised, we should prolong the project definition stage, lay down clear criteria by which we shall decide in advance and apply them when this further work has been completed.

The Case for stopping now

21. The case for stopping now can be briefly summarised as follows -

(1) Certain of the criteria incorporated in the Memorandum of Understanding have not been met.
(2) The project, as now defined, is not economically viable.

(3) There is no certainty that significantly better figures will emerge after four months.

(4) Cost estimates have already risen sharply and there is a real danger of further increases which Governments will have to finance.

(5) The aircraft performance which the manufacturers have so far been prepared to guarantee does not meet the airline requirements.

(6) To achieve the required sales the selling price would have to be kept so low that even on optimistic assumptions only about 80 per cent of the Exchequer's contribution would be recovered.

(7) The management of the project by Sud has so far shown some deficiencies, and our power to intervene directly is limited.

(8) On a realistic forecast of sales, the implied preference and subsidy are too high to be acceptable and some resources devoted to other purposes would yield better results.

(9) The increase in public expenditure, even assuming costs can be contained, would require the PESC provision to be increased by £2M in 1969/70, £5M in 1970/71 and a further £8M in 1971/72 which would require corresponding savings to be found elsewhere.

(10) For these reasons the project is not economic, our support for it should be withdrawn and the longer we continue, the harder it will be to withdraw.

The case for prolonging the project definition

22. The case for prolonging the project definition is -

(a) World traffic is likely to treble by 1980 and much of it will require airbuses. If Europe does not make them, the Americans will dominate the world airframe industry.

/(b) ...
Our European aircraft policy was based upon the belief that the extended market offered by European airline procurement possibilities, plus the sharing of research and development costs represented the best way of staying in this growth industry.

The A.300 is the right sort of aircraft and the prospects of selling it at the right price are good.

The prospects of getting the European airlines to provide an assured market of 75 aircraft, as a basis for a decision to go ahead are reasonably good.

Rolls Royce regard a European airframe industry of fundamental importance to their long term future. The production of large aircraft is a labour intensive industry and lower European labour costs should be capable of offsetting the advantages the Americans enjoy in better management, production technology and capital investment in equipment.

There is no other possible European combination that could meet this particular market.

The decision to cancel now before we are satisfied that the Airbus cannot be made at the right price and on the right conditions, would involve reaching a decision on the European airframe industry before all the necessary facts were available.

The French and German Governments would hold us responsible for wrecking an important and promising project. Without the cast iron economic arguments which might be available in four months time, we could not rebut such an allegation either to our partners or in public.

23. The knowledge that Britain would not be prepared to go ahead unless certain criteria were met should force the French and the Germans to a more realistic attitude and should improve the prospects of achieving the improvements required.
I believe that it would be easier to withdraw from the project in four months time if the firms do not come up with more acceptable proposals. If we withdraw now, before the improvements required have been considered we shall undermine our future prospects of collaboration with Europe not only in civil but also perhaps in military aircraft, e.g. the Advanced Combat Aircraft. The fact that this decision would follow so soon after a succession of other negative decisions in the technological field (ELDO, GETS, and CERN accelerator) would if it could not be clearly justified damage us as potential technological partners for Europe in any field.

**Alternative Courses of Action**

25. In these circumstances, two courses of action are open -

(A) Withdraw now, announcing this at the meeting of Ministers on July 30th in Paris and declining to support the further studies which the Airbus Directing Committee has recommended, and which the French and Germans will strongly urge.

(B) Lay down criteria which we would insist upon as follows -

(i) that the production cost be cut by at least 10 per cent;

(ii) that performance guarantees for airlines be improved;

(iii) that an assured market for 75 aircraft, underwritten by Governments, emerges;

(iv) that the recovery of the Government's investment be on the basis of a fixed margin, reducable only in conjunction with a reduction of manufacturers' profit to secure particular sales.

And say that if our partners are prepared to accept these criteria, and embody them in an agreed statement, we should agree that a decision as to whether to go ahead should be deferred to a further conference in four months time. We should make it clear that a decision to go ahead will depend on the ...
on the size of the margin, the prospect of sales, and hence on the likelihood of Governments recovering at least a reasonable proportion of their investment.

26. The cost of the necessary work in the U.K. during this period could be contained within existing budgets for the project definition.

Recommendation

27. I recommend to my colleagues that we should adopt Course of Action (B) and should present this as our view at the tripartite meeting to be held on July 30th.

Ministry of Technology
Millbank Tower, S.W.1.
18th July, 1968.
THE CABINET'S PRE-REQUISITES

The criteria against which the Cabinet agreed that a decision to continue the project should be taken were as follows. The present position on each is shown in brackets.

(i) there must be an assured market for 75 aircraft in the national airlines of the three participating countries and a reasonable expectation of at least 50 sales to other countries; (it may be possible to achieve this by end November).

(ii) the launching costs should not exceed the estimate of £130m. for the airframe and should be re-examined in an effort to achieve a significant reduction; (see Annex II)

(iii) a Rolls-Royce engine must be adopted; (Accepted)

(iv) there had to be an assurance that direct operating costs 30% below those of current jet aircraft and an in-service date of 1972-3 could be achieved; (This will be achieved at the selling price suggested, but comparison with the American airbuses is now more significant. In-service date is 1973).

(v) the manufacturers would have to take a proper share in the financing of the programme. (HSA will contribute £5m, Rolls Royce about £15/18m.)
AIRBUS LAUNCHING COSTS

(a) Contractors' estimates of development and tooling costs have risen from:

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Increase £146.5M

(b) The increase of £146.5M is accounted for as follows:

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<td>Changed price levels and devaluation</td>
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<td>New requirements and design changes</td>
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<td>(including uprating of the engine to</td>
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<td>57,500 lbs. thrust)</td>
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<td>New contingency margins added by</td>
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<td>airframe contractors</td>
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(c) The airframe firms have now agreed that Governments' contribution should be limited to a maximum of £190M (except in the event of a "serious mishap").

(d) The total cost to HMG is not yet certain, since we do not yet know what equipment contracts will come to the UK; but it should be possible to stay within the figures below:

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<td>miscellaneous</td>
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The Rt. Hon. Anthony Crosland, M.P.,
President of the Board of Trade,
1, Victoria Street,
London, S.W.1.

My dear President,

I understand that a meeting of Ministers is due to be held in the middle of July to discuss the European airbus project, and that it would be helpful if you had a letter from me setting out BEA's position in relation to it.

As has already been made clear, both to your Department and to the Ministry of Technology, the A300 European Airbus as now projected is a considerably larger aircraft than BEA would have chosen. We believe that in the early 1970's our need is for an aircraft with a seating capacity of about 200 seats in all-tourist layout, whereas the A300 Airbus would, so I understand, be a 300-seater all-tourist aircraft. Because the A300 would be so large there is necessarily only a small number of routes on which BEA could use it economically, and with sufficient frequency, in the second half of the 1970's, so that the number of this type of aircraft we would want would be correspondingly smaller than for a 200-seater aircraft.

In the light of the information now available to us, however, BEA would find the A300 aircraft acceptable with the following characteristics:

a) Seating capacity (all-tourist, 32" pitch seating with hot meal service): 300
b) Range with full passenger payload: 1200 nm.
c) Airfield required for above mission, in ISA+10°C, to be not more than 7,400 ft.
d) Seat mile cost to be 5 per cent better than Lockheed 1011 with similar seating standard and without import duty.
e) The noise level to be such as to conform with any U.K. noise legislation which applies during the aircraft's operating life.
Provided also that a satisfactory specification (with adequate performance guarantees), an acceptable price and other satisfactory contract terms can be negotiated, BEA's present estimates are that it would require a total of 19 A300 aircraft between 1974 and 1980 with deliveries as follows:

| Winter 1974/75 | 3 |
| Winter 1975/76 | 3 |
| Winter 1976/77 | 3 |
| Winter 1977/78 | 3 |
| Winter 1978/79 | 3 |
| Winter 1979/80 | 4 |

I must add that in referring in paragraph (d) above to a seat mile cost 5% better than the Lockheed 1011 we feel it necessary to make a comparison with the competition which the airbus will have to meet. This basis is, however, different from the basis used in our forecasts submitted to you in connection with our claim for compensation; those forecasts were based on a cost per seat mile 15% below that of a Boeing 727/200. The airbus on this basis made a large contribution to our improved results in the later years of our forecasts and our results would be less favourable if the new cost standard does not match up to the old one.

We would hope to be able to bring contract negotiations to finality by the end of 1968 for the purchase of the first 9 aircraft to the delivery dates mentioned above, a number which would meet all our requirements until 1977. In view of the long term risks involved in buying an aircraft which is not designed entirely to our requirements for periods of time as far as ten to twelve years ahead, I believe that we would be prudent in covering the next ten aircraft by option only, the whole to be subject, of course, to obtaining the necessary investment approval from you.

Yours sincerely,

Anthony Milward.
Memorandum by the Minister of Technology

At the meeting of the Steering Committee on Economic Policy held on 22nd July I was invited to submit to the Cabinet the question of future support for the XJ 99 advanced lift engine. I am therefore circulating this paper so that my colleagues may be aware of the present position on this engine and of the reasons why I believe we should continue to support it on the reduced scale to which the Committee gave its provisional agreement.

2. This is a joint programme with the United States intended to be carried out in three phases. The technical content of the work is divided equally between the two countries and is being carried out by Rolls-Royce and the Allison Division of General Motors. Each Government is responsible for the cost of work done in its own country; because our costs are lower than the American, the United Kingdom share of expenditure is assessed at about 30 per cent of the whole. Rolls-Royce are making a financial contribution of $1 million to Phases I and II and are prepared to subscribe 20 per cent of the total United Kingdom share if the programme goes through to completion.

Progress to date

3. The programme began in March, 1966 with no firm application in view but with the object of developing and proving an advanced technology engine suitable for installation in a VTOL production aircraft. It was hoped that the first application would be the fighter aircraft (AVS) then projected as a joint venture by the United States and the Federal Republic of Germany. The total cost of developing the XJ99 was provisionally estimated at 100 million dollars and the United Kingdom share at $10 million to $15 million including the Rolls-Royce contribution. The present position is that we and the Americans are committed to a programme for Phase I lasting until end-May, 1969. The United Kingdom share of this phase is £3.4 million including a Rolls-Royce contribution of about £0.65 million. Of this nearly £2 million has already been spent.
Possible Applications

4. The AVS aircraft was cancelled at the beginning of this year so there is no definite application in view at present. There are, however, a number of possible outlets either for the complete engine or for the new technology it contains. These are as follows:-

(a) As a direct lift engine

An American and/or another Western military requirement may again emerge. Two German research aircraft are already fitted with an existing Rolls-Royce lift engine, the RB 162.

(b) as a booster

This seems the most promising outlet at the moment since there are already over 1,000 booster engines of various types in service and the market is growing. For example, Rolls-Royce and Allison have already received a number of enquiries from Boeing about the XJ99 for use on various aircraft such as the 727, 737, 747 and 755. British European Airways have ordered RB 162 booster engines for their new Trident 3B programme and these could be replaced in due course if so desired with the XJ99 giving a 50 per cent increase in thrust.

(c) adapted as a large fan engine of a type likely to be required for any inter-city VTOL transport aircraft coming into service in the second half of the 1970s.

Proposed Future Programme

5. When the AVS project was cancelled we reviewed the programme with the United States Government and we concluded that Phases II and III of the programme should be put on one side for the moment. At the same time we agreed to slow down the rate of expenditure on Phase I which had the effect of moving the completion date from end-October, 1968 to end-May, 1969. We also undertook to consider what further work should be carried out after that date.

6. Following a recent visit by the Assistant Deputy Chief of Staff, United States Air Force, we are now in sight of agreement with the United States Government on a programme extension of 11 months to end-April, 1970 at an additional cost to the United Kingdom of £2.1 million to which Rolls-Royce would contribute about £350,000. The £3.4 million programmes to end-May, 1969 to which both countries are already committed will do little more than prove the technical feasibility of an advanced lift engine of this type. If we are to breed confidence in the design and in the new technology embodied in the engine, then we must do some more work and complete the programme with a special Technology Demonstration Test to prove performance and mechanical integrity. This will enable the companies to go out and sell the concept to potential customers on a firm basis and to make use of the new technology in other engine designs without incurring a serious technical risk.
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Costs

7. A programme on these lines would cost substantially less than that envisaged before the AVS aircraft was cancelled and would give the following result in terms of savings to the United Kingdom Exchequer.

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It will be seen, therefore, that the proposed new programme would save half of the expenditure previously planned for 1969-70, and a great deal more than half in subsequent years.

Other Factors

8. There are two other relevant factors. First, it is important to maintain and not to disrupt the present developing relationship between Rolls-Royce and Allison. They are already in association on an order, worth 100 million dollars to the United Kingdom, for developing and supplying 500 Spey engines for the United States Air Force Corsair programme and within the last few days have obtained, in conjunction with Allison, a contract for a rather different version of this engine for the United States Navy. This may well lead to an even more valuable production contract. If we can build up the Rolls/Allison association, it will increase our chances of penetrating the United States market still further. Second, it is important to maintain the present position of Rolls-Royce in the forefront of direct lift engine technology so that they can exploit it as the market emerges. It would greatly undermine Rolls-Royce's position if the United States went on alone.

Conclusion

9. For all these reasons I invite the Cabinet to agree that the United States/United Kingdom advanced lift engine programme should continue, but on the reduced scale proposed until end-April, 1970 at a total cost to the United Kingdom of £5.5 million, to which Rolls-Royce would contribute £1 million, in place of the present programme provided in PESC which would cost the Exchequer £10.4 million up to 1972-73 and £1.1 million thereafter. The total saving would be £7.0 million of which £5.9 million would be saved in the period up to 1972-73.

A. W. B.

Ministry of Technology, S.W.1.

29th July, 1968
CABINET

CONSEQUENCES OF CANCELLATION OF VARIOUS AIRCRAFT PROJECTS

Note by the Minister of Technology

I think that the Cabinet should see, as background to our forthcoming discussions on the European Airbus and Concorde, the appended memorandum prepared by my Department on the consequences of cancellation of various aircraft projects.

A. W. B.

Ministry of Technology, S. W. 1.

29th July, 1968
CONSEQUENCES OF CANCELLATION OF VARIOUS AIRCRAFT PROJECTS

1. At its meeting on 25th April, the Committee invited us, in consultation with the Department of Economic Affairs, to prepare a paper examining the viability of the aircraft industry if certain major projects were cancelled, and the alternative uses of resources engaged in the industry. We have been pressed to complete the paper urgently, and have not been able to clear it with DEA, but we think it unlikely that there will be disagreement on the facts.

2. The projects which we have taken are Concorde, Airbus and the advanced military aircraft. These are in fact the three projects upon which the technically advanced element in the aircraft industry's programme over the next decade is likely to depend most critically. The only other advanced project in sight is the RB 211 engine. It is shown in Annex A that the three projects will in the mid-1970's occupy about one-third of the labour force of the industry. The cancellation of these projects would greatly reduce the size of the industry and its contribution to the national economy; and also strike critically at the advanced design capability, leaving the industry with no advanced airframe projects at all.

Alternative Use of Resources

3. The "alternative use of resources" side of the Committee's remit is the easier to assess. Cancellation of the three projects in the near future would involve immediate redundancies of some 14,000, mostly due to Concorde, and unless these projects could be replaced the potential work for a further 50,000 men would be lost, and these would become redundant as the aircraft work ran down. Except within the Rolls Royce group, there would be no possibility of absorbing redundancy within the industry.

4. The industry is of a higher standard of labour force than the national average, both professionally and in terms of skills. It has a high proportion of qualified scientists and engineers, and is of great importance over a wide range of technologies.

5. The industry is concentrated in the South-East, the Midlands and South Lancashire, and there is no reason to suppose that there would be much difficulty in absorbing the semi-skilled and unskilled workers, provided that industry generally was expanding. The labour turnover is about 16% a year. It is likely also that the skilled workers would be absorbed in the high-performance engineering industries which are growing in these areas. The studies of the redundancies following the cancellation of TSR2, attached in Annex C, suggest that these problems should not be serious.
The professional engineers might well present a greater problem. The numbers in the aircraft industry are not large in relation to the total number of qualified scientists and engineers in the country - some 2.2% of the total; and the numbers in the country are growing fast and are being absorbed without any major impact on the shortage situation. So there should be little difficulty in finding them employment, particularly in the expanding advanced parts of the engineering industry. On the other hand, many of the skills and all the experience is special to the aircraft industry, and is not directly applicable elsewhere; and many would no doubt go to work in the aircraft industry abroad. The impact upon our technological standing would work against us.

The capital facilities are not in general readily transferable. Wind tunnels, structural test facilities, simulators, and much of the specialised production machinery could not be applied in other fields. The buildings are normally too tall for ordinary manufacturing purposes, involving high heating and maintenance cost. The redeployment of the labour would be much easier than the losses on the capital equipment.

But although it is not likely that the redeployment of the labour force would present fundamental difficulties, we must emphasise that what would really be happening would be the breakdown of the great national assets represented by the big aircraft undertakings - the combined strength of management, design teams, engineers, salesmen, skilled workers, and the whole of their factories and capital equipment and labour force and organisation, integrated capabilities which have been built up over fifty years. It may be possible for such organisations to disintegrate and for the individuals in them to integrate themselves and their work into other businesses. But it is a process which is bound to involve great loss. How serious it becomes is a matter of degree. But unquestionably it would become very serious indeed if all three of the projects were stopped without any early prospect of new ones taking their place.

The Viability of the Industry

The problem is seen most acutely in the ability of the industry to produce, either itself or in combination with other countries, a wide range of civil and military aircraft, which will be competitive in world markets and so be able to provide the needs of the RAF and of the civil airlines at the same time taking advantage of the rapidly expanding world market. This depends on the capability of the industry in every sense, which would be critically weakened by a further series of cancellations. But it is particularly sensitive to the problem of design.

The analysis of the industry's programme (including these three projects) in AD0(68)2 showed a substantial decrease in R & D activity in the 1970's with a corresponding reduction in the numbers of design staff. We expect a reduction in the number of design teams at work in the two main airframe companies to probably four - one military combat aircraft team, one subsonic civil team, one supersonic civil team and the equivalent of one further team on miscellaneous work. So we start from a position in which the design base is narrowing. The loss of the three projects would destroy the basis of three of these remaining teams, unless new projects were developed to replace them. The damage would be cumulative in its effect. The loss of the advanced military combat aircraft would weaken the capability of the teams engaged on civil aircraft, etc.

Of course it might be possible for the aircraft industry to retain profitable business by producing small aircraft and by doing sub-contracting work, without any significant advanced design capability. But it must be emphasised that the big prospects in the civil aviation world market are the bigger aircraft. In Annex D we set out some possible lay-outs of the world market, by size and type, up to 1985: the calculation is bound to be speculative, but it seems most unlikely that the market for aircraft with
capacities of 150 seats or less will be more than 25% of the total. If we can keep in the Airbus range of sizes, we can be competing for some 60% of the world demand. In order to take advantage of the big world market for civil aviation, we have to be in the larger ranges of aircraft, either ourselves or in combination with others. Without this, the potential aeronautical exports outlined in AO(69)7 would be reduced by at least a half, and the import bill much increased.

12. Again, all the three projects are European projects. The cancellation (or failure to go ahead) of each of them would have great repercussions upon our future ability to persuade European Governments and aircraft industries to collaborate with us in future projects, the relevance of which is brought out very clearly in the preceding paragraph. The size and nature of the repercussions would depend upon the circumstances of each particular cancellation. Apart from the purely aircraft industry aspects, there are great implications for our reputation as a reliable partner and for our ability to conduct any kind of programme of European co-operation not only in the technological field but throughout our policies.

13. The facts relating to the three individual projects are set out in Annex E. In each of them is the issue of the loss of design capability, the loss of an effective industrial unit, the blow to our European policy, the combined effect of these upon our ability to take advantage of the growing world market for civil aviation and the still very large world market for military aircraft. The difficulty is that the future of the industry and of the major units in it is tied to the success of a small number of very large projects. It is this that makes the decision-making difficult, for each particular decision has an effect on the total capability of a major importance; and so these wider problems have to come into the discussion of each of the individual projects, and they cannot really be regarded as self-sufficient cases to be judged by themselves.
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<td></td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Airframe</td>
<td></td>
<td>0.2</td>
<td>0.5</td>
<td>1.4</td>
<td>3.0</td>
<td>6.7</td>
<td>12.1</td>
<td>14.7</td>
<td>14.6</td>
<td>14.4</td>
<td>13.3</td>
</tr>
<tr>
<td>Engine</td>
<td></td>
<td>0.4</td>
<td>0.4</td>
<td>2.5</td>
<td>3.0</td>
<td>3.5</td>
<td>4.4</td>
<td>5.4</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Advanced Combat (VG)</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Airframe</td>
<td></td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.4</td>
<td>2.2</td>
<td>3.9</td>
<td>5.7</td>
<td>7.1</td>
<td>8.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Engine</td>
<td></td>
<td>-</td>
<td>-</td>
<td>0.1</td>
<td>0.3</td>
<td>0.3</td>
<td>0.5</td>
<td>1.0</td>
<td>2.1</td>
<td>7.6</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Total of the above three projects</strong></td>
<td></td>
<td>6.8</td>
<td>9.4</td>
<td>10.5</td>
<td>13.7</td>
<td>22.4</td>
<td>30.2</td>
<td>35.2</td>
<td>36.4</td>
<td>30.0</td>
<td>31.3</td>
</tr>
<tr>
<td>Airframes</td>
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<td>82</td>
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<td>83</td>
<td>83</td>
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<td>86</td>
<td>86</td>
<td>87</td>
<td>87</td>
<td>87</td>
</tr>
<tr>
<td>Engines</td>
<td></td>
<td>77</td>
<td>83</td>
<td>79</td>
<td>81</td>
<td>87</td>
<td>92</td>
<td>93</td>
<td>99</td>
<td>102</td>
<td>98</td>
</tr>
</tbody>
</table>

**Note:** The figures for the advanced combat aircraft and the Airbus are based on a later set of assumptions than those employed in A10(68).
DISTRIBUTION OF CONCORDE WORK
DISTRIBUTION OF CONCORDE WORK
AIRCRAFT INDUSTRY REDUNDANCY STUDY

I. Introduction

In 1965 three major aircraft projects were cancelled - the T.S.R. 2, H.S. 681 and the P. 115k. In the autumn of 1967 interviews were carried out on behalf of Government Social Survey with a sample of those declared redundant in three of the main centres affected - Coventry, Preston and Bristol. The object of the exercise, which was preceded by discussions with the firms' managers responsible for handling the redundancies, was to examine two questions. First the nature of the redeployment of the manpower resources achieved. Secondly the process by which the redeployment was achieved. This note will give a first impression of some of the findings relating to some aspects of the first question only. It must be stressed that a great deal of analysis of the results remains to be done but the provisional summary which follows may be of interest to those currently reviewing the Aircraft Industry.

II. The Survey

2. The nominal rolls and last known addresses of those declared redundant were made available by the firms. A one in eight sample was drawn from this list giving 881 names. 17 of these were subsequently rejected for various reasons, e.g. they were never made redundant, the address provided was abroad, or they had been interviewed in the pilot survey or they appeared twice. There were thus 864 effective addresses which led to 621 final interviews i.e. a 72 per cent response rate. 172 interviews were with those declared redundant from Preston, 293 with those from Coventry and 156 from Bristol. These represented response rates of 70 per cent, 76 per cent and 67 per cent respectively. The 72 per cent traced and interviewed over two years after redundancy would tend to contain a higher proportion of older, immobile workers than the population as a whole and this should be borne in mind in interpreting the information in the following sections.

3. It should also be borne in mind that the information while not confined to those registering at Employment Exchanges relates only to those actually declared redundant and not to those who changed jobs in anticipation of redundancy.

III. Emigration

4. Much interest has surrounded the question of emigration following redundancy. A survey of the kind undertaken, based on interviews and tracing people from their last known address, can throw only a little light on the question. However the reports from those trying to trace people record 3.5 per cent of the full sample (864) as having been reported to have emigrated and a further 7.3 per cent to have moved without trace. No details exist on the occupations of these groups.

IV. Other Withdrawals from the Labour Force

5. 16 per cent of those interviewed (621) did not take another job after they were declared redundant. As Table 1 shows the majority were men near, or over, retirement age, and
would thus have left the labour force within a relatively short period, irrespective of being declared redundant.

Table I Age and sex of those not taking another job

<table>
<thead>
<tr>
<th>Sex</th>
<th>Aged 54 or under</th>
<th>Aged 55-64</th>
<th>Aged 65 and over</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>12.5</td>
<td>8.0</td>
<td>0</td>
<td>20.5</td>
</tr>
<tr>
<td>Men</td>
<td>10.7</td>
<td>35.0</td>
<td>35.7</td>
<td>79.5</td>
</tr>
<tr>
<td>Total</td>
<td>23.2</td>
<td>41.0</td>
<td>35.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Basic for percentages - 112)

6. 42 per cent of those who did not take another job were in Administrative, Technical and Clerical occupations, 31 per cent (all men) in skilled occupations and the remainder in semi skilled or unskilled occupations.

V. Jobs taken by redundant workers

7. 72 per cent of those who took another job found their first employment in some sector of manufacturing industry, 11 per cent in public utilities and construction and 17 per cent in services. Table 2 shows the broad details, and also shows that the percentage going into service industries was much lower among the skilled and the "engineers".

Table 2

<table>
<thead>
<tr>
<th>Occupation</th>
<th>per cent obtaining first job in</th>
<th>Total number (i.e. base for %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>manufacturing industry</td>
<td>public utilities and construction</td>
</tr>
<tr>
<td>Administrative, technical &amp; clerical</td>
<td>69</td>
<td>7</td>
</tr>
<tr>
<td>&quot;Engineers&quot; included</td>
<td>84</td>
<td>3</td>
</tr>
<tr>
<td>Skilled</td>
<td>79</td>
<td>12</td>
</tr>
<tr>
<td>Semi skilled</td>
<td>64</td>
<td>13</td>
</tr>
<tr>
<td>Skilled</td>
<td>55</td>
<td>15</td>
</tr>
<tr>
<td>Clerical</td>
<td>72</td>
<td>11</td>
</tr>
</tbody>
</table>

Occupational classification used in the study is built up from the one identified in the Department of Employment and Productivity's and survey of occupations in Manufacturing Industry (Gazette Jan. 1968) throughout the annex where separate figures are shown for "Engineers" they are to Design, Development, Planning, Estimating, Production, Section and Maintenance Engineers and other qualified technicians. Excluded: Draughtsmen, technical assistants and supporting clerical staff.
More detailed figures show that 13 per cent of all those getting another job found it in the aircraft industry. The proportion was between a quarter and a third among the senior administrators and engineers. Among the skilled and unskilled much the most popular single industry was motor vehicles which absorbed 27 per cent of all the skilled men including 34 per cent of all the skilled fitters.

The proportion actually obtaining jobs in the aircraft industry (13 per cent) is very much smaller than the 47 per cent who started by trying to limit their search to the aircraft industry. A desire to remain in the aircraft industry was reported by a high proportion of those in skilled occupations e.g. 70 per cent of skilled machine tool workers and 60 per cent of fitters and of chargehands and foremen, and by the engineers (56 per cent). This suggests that a high proportion of those declared redundant thought their skills and experience would be of greater value to them in the aircraft industry than elsewhere.

Effect on earnings

The aircraft industry has traditionally been a high earnings sector and 61 per cent of those who obtained a new job were not able to earn as much in their first post-redundancy job as in the aircraft job they left. The proportion earning less was highest among the skilled workers (68 per cent) and lowest among the administrative technical and clerical (51 per cent). 30 per cent of the total reported increases in earnings, with the administrative technical and clerical groups again doing better than average. The increases reported tended to be much larger than increases and even after allowing for poor reporting the total earnings in post-redundancy jobs were considerably lower than those of the same workers in the aircraft industry*.

Time not working

39 per cent of those who obtained another job did so within a week of stopping work as a result of redundancy. The proportion was highest among the unskilled (45 per cent) semi-skilled (47 per cent), draughtsmen (61 per cent) and skilled plumbers, welders, sheet metal workers etc. (53 per cent).

15 per cent took 3 months or more with the highest proportions in particular occupations being among foremen and chargehands (30 per cent), and engineers (23 per cent). The broad picture is shown in Table 3.

Figures for men only in the three centres in which the redundancies occurred suggest considerable variation in the time of finding a new job. In Bristol over 60 per cent were at work within a week, at Coventry 33 per cent and in Preston 30 per cent. There was less variation among those who were not at work for 3 months or more. The range being from 10 per cent in Preston to 20 per cent in Coventry. These variations are not what one might expect given the labour market situation in the three areas but more detailed analyses would show whether the explanation is in the type of workers released, or in the way the redundancy was handled in the different centres.

* These findings should not be taken as evidence that these workers had a higher marginal product in the aircraft industry than after redeployment. In addition to the usual difficulties of using earnings as a measure of marginal productivity comparisons involving the aircraft industry give rise to special problems. First the industry is heavily subsidised, and secondly complications occur because the indivisible units of production are very large.
### Table 3

Time not working by occupation

<table>
<thead>
<tr>
<th></th>
<th>per cent not working for</th>
<th>Total (i.e. base for percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 week or less</td>
<td>2 to 4 weeks</td>
</tr>
<tr>
<td>Administrative</td>
<td>39.9</td>
<td>28.9</td>
</tr>
<tr>
<td>technical and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>clerical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'Engineers' included above</td>
<td>20.5</td>
<td>33.4</td>
</tr>
<tr>
<td>Skilled workers</td>
<td>36.2</td>
<td>28.5</td>
</tr>
<tr>
<td>Semi skilled</td>
<td>47.3</td>
<td>30.9</td>
</tr>
<tr>
<td>Unskilled</td>
<td>45.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Total</td>
<td>39.4</td>
<td>27.8</td>
</tr>
</tbody>
</table>

### III. Conclusions

In general these tentative findings bear out the points made in the body of the paper, viz that most people from the aircraft industry can be fairly readily redeployed into other sectors within a comparatively short time even when there are large numbers involved (7,000 in the centres studied) but that the strong attachment to the industry related to skills and experience creates special problems for the "Engineers".

Department of Economic Affairs, Storey's Gate, LONDON, S.W.1.

5th July, 1968

SH500-68
ANNEX J.07

TENTATIVE FORECASTS OF VALUE OF WORLD REQUIREMENTS FOR CIVIL AIRCRAFT WITH ALTERNATIVE DIVISIONS OF MEDIUM HAUL TRAFFIC

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>1985 Value (£M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.747</td>
<td>1500</td>
</tr>
<tr>
<td>AIRBUS</td>
<td>7000</td>
</tr>
<tr>
<td>CONCORDE</td>
<td>1500</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>36%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>3.5%</td>
</tr>
<tr>
<td></td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>3.5%</td>
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<tr>
<td></td>
<td>27%</td>
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<td>15%</td>
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<td>15%</td>
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<td>35000</td>
</tr>
<tr>
<td></td>
<td>40000</td>
</tr>
<tr>
<td></td>
<td>45000</td>
</tr>
</tbody>
</table>

LONG HAUL ROUTES: APPROX. £16,000M
35%
100%
VALUE OF WORLD MARKET (INCL. LONG HAUL ROUTES): £45,000M
3.5%
35%
B.747: £1500M
AIRBUS: £7,000M 250/300-st.
CONCORDE: £1500M
27%
15%
NOTE 1. THESE FIGURES DO NOT INCLUDE BUSINESS & AIR-TAXI AIRCRAFT.
2. THESE FIGURES INCLUDE VALUE OF SPARES.
Effects of Cancellation of Individual Projects

Concorde

1. Concorde is the most advanced civil aircraft project in being in the world, and it is the largest industrial investment this country has ever made. It is 5 years ahead of the American S.S.T., and is the one major advanced technological project in which European applied technology is demonstrably ahead of the American. To see Concorde flying on the air routes of the world years before any American S.S.T., would be a great boost for British and European technology and for national self-confidence.

2. Concorde currently accounts for about 13,000 jobs in the UK. About 6,500 are with BAC (out of that Company's total pay roll of 30,000 on aircraft work) 3,500 with the Bristol Engine Division of Rolls Royce (out of a total pay roll for the Rolls Royce Group of 73,000), and about 3,000 with equipment firms. Geographically, the heaviest concentration (7,800) is in Bristol (4,300 out of the 7,300 BAC employees there and 3,500 out of the 14,500 Bristol Engine employees). As the table at Annex A shows, and as the production of Concorde gets into full swing, these numbers will increase steadily to reach a peak of about 30,000 in the early 1970's in the two main firms with thousands more in equipment firms.

3. The British share in the development and production of the Concorde airframe is being undertaken by BAC Filton, with a small part of the work detached to Weybridge. The Concorde is Filton's only major project and, if it were to be cancelled, BAC would almost certainly close down Filton and concentrate the remaining work (subcontracted from other divisions) on their Weybridge factory thereby reducing the 2,000 redundancies that would otherwise occur there. The closure of Filton would mean the disappearance of an advanced industrial unit (management engineers, skilled workers, specialised capital facilities) built up over 50 years, at present working together on this tremendous national (and international) project.

4. The engine for Concorde, the Olympus 593, is being developed at Patchway, Bristol. It is the only civil supersonic engine under development in the UK. The other major engine being developed by the Bristol Engine Division at present is the Pegasus engine for the military Harrier. Work on this and a number of more minor projects could keep the Patchway Plant development team alive, but the cancellation of the Olympus 593 would reduce the unit appreciably in size, importance and technical ability and would be a serious loss to the combined Rolls Royce/BSE.

5. The size and severity of the cut back on the production side would be alleviated to the extent that Rolls Royce chose and were able to transfer work to Bristol from their many outside sub-contractors. As the new engine programmes go ahead the Derby and satellite plants of Rolls Royce, which are already short of skilled labour, will be increasingly stretched and in the next few years there should be scope for transferring production work to Bristol; we would expect the Company to do this as far as possible. Nevertheless, work of this kind cannot be shifted or generated overnight and cancellation of the Olympus 593 would certainly give rise to an immediate loss in excess of 3,000.
6. In addition to the airframe and the engine, 3,000 workers are involved on the development and manufacture of equipment for the Concorde in the UK. In all, over 40 major firms in this country, including Elliotts, HSD, Ferranti, Ultra and the Dowty Group, are involved to a greater or lesser extent. The wide geographical spread of this employment is shown in the map at Annex B. The concentration in any particular area is not particularly high, but here again the main cause for concern would be the loss to the companies of advanced technological work and the effect that this could have on their ability and will to remain in the front line of technological advance.

7. The cancellation of Concorde for valid technical reasons in agreement with the French would be a major failure for European technology. But its unilateral cancellation for other reasons would have the most serious repercussions on the whole industry (airframe, engine and equipment) and on our standing in Europe, and our reputation as a reliable partner. The cancellation would inflict a damaging blow to morale and confidence in the industry; and the impact would be felt throughout the advanced technological industries in the UK.

Airbus

8. The market studies that have been done, and all that has happened both here and in America since the original decision to embark on the Airbus was taken, confirm the view that the concept is right and that the world market in aircraft of this size will be large. If the Airbus project can be made into an economic one, its prospects will certainly be very good. The practical effect of cancelling the Airbus might well be withdrawal by the UK from the development and production of medium range large subsonic aircraft with their export earning and import saving potential, with repercussions upon its aeroengine capability. In this as in Concorde, the effect upon our European partners of cancellation unilaterally before it is clear that no economic project could be framed would be highly damaging.

9. Current employment on airframe design is at the moment almost entirely concentrated on the Hatfield factory of HSA, and the RB207 engine is being designed in the Derby factories of Rolls Royce. The total number of jobs which the project is sustaining at present in these two areas amounts to about 1,000. If the aircraft goes ahead into development and production, employment will rise to a plateau of about 25,000 by 1973. At this early stage in the project, it is not possible to forecast with any certainty the likely geographical distribution of the production work. The manufacture of the UK share of the airframe would almost certainly be centred upon Hatfield but it is unlikely that the area would be able to meet the peak labour demands of the early 1970's. It is likely, therefore, that a reasonable proportion of the work would be distributed amongst the other factories of HSA, such as Brough, Hamble, Chester, all of which may be facing work shortages in that period. Without the production work which the project would involve or work on a similar project, HSA would face considerable contraction and plant closure in the early 1970's. Moreover, unless the project was replaced there would be insufficient work to sustain the company's main civil design team, which is based at Hatfield and this might have to be disbanded.
10. The situation on the engine side is even more difficult to predict. If their expected engine programmes go ahead, Rolls Royce will be extremely short of capacity over the next decade and even with substantial productivity increases they will be unable to cope with their orders without substantial subcontracting. It is not possible therefore to predict where and how many potential jobs would be lost if the RB.207 programme were cancelled.

Advanced Combat Aircraft

11. Abandonment of the advanced combat aircraft project (as either a national project or a collaborative project in which Britain played a leading part) would have the most serious long term consequences for the technical viability of the industry (airframes, engines, and equipment). Once the capability of developing advanced military aircraft was lost it would be a long and costly process to replace it. The effects would spread into the engine and equipment industries as well as the airframe industry and into the ability of any of them to maintain themselves in the forefront of technological advance which in the longer term, is essential if Britain is to maintain a viable civil aircraft industry, with its import saving and export earning potential, in a rapidly expanding market.

12. Current employment on an advanced military aircraft is still small and restricted to preliminary design work at BAC (Warton) and at Rolls Royce (Patchway). Depending on the eventual UK share of the total project package, it could reach a peak of approaching 20,000 in the mid 1970s. Without an advanced combat aircraft, the design team at Warton would quickly break up and with it the UK's capability of producing advanced combat aircraft.

13. A considerable degree of commonality has been established between the RAF Operational Requirement for an advanced military aircraft and the requirement for a multirole aircraft to replace the F104 aircraft at present in service in several Western European nations and Canada. International discussions are now taking place about the possibility of a collaborative project to meet all requirements which in value total well over £3,000m. The abandonment of the UK advanced military capability would destroy our chances of sharing in this lucrative market.
LOCATION OF THE INLAND REVENUE SCHEDULE E
COMPUTER CENTRE FOR SOUTHERN ENGLAND

Memorandum by the Secretary of State for Economic Affairs

In his memorandum (C(68) 89) of 25th July, the Chancellor of the Exchequer has explained why he dissents from the decision of the Ministerial Committee on Environmental Planning that the PAYE Centre for Southern England should be located at Plymouth. The purpose of this memorandum is to explain why it is important that the decision of the Environmental Planning Committee should be upheld and affirmed by the Cabinet.

2. Plymouth was selected by the Environmental Planning Committee rather than Portsmouth/Southampton because a Plymouth location would accord with our regional and dispersal policies while Portsmouth/Southampton would not. The Committee appreciated the point made in paragraph 5 of the Chancellor's paper, that under the agreed programme several other Computer Centres had been or would be located in or near the development areas. But the objectives of our regional policies include a better distribution of office employment in all parts of the country. Although the Inland Revenue Computer Centres will make a useful contribution towards this in Scotland, the North and in South Wales, this does not, of itself, mean that the opportunity of assisting the South West Region should be ignored.

3. In paragraph 2 of his paper the Chancellor refers to the additional expense and delay which would occur if the Centre were established at Plymouth instead of Portsmouth/Southampton. It would understandably be easier for the Inland Revenue to set up a Computer Centre at Portsmouth/Southampton as they have more staff in the area. But the delay is a less clear-cut question. This is based on an official estimate looking ahead to the late 1970s on which it was difficult to agree basic assumptions, particularly as in this case they look so far ahead. It could well be that the Plymouth office could, in practice, be set up more quickly than envisaged in the estimates.

4. Moreover, the theoretical delay resulting from locating the Centre at Plymouth would be approximately the same as that involved in setting up the Edinburgh Centre. On this, the Report of the Official Committee on Dispersal explained that the Inland Revenue staff would prefer Edinburgh to any other site in or near a development area; thus there was reason to hope that the delay might in fact be significantly reduced at this location. Plymouth also is an attractive location for
staff and there seems no reason to doubt that if the Inland Revenue took steps to emphasise this to their staff, the delay could be reduced in much the same way as for Edinburgh. The attractiveness of Plymouth also makes it hard to accept the Chancellor's view that it would be more difficult to persuade staff to transfer to Plymouth or that the inclusion of Plymouth in the programme, instead of Portsmouth/Southampton, would significantly affect the attitude of the staff to the scheme as a whole.

The Advantages of Plymouth

5. Although on general grounds of regional policy Plymouth is to be preferred to Portsmouth/Southampton, it may assist my colleagues if I set out a few of the more specific reasons why this Computer Centre should be located at Plymouth.

6. The objectives of dispersal policy include the removal of work not only from the London area but also from the South East Region. The work to be centralised in the Southern Computer Centre is now performed in local offices partly in the South East Planning Region and partly in the South West Region. If the Centre were to be located in the Portsmouth/Southampton area we should, in fact, be transferring some work from the South West to the South East Region.

7. We must also have regard to the South West Planning Council. The Government's reply to the Draft Strategy prepared by the Council, accepted, in principle, that growth in Plymouth would be beneficial to the South Western Development Area as a whole. Although we refused the Council's recommendation for full development area status, we recognised the need for assistance to Plymouth on account of its importance as an urban centre for the whole of the far South West and promised to take every opportunity of moving Government work there.

8. As was apparent from discussions with my colleagues about the Council's recommendation, it will continue to be far from easy to provide effective answers to the problems of Plymouth and the Development Area. It is not an area that is basically attractive to industry, with its limited industrial base. It is heavily dependent on defence employment and the recent decision to divert the Joint Anti-Submarine School from Plymouth to Portsmouth is an indication of the difficulties that we shall have in maintaining, let alone increasing the level of defence employment. The Computer Centre with its considerable opportunities for clerical employment would make a major contribution to Plymouth's problems.

9. We have recently been obliged to refuse the proposal for the development of the West Dock at Bristol, a project which was strongly supported by the South West Economic Planning Council. This was a serious blow to the Planning Council because it was a rejection of the second of their major recommendations and makes it all the more important that we should honour our undertaking to them by providing more Government office employment at Plymouth.
10. But possibly the strongest reason for not locating the Centre at Portsmouth/Southampton lies in the recent announcement of the Government's acceptance of the large-scale development put forward in the South Hampshire Study. The Minister of Housing and Local Government's announcement on 10th July explained that the growth of the South Hampshire area would be based on existing industry, or industry tied to the South East, together with office development. The Government made it clear that the area would not be allowed to attract industrial and office expansion which would otherwise be suitable for the development areas and that it would ensure that the planning of the area would be consistent with the Government's regional policies. It would be quite contrary to the underlying intention of this recent announcement to allow the Southern Schedule E Centre to be set up in Portsmouth/Southampton.

Conclusion

11. Although there are some practical difficulties for the Inland Revenue in locating the Southern PAYE Centre at Plymouth instead of at Portsmouth/Southampton, the Environmental Planning Committee did not regard these difficulties as being insurmountable. The objectives of our regional policies must be seen to be furthered in our decisions and I invite my colleagues to endorse the decision reached by the majority of the Environmental Planning Committee that the Centre should be located at Plymouth.

P.S.

Department of Economic Affairs, S.W.1.

29th July, 1968
C(68)95

30th July, 1968

CABINET

SONIC BANGS

Note by the President of the Board of Trade and the
Minister of Technology

The Cabinet may wish to have before them for information in the
context of our discussion of Concorde the annexed memorandum which
we intend to circulate to the Home Affairs Committee.

C.A.R.C.
A.W.B.

Board of Trade, S.W.1.

30th July, 1968
SONIC BANGS

Memorandum by the President of the Board of Trade and the Minister of Technology

Exercise Summer Sky

Last July, following a decision by the Home Affairs Committee (7th April (H(67) 10th Meeting), a sonic bang exercise was carried out over southern England. Over a period of two and a half weeks, a total of eleven bangs were made (two over Dorset, five over the Bristol Channel area, and four over the London area). The bangs were kept to a nominal intensity of 1 lb/sq.ft., which is about half what may be expected from Concorde. Each bang over Dorset was heard by about a quarter of a million people, those over the Bristol Channel area by about one and a half million people, and those over the London area by about eleven million people. Of this total of nearly thirteen million people, about 12,000 people complained, 9,600 of the complaints coming from the London area. Nearly 800 claims for compensation for damage were received, about 500 of which have been accepted involving some £3,600.

2. A factual report on the exercise has now been prepared. It has confirmed a number of points about sonic bangs, viz:-

(a) Although one can readily imagine circumstances in which a person or animal being startled by a bang results in an accident causing death or serious injury or damage, the chances are remote - at least with bangs of the intensities in question.

(b) Although it is possible that a person may be in such a delicate state of physical or mental health that a bang may trigger off his existing weakness, the likelihood is not great.

(c) Some damage to property already in a weak state (and thus already in danger of damage from other more usual causes) may be triggered off. Although this risk is not large, it cannot be dismissed as negligible.

(d) Some people are made apprehensive by the prospect of bangs. Some are frightened by the bangs themselves. Many people are annoyed either by the prospect or by the bangs or both.

(e) People's reactions to a sonic bang test are much affected by the fact that it is a test. The degree of anxiety or annoyance engendered by a test should not be assumed to offer a firm guide, one way or other, to the reaction to be expected from bangs from supersonic aircraft in regular airline service.

From the beginning, we recognised publicly that the exercise was of limited value and that we could expect to discover little new about subjective reaction to SST operations. Its main purpose was to serve as a pointer to the desirability of undertaking a larger scale exercise.
3. The American authorities have become disillusioned with tests in which the public is exposed to sonic bangs with the overt purpose of determining their reaction to them, for the reason mentioned in paragraph 2(e) above. The French have never had tests specifically to gauge the probable reactions of the general public to sonic bangs from SSTs; their work has been a by-product of normal military activity, and they intend to pursue this policy.

4. We do not believe that further tests for the specific purpose of testing public reaction would be worthwhile. Our reasons are as follows:

(a) Because people's reactions are so much affected by the fact that they are being tested, even the most subtle use of opinion surveying techniques would be unlikely to give a reliable indication of reaction to regular supersonic operations.

(b) A major test would have to be preceded by controversial legislation.

(c) We could use Lightnings to make bangs as loud as those to be expected by Concorde, but because Lightnings are much smaller, the quality of the bang is different. We might be able to borrow from the Americans large military aircraft which would produce bangs closer to those of Concorde, but even so there would be differences. The Concorde prototypes themselves will not be ready to fly supersonically before the summer of 1969.

(d) To be meaningful, further tests would have to extend over a long period and work up to several bangs a day. If we could persuade the Americans to lend us aircraft, they are likely to be few and available for only a short time. Making several bangs a day with Concorde during the next few years could only be done to the grave detriment of the Concorde development programme itself.

(e) The combination of (c) and (d) means that we could have tests that represented the intensity and frequency of the bangs to be expected from Concorde (by using Lightnings) or we could represent the quality approximately (by using an American aircraft) or fairly exactly (by using prototype Concorde) but we could not represent the number of bangs and their character at the same time.

(f) If further tests were to be accompanied by a social survey, this would have to be based on a fairly small sample of the population, and the tests would have to be confined to a fairly small area, because we could not justify exposing a few million people to bangs simply in order to obtain the reactions of a few thousand selected from among them. The political difficulty of selecting one small area for intensive and prolonged testing would remain.

5. Although it is not practicable to direct Concorde prototypes from their essential test flying programme specifically to make sonic bangs over populated areas, some test flying will have to take place over land at supersonic speed. Provisional routes have been selected with the aim of causing the minimum disturbance. Supersonic flying over these routes is likely to start in the summer of 1969 at the rate of about one flight per week. These flights might give some indication of public reaction, but they would of course be unrepresentative of the situation to be expected when SSTs were in airline operation.
6. Much work is already in progress or planned on what might be called the 'physics' of the problem, as distinct from its social aspects, and there are exchanges of information on this with the French and the Americans. This will continue, but the filling in of gaps in our knowledge of the physics will not help much in deciding on regulations. The important problems now are in the realms of politics, international relations, law and the social sciences, not in those of the physical sciences.

The regulation of supersonic flight by civil aircraft

7. Officials of our two Departments have been considering what restrictions if any should be imposed on flights by supersonic civil aircraft over this country. A report has been prepared which describes the nature of the sonic bang and the physical and sociological effects; assesses the likely disturbance in terms of the number of bangs that would be heard daily if there were no restrictions; and examines the various types of restrictions that might be imposed, the economic implications both for the airlines and for sales of Concorde, and how restrictions might be enforced.

8. The report recommends and we agree that the focussed bang at the beginning of the transonic acceleration stage should be prohibited over the United Kingdom. This is relatively straightforward. The more difficult questions are:-

(a) what additional restrictions, if any, should be imposed on supersonic flights over the United Kingdom;

(b) the timing and announcement of our decision.

Restrictions in the Cruise Stage

9. The choice lies between a complete ban on overland supersonic flights and the acceptance of some disturbance, kept down to a certain number of bangs a day by distribution of the traffic over a number of routes. The establishment of sufficient routes to reduce the disturbance to say five bangs a day would present formidable air traffic control problems, and it is by no means certain that such a scheme could be made to work in practice. This can only be determined by a detailed examination with the ATC authorities in the other countries concerned on both sides of the Atlantic.

Timing of a Decision

10. The factors to be considered in the timing of the decision are:-

(a) the need to ensure that the necessary air traffic control and operational facilities are ready by the time Concorde comes into service and

(b) the effect that a premature announcement of restrictions on supersonic flights would have on the sales prospects of Concorde.

11. Officials estimate that it will be late 1972 before Concorde enters service and this has eased the pressure somewhat on the need for an early decision for (a) above.
Nevertheless it will take at least two years to install the necessary facilities once a traffic system for supersonic flights has been agreed. This system has to be settled internationally and the planning and process of international discussion inevitably takes a long time. The planning also has to be fitted in with the programme of ICAO meetings and the detailed plan will have to be settled at the North Atlantic Regional Air Navigation Meeting which is scheduled to take place in April/May 1970. It would be prudent to allow at least a year for discussions, prior to this meeting, with our Eurocontrol partners and in the ICAO North Atlantic Systems Planning Group. There is, therefore, a real possibility that if decisions are not taken by the Spring of next year on the pattern of supersonic flying over or around the United Kingdom the necessary facilities will not be operational in time in all the countries concerned.

12. On the other hand, the effect of restrictions on supersonic flights over land cannot be assessed with any accuracy without information on the performance of Concorde and its overall viability, (nor can we make a final assessment of the severity of its sonic bang until some supersonic flying has been done). Sufficient flight experience of the aircraft to enable these judgments to be made will not be available until the Autumn of next year. An announcement that the United Kingdom were to impose restrictions on supersonic flights, if made before potential purchasers has had a chance of assessing the aircraft’s viability, might be extremely damaging to sales prospects.

Conclusion

13. In considering the problem it will be necessary to weight the inconvenience likely to be caused to the public by sonic bangs as against the likely value of Concorde exports. The object of this paper is not to ask for a decision now but to bring the problem to the attention of the Committee and to recommend that, in the light of paragraphs 10-12 above, the position should be reviewed at the end of this year. By then further information may be available about the attitude of other States towards supersonic flights over their territories. The matter is, in fact, likely to be discussed at the ICAO Assembly in September. By the end of the year further information will also be available on the development of Concorde and on the date by which it is likely to come into service.

C.A.R.C.

A.W.B.

Board of Trade, S.W.1.
30th July, 1968.
Note

It is intended to raise the subject matter of the attached paper at Cabinet on Thursday, 1st August, 1968.
CABINET

LONDON DOCKS: SHIPS CLERKS' PAY

Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

As background to the discussion on the pay of ships clerks in the Port of London, it may be useful for my colleagues to have a short note on the negotiations which have taken place.

2. At decasualisation in December, 1967 the 1,500 ships clerks who undertake clerical duties in offices and on the quays in the Port of London received an increase of over 20 per cent in their basic weekly wage consisting of two elements: (a) the £2 per week modernisation payment which all registered dock workers received on decasualisation and (b) an improvement in the ships clerks' basic rate in return for certain productivity measures additional to the general elimination of restrictive practices associated with the casual system of employment. These brought the ships clerks' basic wage up to £21. 1. 8. The agreement provided for review of ships clerks' pay in September, 1968.

3. The ships clerks have nevertheless been pressing for an increase since March on the ground that their position relative to dockers (most of whom get piece-work earnings, whereas ships clerks are time workers) has worsened and that the duties of those ships clerks who work on modernised berths have become more onerous. The two sides reached a provisional agreement last week which provides for an increase of 15 per cent which gives a basic weekly wage of £24 in return for a number of productivity measures. This agreement, which is intended as an interim settlement pending the wider productivity deal envisaged under stage II of the Devlin recommendations, is subject to ratification by a meeting of ships clerks next week. No date for implementation of the agreement has yet been fixed.

4. The employers have not yet produced an assessment of the productivity gains. It is not possible, therefore, to say whether there is adequate justification for the substantial increase agreed, though on the face of it this seems unlikely.
5. It will be necessary for my Department to seek a detailed assessment of the anticipated productivity savings and to discuss this as soon as possible with the two sides. If from these discussions it appears that there is inadequate justification for the 15 per cent increase agreed, there will be a strong case on prices and incomes grounds for pressing the two sides to make the agreement more satisfactory. This case is reinforced by the importance of the clerks as pace setters in last year's decasualisation settlement and the likely repercussions of the present proposed settlement on the pay of dockers generally in London and in other ports. I am proposing therefore that my officials should explore whether the two sides can be persuaded to accept changes in the agreement which would bring it more into line with incomes policy. If, however, in the event of their refusing to do so, we attempt to prevent implementation of the agreement, there will undoubtedly be a serious risk of an almost total stoppage of the Port of London and of serious damage to exports.

6. We need to decide therefore whether in the light of the President of the Board of Trade's report on the effectiveness of possible countermeasures whether the risk of industrial action should be accepted in preference to the damage to incomes policy which implementation of the agreement will involve.

B.A.C.

Department of Employment and Productivity, S.W.1,

31st July, 1968
CABINET

CZECHOSLOVAKIA

Note by the Deputy Secretary of the Cabinet

By direction of the Cabinet (CC(68) 38th Conclusions, Minute 1) I circulate the transcript of the television interview given by the Secretary of State for Foreign Affairs on 21st August, 1968.

(Signed) J. J. NUNN

Cabinet Office, S.W.1.

23rd August, 1968
P.S. What is Britain going to do about this?
M.S. Well the British Government's policy has been first to maintain the strength and efficiency of the North Atlantic Alliance. It's because that alliance exists that many countries, members of it, are not subject to what Czechoslovakia is subject now. But at the same time our policy has been to make it clear that this alliance is not an alliance for aggression. That we sought conciliation with the Soviet Union and her allies. We sought it in minor things, like consular conventions, in greater things like practical proposals for disarmament. All that work for conciliation is now halted, set back, disappointed by the Russian action in Czechoslovakia.

P.S. Are you suggesting that NATO is now going to take some sort of action?
M.S. Our immediate job is to make it clear to the whole world that the responsibility for this lies on the Soviet Government and that we shall do in the forum of the United Nations.

P.S. Is that all you're going to do, Mr. Stewart?
M.S. Well at the, don't underestimate this. There is to be a meeting of the Security Council and already ourselves, the United States, France, Brazil, Paraguay, Canada, Denmark, all members
of the Security Council, are asking for this meeting, when we shall make clear what the real position is and where the responsibility lies. In the meantime we must maintain the strength of the North Atlantic Alliance. That's why the British Government recently increased its commitment to that alliance.

P.S. Does all this moving of the U.N. make any difference when we all know that the Soviet Government will probably veto any resolution ...

M.S. It cannot make immediate difference unhappily to the situation in Czechoslovakia. It can make very great difference in time on the way in which the whole world and country after country which has been trying to decide where its sympathies lay. They are going to be influenced.

P.S. Is any action going to be taken?
M.S. ... by what is said and done in the United Nations.

P.S. Do you think any action will be taken?
M.S. If you speak of military action ...

P.S. Sanctions?
M.S. ... we've got to recognise that this is not a possibility. I think everyone understands that. Action means action to convince the whole world with whom they have got to work if they want world peace.

P.S. What about sanctions?
M.S. I don't think that arises, at any rate at this
P.S. Why not?

M.S. Well you've got to look at the practicalities of the situation. Czechoslovakia was a communist country within the Warsaw Pact. There's not one to which we were pledged as we are pledged to our NATO allies. The terrible thing is that the Soviet Union can treat one of its own allies in this way. If it does that, how can they expect those who are not its allies to trust it?

P.S. Might it do the same somewhere else, might it do this to Rumania do you think?

M.S. Well, what would you give for the security of any country which is not a member of the North Atlantic Alliance and is within reach of the Soviet Union? This must be the question many countries are asking. I wouldn't add more than what I've said about that.

P.S. If Russia does take this kind of action against another country is there still nothing we can do except make a big fuss in the world for that country?

M.S. Well you mustn't describe it as merely making a big fuss. We have to recognise that our own alliance has certain duties and powers which it will rigidly uphold but which it cannot go beyond. Apart from that there is a chance of explaining to the whole world where the justice of this matter lies.

P.S. Thank you very much, Mr. Stewart.
In this paper I review the problems facing the Government following the breakdown of wage negotiations for manual workers in the engineering industry. I attach as an Annex an account of the course of the negotiations up to the final breakdown on 26th July and information about the costs of the claim and the final offer.

Events since 26th July

2. The Ministerial Committee on Prices and Incomes reviewed the situation at its meeting on 30th July and decided that the Government should not at that time intervene in the dispute.

3. At a meeting on 30th August, 1968 the National Committee of the Amalgamated Engineering and Foundry Workers' Union (AEF) decided by a vote of 31 to 30 to call a strike in support of the claim from the 23rd September. This decision was critically received by some of the other unions in the Confederation of Shipbuilding and Engineering Unions (CSEU). Informal conversations I had in Blackpool at the Trades Union Congress showed that even within the AEF moderates like Mr. Boyd and Mr. Simpson would be ready to settle for a good deal less than Mr. Scanlon is insisting on. This is true also of moderate leaders of other Unions like Mr. Cannon. However at a meeting on 9th September leaders of the 30 unions in the CSEU passed a resolution in favour of strike action but they postponed the date till 21st October. Some unions, including probably the Electrical Trades Union (ETU), the General and Municipal Workers' Union (GMWU) and the Boilermakers' Union, as well as some of the smaller unions are balloting their members on the strike issue. At a meeting in York on 12th September the Executive Council of the CSEU endorsed the strike decision.

Tactics and Timing

4. The immediate question for consideration is whether the Government should intervene and if so, when. Neither side has requested intervention but it is evident that with such long notice of the intention to strike there will be pressure for the Government to seek a means of avoiding the strike.
5. Private soundings of the Engineering Employers' Federation (EEF) indicate that their present attitude is to stand firm, to make no approach to the unions with a prospect of an increased offer and to hope that the Government will not intervene. The EEF feel that at present an initiative on their part or Government intervention would only strengthen the hands of the militants and dishearten those union leaders who would wish to avoid a strike and reach a settlement on moderate terms.

6. Union opinion appears to be against any further approach to the EEF but is divided on the question of Government intervention. George Barratt, General Secretary of the CSEU, had indicated privately and off-the-record a strong wish for intervention; but that is a personal view. Mr. Cannon by contrast has made it clear to me privately that he is strongly opposed to intervention in advance of the ballots which his and other moderately minded unions are arranging, on the ground that intervention would play into the hands of the militants and could even by suggesting weakness, produce a hostile result in the ballots. Mr. Scanlon's views are not known, but in view of the division in the union ranks he might favour intervention if (as Mr. Cannon thinks) it would help to produce a result favourable to his cause.

7. The Government will increasingly find it difficult to appear to be standing by inactively as the threat of a major strike approaches. At the same time premature action likely to weaken the employers and to favour the militants and undermine the efforts of the moderates among the unions must be avoided. Negotiating attitudes could be more realistic under the pressure of a more imminent threat of disruption. We cannot be certain how the ballots will go and how this might affect the situation. They might show results for or against the strike or come up with conflicting answers. The voting might be light. The results themselves will not be available for some time. The ETU result is expected in the first week of October.

8. The time for Government intervention must be when tactically there seems the best hope of achieving a successful result without undermining the incomes policy. I do not think this is the right time. It is clear from the figures in the Annex that the employers' offer is already approaching the limits admissible under the White Paper. I am, however, considering and having costed possible alternative bases for settlement which might be put forward when the time is right. These include both adjustments of the current offer and the possibility of a new approach, such as a shorter term agreement if that would offer more opportunity for accommodation and manoeuvre. I shall keep in close touch with the situation and consider in the light of developments when the Government might best be expected to produce useful results.

9. I invite the comments of my colleagues on this appraisal of the situation and on my recommendation that for the moment there should be no Government intervention but that I should prepare an assessment of possible alternative bases for settlement.

B. A. C.

Department of Employment and Productivity, S.W.1.

17th September, 1968
1. The last package agreement between the Engineering Employers Federation (E.E.F.) and the Confederation of Shipbuilding and Engineering Union (C.S.E.U.) came to an end, with consolidation, on 1st January 1968. It established the following minimum time rates with minimum piece-work standards 15% higher:

- Skilled Fitters 257s. 8d.
- Labourers 217s. 4d.
- Adult Women 198s. 6d.

2. On 31st March 1967 the C.S.E.U. formally presented a claim for a new long term agreement to include a general pay increase, a substantial increase in basic rates, a reduction in normal hours, increased overtime pay, longer holidays, non-contributory sick pay and pensions scheme, improved shift premiums, equal rates for men and women and improvements in the guaranteed week agreement. The C.S.E.U. was led by Mr. John Boyd. In making the submission shorter hours and provision for sick pay and pensions were not pressed.

3. Following a reference to the National Board for Prices and Incomes (N.B.P.I.) for examination of the 1964 Long Term Agreement and a separate reference of staff workers pay and conditions, the N.B.P.I. issued a first report in December 1967 (Command 3495). The Board commented on the problems which arose from anomalous pay structures and fragmented bargaining in the industry and recommended, in respect of manual workers, that there should be no general increases (since it would reduce the provision for improving the position of the lower paid and dealing with anomalies) but that, nationally, there should be a one year agreement raising the basic rates by means of minimum earnings levels (M.E.L.s) by 36/- (skilled men) to 30/- (labourers and women). The cost was estimated at 2% of the wage bill. Domestic increases were to be determined against criteria based on the guidelines for productivity agreements, and firms should be allowed to use up to a further 2% of their wage bills to rationalise wage structures and begin an attack on wage drift. These recommendations were denounced by the trade unions as going beyond the N.B.P.I.'s terms of reference.

4. The E.E.F. consulted its constituent members and met the C.S.E.U. on 27th March 1968 to reply to the claim. Mr. Scanlon had now replaced Mr. Boyd in leading the C.S.E.U. The E.E.F. offered to negotiate on the basis of measures to increase productivity and efficiency coupled with increases in minimum earnings levels and discussions on the guaranteed week agreement. Negotiations nearly broke down at that point.
5. At subsequent meetings on 10th and 18th April the E.E.F. put forward a further offer of a three-year agreement giving a series of increases in minimum earnings levels over the period and totalling 50/- (skilled) to 30/- (unskilled and women). They also proposed to lift the guaranteed week to 40 hours. In return the employers sought:

   (a) Agreement in principle on the most effective use of resources
   (b) Domestic bargaining to be based on agreed criteria and practical cost considerations
   (c) The acceptance of the principle that training could take place at any age

   The duration of the agreement and the bargaining rights during its currency would also be specified. Piece work basic rates and the minimum piece work standards would be left for further discussion.

6. The offer was rejected by the C.S.E.U. which put forward a counter claim for

   (a) A substantial general increase
   (b) A minimum basic rate of £20 for skilled men after three years
   (c) Additional holidays
   (d) Progress towards equal pay for women

7. The executives of the C.S.E.U. constituent unions considered the position at a meeting on 1st May 1968 and recommended a one day strike with the possibility of further action. At the A.E.F. National Committee meeting, which the First Secretary addressed, Mr. Scanlon had pressed for a mandate for more widespread industrial action but the Conference voted only for a one-day token strike and most of the other unions also resisted further action. The strike took place on 15th May 1968, and was well supported. In notifying the E.E.F. of the recommended strike action the C.S.E.U. kept open the possibility of further meetings, at any time and in replying the E.E.F. expressed willingness to continue negotiations in an atmosphere free from duress. Meanwhile, in separate negotiations the Shipbuilding Employers had offered two general increases each of 6/- (skilled), increases in M.E.L.S and two days additional holiday in return for productivity concessions.

8. The C.S.E.U. took no decision on the question of further industrial action and the E.E.F. entered into informal soundings to test union reaction to the kind of deal they had proposed and try and ascertain their minimum demands. These soundings led to agreement on a basis for resuming informal negotiations which would include discussion of a general increase, an offer on holidays, further negotiations on the increase in minimum basic rates and an examination of equal pay.
9. Following a policy decision the E.E.F. met C.S.E.U. representatives in an informal meeting, at Weymouth, on 24th June 1968 and offered a three year agreement giving, eventually, time rates of £17 (skilled) £13 (labourer) and £12 (adult women) with two stage general increases (12/- in total, for skilled men and pro rata for other grades) and three days of additional holiday by 1971. The offer was badly received by the unions but a further informal meeting was arranged for 18th July.

10. At this meeting the E.E.F. negotiators had authority to improve their offer up to a skilled rate of £18 and general increases of 15/- if there was an indication of willingness to compromise by the other side. There was no sign of this although the E.E.F. slightly improved the offer on the minimum rates (see para. 13) and the discussion ended, without agreement, on a decision to call a formal meeting of the full negotiating committee on 26th July 1968. On 18th July the E.E.F. learned, for the first time, that the unions thought the general increase should be 30/-.

11. No progress was made at the formal meeting on 26th July which ended in failure to agree.

12. At the negotiating meeting on 26th July the E.E.F. formally set out their last offer as:

(a) three additional days of holiday, one in 1969, one in 1970 and one in 1971 (1.25%)
(b) general pay increases in two stages in 1969 and 1970: 12s. Od. (total) for skilled men and pro rata for other grades (3.4%)
(c) progressive increases in N.E.Ls, leading, together with the general increases, to the following minimum basic rates after three years -
   Skilled Fitter £17 10s. Od. Labourer £13 7s. 6d. Adult Women £12 6s.
   (0.73% for the N.E.Ls, 3.6% on consolidation into basic rates)

The above calculations of the percentage cost are those made by the E.E.F. (and not disclosed to the unions) and total 9% over three years of the proposed agreement (3.0% per annum) or, assuming implementation from September, over three years and nine months (2.4% per annum) since the end of the last agreement.

13. The E.E.F. also quantified their understanding of the C.S.E.U. claim as:

/ (a)
(a) A general increase of 30s. for skilled men and pro rata for other grades (8½%).
(b) Three days of additional holiday (1½%).
(c) A minimum rate for skilled men of £20 after three years with the labourers' rate not less than 80% of this and parity with the labourer for the women's rate (9½%).

The total of 15½% over three years was put at an additional cost to the wage bill of £275 million per annum.

14. The percentage calculations relate only to the bare minimum cost of applying the minimum provisions of the E.E.F. offer or the C.S.E.U. claim (e.g. raising only those on lower earnings to the M.E.£s). There will, however, be consequential changes as a result of the effect of the M.E.£s on piece-work schemes and the differentials in immediate work groupings. There are also likely to be some further repercussions. It is not possible to make close estimates of these additional costs.

15. The attitude of the E.E.F. to further concessions on the question of basic rates is conditioned by the practical effect on the cost to those of their members who employ large numbers of women especially in the light electrical industry. The minimum earnings provisions would have the greatest effect on women's earnings, would have some effect on the earnings of unskilled men, but would affect semi-skilled and skilled men to a lesser degree. On the present minimum basic rates the labourers' rate is 80% of that of the fitter and the women's rate is 91% of the labourers' rate. The general unions and especially the T. & G.W.U. have said that they are not prepared to see any worsening of the women's proportion or the labourers' rate reduced below 80% of the skilled rate. An improved offer on the skilled rate would therefore mean comparable changes for other grades and increase the cost of an agreement since the effect of the M.E.£s on costs rises disproportionately as they are increased. Any further improvement in the M.E.£s would virtually be a general increase for women in the light electrical section of the industry. Raising the offer to a £20 skilled rate (and maintaining these differentials) would mean another £2 on the women's rate. G.E.C. have estimated that the last E.E.F. offer would add 20% to their wage bill.
16. An agreement between the E.E.F. and the C.S.E.U. would have repercussions on many new federated engineering firms and in other industries. The Shipbuilding negotiations would probably lead to a similar conclusion and comparable agreements are likely in light castings manufacture, brass and copper rolling, constructional engineering and vehicle building. The Wages Councils in holloware manufacture, keg and drum, tin box manufacture, and stamped and pressed metal wares would probably follow. Engineering maintenance workers in other industries and the public sector would be affected to some extent. Federated engineering firms employ about 1½ million manual workers and including non federated employers the total is about 2½ million. With repercussions the pay of some 3 million workers might be affected by an agreement, directly or indirectly.
CABINET

A NATIONAL HYDROCARBONS CORPORATION

Memorandum by the Minister of Power

The recently published report of the Labour Party Fuel Study Group, making detailed proposals for setting up a National Hydrocarbons Corporation, may be discussed at this year's Party Conference and we ought to decide what line any Government speaker should take.

2. The previous report published a year ago recommended that a National Hydrocarbons Corporation should be set up with the main object of bringing a substantial part of future operations in the North Sea into the public sector, without interfering with existing private interests. This proposal was at no time considered by Ministers collectively and we have never taken a view on its merits. I understand that the present Minister of Transport, who was at the time Minister of Power thought it, and the ideas underlying it, needed consideration but that the Government should certainly not become committed to the proposal at last year's Conference and without much fuller examination. The National Executive Committee, however, presented a statement endorsing the proposals in broad outline, which the 1967 Conference approved. The Study Group was reconstituted to examine certain issues in greater detail. The present report deals with the organisation and financing of the National Hydrocarbons Corporation and its relations with the Gas Council. The Group propose to consider in a subsequent report the longer term implications for the domestic oil industry and the international potential of the Corporation.

3. Whatever we eventually decide about the broad concept of a National Hydrocarbons Corporation, I have most serious misgivings about the detailed proposals in the present report, mainly because of the effect they would have on our announced plans for the gas industry and the exploitation of natural gas. The Study Group proposes that responsibility for bulk transmission and storage of natural gas and for its sale in bulk to the Area Gas Boards and large consumers would be transferred from the Gas Council to the Corporation. This would be wholly inconsistent with Government policy for the future structure of the gas industry. To bring natural gas rapidly and efficiently into use firm central policy control over all aspects of the strategy of absorption from the beach to the consumer is essential. Economic and financial planning, capital investment, marketing, tariff policy, conversion of appliances, transmission
and distribution of gas must all be subject to one centrally determined strategy and policy direction whether actually carried out by the Area Boards or the Gas Council. It has already been agreed by the Ministerial Committee on Industrial Policy that this central control should be exercised by the Gas Council and my predecessor informed Parliament (on 22nd May this year) that early legislation to achieve this objective was proposed.

4. The Study Group's proposals would take us in the opposite direction. Responsibility for on-shore operations would be divided and I do not see how we could secure an effective unified strategy; there would be risk of wasteful duplication of the transmission and supply system and the marketing effect would be fragmented. Far from contributing to the rapid and efficient exploitation of natural gas, the Study Group's proposals would impede it. I made these points to George Brown in a letter before the report was published but apparently with no effect.

5. There remain the functions foreseen for the Corporation in the North Sea, and any other proposals that may emerge from the Group's further studies - which could have implications for the Government's oil and fuel policies. Only the North Sea activities are dealt with in the present report. The Study Group's prospectus is, in my view, over-optimistic particularly in respect of acreage to be released by existing licence holders. It does not pay sufficient regard to the risks associated with a venture of this kind, the heavy calls on capital and the technical problems of entering into this highly specialised field. There are a number of ways of securing a greater public stake in the North Sea without establishing a new public body. One possibility to examine would be to change the licence terms for any future concessions with the object of securing increased revenue for the Exchequer from any gas or oil found in them, while leaving all the risks with the private sector. Another alternative would be to give a more prominent role to the Gas Council, which already has some experience of North Sea operations; this might be done without the need for legislation. I do not find the Group's arguments against this course at all convincing, though I appreciate that it may not appear so attractive politically.

6. I have arranged for my officials to study these issues in greater depth, in consultation with other Departments. There is no need to reach an immediate decision. The first areas to be surrendered will not revert to the Government until near the end of 1970 and any legislation needed could be put through in the 1969-70 Session. I suggest therefore that the right course would be to take a non-committal line at the Conference and do no more than promise to study the report, perhaps sounding a warning that we see serious objection to any diminution of the Gas Council's responsibility for implementing the Government's strategy for natural gas absorption. This would have the disadvantage that Conference might reach a decision which we subsequently decided not to act on. But it would allow more time for consideration of the Study Group's proposals, and would avoid giving the impression that we had made up our minds before hearing what Conference had to say.

R.M.

Ministry of Power, S.W.1.

6th September, 1968